

**General Retirement of Patronage Capital**

**Frequently Asked Questions (FAQs)**

**1. What is "patronage capital?"**

Sawnee EMC is a not-for-profit cooperative. Patronage capital, as defined in Sawnee's Bylaws, is revenue that is in excess of operating costs and expenses in a given year. The patronage capital is used for a period of time by Sawnee EMC to operate the business and maintain an appropriate financial position as required by our lenders, Georgia law, and as directed by our Board of Directors. Patronage capital is returned to the members who provided it when the Board determines that retiring it will not financially impair the co-op.

**2. What determines if I am to receive a patronage capital refund for a particular year?**

First of all, you must have received electric service from Sawnee EMC during that year. Second, Sawnee EMC must have incurred costs less than the revenue provided in that year. If so, this would have resulted in each member of record receiving an allocation of patronage capital for that year. Finally, the Board of Directors would have to authorize a patronage capital retirement, the amount of the retirement, and other factors. The decisions of the Board are guided by law, the policies and Bylaws of Sawnee EMC, the restrictions of our lenders, the overall financial condition of Sawnee EMC, and other relevant factors.

**3. Why am I getting a refund this year since I have never received one in the past?**

A number of facts can contribute to this. This retirement is for a portion of 2002 and a portion of 2003 and no other periods. If you received electric service from Sawnee EMC for the first time in 2002 and/or 2003, then this will be the first retirement that you will be eligible to receive.

**4. Does this mean that I will be receiving a refund every year from now on?**

Future retirements will be determined by the Board of Directors based on future financial conditions, at that time. Consequently, the likelihood of future retirements cannot be predicted at this time.

**5. Why is it called a "general" retirement of patronage capital?**

All members of record receiving service in 2002 and/or 2003 are qualified to receive this patronage capital retirement. It is called a "general" patronage capital retirement because it applies to all Sawnee members of record in these years.

**6. Why are you retiring patronage capital from the year 2002 and 2003?**

Currently, 2002 is the oldest patronage capital year of record for Sawnee EMC, and the Board has elected to retire the oldest patronage capital. This approach is referred to as a "first in, first out" methodology.

**7. What conditions must exist for Sawnee EMC to make a general patronage capital retirement?**

With certain limitations, the Bylaws of Sawnee EMC assign the Board of Directors with the responsibility of establishing the rules and conditions as to "how", "when" and "under what conditions" a retirement of patronage capital is to occur.

**8. Why does my letter refer to "Other Retirements" in the amount to be possibly received?**

Occasionally, other organizations that assign Sawnee EMC patronage capital make retirements of patronage capital "outside" the window relating to Sawnee's retirement of patronage capital. When this occurs, the Board approves for the staff to retire those "Other Retirements" to the SEMC members that are due those "extra" funds at the time SEMC makes its general retirement.

**9. Why did you send this notice and then later give me a credit on my bill instead of just sending me a check?**

We are issuing a credit on your March 2020 Sawnee EMC bill for several reasons. First, we have seen an increase in the amount of fraudulent activity that has occurred relative to certain checks. Second, we have a number of Sawnee EMC members who fail to cash their patronage capital checks, and we want qualifying members to receive these funds. We sent this notice because many members that received a patronage capital refund previously told us that they were unaware of the refund or did not understand "why" it was occurring. We chose to provide additional information to recipients about this patronage capital refund to ensure they had a better understanding of the process.

**Key Facts:**

- Sawnee EMC is retiring the balance of patronage capital from 2002 and a portion of patronage capital from 2003.
- The retirement is based on revenue received from each qualifying member during this time.
- The refund will appear on your March 2020 Sawnee EMC bill.
- Learn more by viewing our short informational video at [www.sawnee.com/patronage-capital](http://www.sawnee.com/patronage-capital).

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**How Your Cooperative Works**

In the early 1930s, most rural Americans did not yet have electricity to their home or farm. As a result, part of President Franklin D. Roosevelt's "New Deal" with America was the creation of the Rural Electrification Administration (REA). The REA provided low interest loans to groups of rural Americans enabling them to form their own electric companies called "cooperatives," where the members own the cooperative, and the cooperative was formed to provide its members with electricity. Accordingly, Sawnee EMC, as a cooperative, allocates to its members all revenues in excess of operating costs and expenses and returns patronage capital as described above.

Although Sawnee EMC now serves more members, it is structurally the same company as it was when it was created in 1938, and patronage capital retirements can occur, as approved by the Board. Because you were a member of Sawnee EMC during 2002 and/or 2003, your allocated and unretired patronage capital for these years are being refunded at this time.