

# SAWNEE ELECTRIC MEMBERSHIP CORPORATION

## POLICY NO. 303

### SUBJECT: RETIREMENT OF PATRONAGE CAPITAL TO ESTATES OF DECEASED MEMBERS ON A DISCOUNTED BASIS

#### I. OBJECTIVE

- A. To provide for a Board of Directors (Board) approved method of retiring deceased member Patronage Capital on a discounted basis, and to establish a method to compute the amount of such retirements.
- B. To support the objectives outlined in the Cooperative's Bylaws and Policies, including Bylaw Section 9.02 (Patronage Capital in Connection with Furnishing Electric Energy) and Policy Nos. 304 (General Retirement of Sawnee EMC Patronage Capital) and 305 (Patronage Capital from Affiliated Organization(s)).

#### II. CONTENT

- A. As used in the policies of the Corporation, the following terms shall have the following meanings:
  - 1. **"Affiliated Organizations"** shall mean cooperative organizations from which the Cooperative is entitled to receive patronage as a result of its patronage thereof, including, but not limited to a power supply cooperative, a cooperative lending money, a cooperative selling materials and supplies, a cooperative processing data or information, or a cooperative furnishing services.
  - 2. **"Patronage Capital"** shall mean all amounts in excess of operating costs and expenses which the Cooperative has allocated to its Patrons or his / her designee. As used herein, "Patronage Capital" shall also include Patronage Capital allocated to the Cooperative by Affiliated Organizations.
  - 3. **"Cooperative"** shall mean Sawnee Electric Membership Corporation.
  - 4. **"Deceased Patron"** shall mean an Individual who has died and who, during his or her life, paid money to the Cooperative and received services from the Cooperative. "Deceased Patron" shall also mean an Individual who has died and who, during his or her life, had been assigned Patronage Capital by a Patron in accordance with Bylaw Section 9.02 and the Cooperative's Policies.
  - 5. **"Individual"** shall mean a natural person and shall exclude artificial entities.
  - 6. **"Patron"** shall mean any Individual or artificial entity that has paid money to the Cooperative, and is receiving, or has received, services from the Cooperative.

7. **“Unretired Patronage Capital”** shall mean both: (i) Patronage Capital allocated to the Cooperative from Affiliated Organizations but which have not been retired to the Cooperative by cash payment or billing credit and are not re-invested in an Affiliated Organization by this Cooperative for the same and all prior years; and (ii) Patronage Capital which will in the future be allocated to a Deceased Patron upon the finalization of the Cooperative’s books of account for the relevant period.
- B. The Cooperative’s staff shall prepare for Board review, a report of those Patronage Capitals allocated to a Deceased Patron that meet the following conditions:
1. The legal representative of the estate, or heir of the Deceased Patron has submitted a written request for such early retirement and has agreed:
    - a) to permit the deduction of all amounts owed the Cooperative,
    - b) to accept such retirement on a discounted basis, and
    - c) to donate all Unretired Patronage Capital to the Cooperative.
- C. The Board, upon receiving the foregoing report, may approve any such early retirement, provided, however, that it first determines that no such early retirement shall: (1) impair the financial condition of the Cooperative, or (2) otherwise jeopardize the Cooperative’s ability to make general patronage capital retirements.
- D. The processing of retirements approved pursuant to this policy shall be in accordance with the following provisions:
1. If the Deceased Patron died with a probated Will, any retirement approved hereunder shall be made to the Executor(s) of the Estate upon receipt of the Deceased Patron’s Will or Letters Testamentary appointing the Deceased Patron’s Personal Representative(s).
  2. If the Deceased Patron died without a probated Will (intestate), and the Estate was administered, any retirement approved hereunder shall be made to the Personal Representative(s) of the Estate (formerly referred to as the “Administrator”) upon receipt of a copy of Letters of Administration Appointing the Deceased Patron’s Personal Representative(s).
  3. If the Deceased Patron died without a probated Will, and there was no administration of the Estate, then depending upon the amount of the retirement, the following distribution priorities will apply:
    - a) If discounted, the retirement is \$2,500.00 or less, payment shall be made:
      - (1) To the surviving spouse.
      - (2) If no surviving spouse, then to the surviving children, pro rata.
      - (3) If no surviving spouse or surviving children, then to the surviving mother and father, pro rata.
      - (4) If no surviving spouse, children or parents, then to the surviving brothers and sisters, pro rata.

- b) If discounted, the retirement is more than \$2,500.00, payment shall be made to the Deceased Patron's heirs determined pursuant to the laws of descent and distribution of the State of Georgia as codified in O.C.G.A. § 53-2-1, (See copy attached hereto), AND after consultation with the Cooperative's legal counsel.
  4. If the Deceased Patron died with a Will but the Will has not been found and/or the Will by agreement of all interested parties will not be submitted to probate, and there was no administration of the Estate, then depending upon the amount of the retirement, the following distribution priorities will apply:
    - a) If discounted, the retirement is \$2,500.00 or less, payment shall be made:
      - (1) To the surviving spouse.
      - (2) If no surviving spouse, then to the surviving children, pro rata.
      - (3) If no surviving spouse or surviving children, then to the surviving mother and father, pro rata.
      - (4) If no surviving spouse, children or parents, then to the surviving brothers and sisters, pro rata.
    - b) If discounted, the retirement is more than \$2,500.00, payment shall be made to the Deceased Patron's heirs determined pursuant to the laws of descent and distribution of the State of Georgia as codified in O.C.G.A. § 53-2-1, (See copy attached hereto), AND after consultation with the Cooperative's legal counsel.
  5. There is the possibility that situations will arise that will not fit into any of the above categories. Should such case arise, the matters will be handled on an "individual" case-by-case basis in consultation with the Cooperative's legal counsel.
  6. Regardless of the method utilized under this policy, an Application for Retirement of Patronage Capital to Survivors of Deceased Members (Exhibit 1) must be completed and executed.
- E. The standards for computing and implementing retirements of Deceased Patrons on a discounted basis shall be as follows:
1. The total accumulated Patronage Capital of a Deceased Patron, less the Unretired Patronage Capital will, prior to retirement, be reduced by discounting the same on a present value basis and by deducting any legally enforceable debt of the Deceased Patron or the applicant.
  2. The present value factor described herein shall be derived, as outlined below:
    - a) Upon the initial implementation of retirements under this Policy, at a discount (interest) rate of eight (8%) percent.

- b) For subsequent years, the discount (interest) rate will be equal to the annual weekly average of the Federal Financing Bank (FFB) interest rate paid by the Cooperative for a similar term and published by RUS or NRUCFC during the previous calendar year plus a long horizon expected risk factor of 11.41%.
- 3. Such rate shall become effective January 1 of each year for the following 12 months and will be updated annually or as the Board of Directors determines that conditions warrant a higher or lower discount rate.
- F. The amount of Patronage Capital remaining after such discounted retirement shall be retained by the Cooperative and credited to Account 217, Retired Patronage Capital - Gain, and shall not thereafter be reassigned to any other patron or any other person but will be subject to cash payout only in the event of dissolution of the Cooperative as allowed under the Bylaws of the Cooperative.
- G. No early retirement of Patronage Capital shall be authorized except upon the approval of the Board in accordance with this policy and other policies as well as the Bylaws of the Corporation. The staff will be authorized to provide the approved retirements as outlined herein.

### **III. RESPONSIBILITY**

It shall be the responsibility of the President and Chief Executive Officer to administer this policy, to develop appropriate controls for its overall enforcement and to report his findings to the Board of Directors.

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