

# SAWNEE ELECTRIC MEMBERSHIP CORPORATION

## POLICY NO. 304

### SUBJECT: GENERAL RETIREMENT OF SAWNEE EMC PATRONAGE CAPITAL

#### I. OBJECTIVE

To provide a method of retiring Patronage Capital allocated by the Cooperative as referenced in Sawnee Electric Membership Corporation's Bylaws, Article IX, Section 9.02, relating to the Cooperative's operating margins and non-operating margins ("Sawnee EMC Patronage Capital").

#### II. CONTENT

##### A. GENERAL

1. It shall be the policy of Sawnee Electric Membership Corporation ("Cooperative") to make retirements of Patronage Capital to its members or their designee, whenever appropriate and practical as determined by the Board of Directors ("Board") of the Cooperative.
2. Such retirements must be consistent with sound fiscal and management practices and be consistent with the provisions of the Cooperative's Mortgage Contract with the Rural Utilities Service ("RUS"), other mortgage holders, the Bylaws of the Cooperative and sound business practices.
3. Any retirement of Patronage Capital in full or in part, prior to liquidation or dissolution, shall only be made if and when the Board of the Cooperative, in its sole discretion, determines that such retirement would not impair the financial condition of the Cooperative.
4. General retirements of Sawnee EMC Patronage Capital, excluding Patronage Capital from Affiliated Organizations as outlined below, shall be subject to Board approval as provided for in this and related policies or as may otherwise be established by the Board.
5. This Policy (Policy 304) sets forth the procedures for possibly retiring Sawnee EMC's Patronage Capital.

##### B. AFFILIATED ORGANIZATIONS

1. It is the Policy of the Cooperative that it shall not consider the retirement of Patronage Capital allocated to its patrons by the Cooperative from Affiliated Organization(s), as the term Affiliated Organization(s) is defined in Cooperative Policy No. 303, Retirement of Capital Credits to Estates of Deceased Members on a Discounted Basis, until such time that: 1) the Affiliated Organization(s)' Patronage Capital is received in cash or in billing credit to the Cooperative and are not re-invested in an Affiliated Organization by this Cooperative for the

same and all prior years and 2) the Affiliated Organization(s)' Patronage Capital has been approved for retirement by the Board of the Cooperative.

2. Nothing herein, however, shall require any retirement of Affiliated Organizations Patronage Capital and no retirement shall be made if the Board of the Cooperative, in its sole discretion, determines that such retirement would impair the financial condition of the Cooperative.
3. The Patronage Capital from Affiliated Organization(s) shall be allocated, retired and paid in accordance with Policy No. 305, Capital Credits Received from Affiliated Organizations.

C. SET OFF AND RECOUPMENT OF DEBTS TO THE COOPERATIVE

1. Before the Cooperative makes any general Sawnee EMC Patronage Capital retirement as described herein, the Cooperative shall:
  - a. Deduct any amount then owed by such member as prescribed in Article 9, Section 9.02 of the Cooperative's bylaws; and
  - b. In the case of a retirement to a member who has subsequently filed bankruptcy, the Cooperative shall deduct such amounts owed to the Cooperative prior to the time of the bankruptcy, unless the member demonstrates that such deduction of amounts owed is prohibited by the Bankruptcy Court's final order relating to the bankruptcy.
2. Bad debts are routinely approved for write-off by Board action and as such, these actions as it relates to the settlement of such debts and the retirement of patronage capital are controlled by Policy 319, Retirement of Patronage Capital, On a Discounted Basis, to Former Members to Satisfy a Debt Owed to the Corporation.

D. OTHER

1. Notwithstanding the foregoing, the early retirement of Sawnee EMC Patronage Capital to the estates or legal representatives of deceased members, on a discounted basis, may be made by the Cooperative in accordance with Corporate Policy No. 303, Retirement of Capital Credits to Estates of Deceased Members on a Discounted Basis.
2. The Board, in its sole discretion, may elect to make a special general retirement of patronage capital. Any action taken relative to a special general retirement of patronage capital will be done in a manner and at a time that will not, in the sole determination of the Board, impair the financial condition of the Cooperative.

**III. RESPONSIBILITY**

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

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