

Q: WHAT PROMPTED THE POLICY CHANGE?

A: Southwestern Electric’s board of directors revisited the cooperative’s capital credits policy to meet your needs — the needs of a changing membership. You’re far more mobile than you were when our policy was originally drafted in 1939. We have members who relocate five times in 10 years, eventually moving off co-op lines. Each change of address is an opportunity to fall out of touch. That can make it difficult to return capital credits to people who’ve earned them. Recognizing that, Southwestern’s board of directors decided to offer an adjusted early payout option to the co-op’s capital credit retirement policy.

Q: WHY ARE EARLY PAYOUTS ADJUSTED—WHY DON’T YOU PAY OUT IN FULL, AS YOU DO WITH A GENERAL RETIREMENT?

A: Early payouts for estates of deceased members or those no longer receiving our services reflect a shortened maturity term and offers fairness to the payout structure. Please bear in mind that receiving annual, board directed general retirements is another option.



CAPITAL CREDITS

A MEMBER GUIDE



525 US Route 40 • Greenville, IL 62246
Telephone (800) 637-8667 • www.sweci.com

CAPITAL CREDIT Q&A

Q: WHAT ARE CAPITAL CREDITS?

A: Capital credits are your equity in the co-op. They represent your share in the ownership, maintenance, construction and success of Southwestern Electric Cooperative.

The cooperative’s rates are designed to bring in enough money to pay operating costs and maintain an emergency reserve. When revenue exceeds expenses, that money is later returned to members as capital credits.

The capital credits assigned to you in a year are based on the cooperative’s annual margins — the revenue that exceeded Southwestern’s operating costs — and the capital you contributed by paying your electric bills. The more power you use, the more capital credits the co-op assigns to your account.

Q: HOW DOES SOUTHWESTERN USE THE MEMBERSHIP’S EQUITY, OR INVESTMENT, IN THE CO-OP?

A: Your equity in the co-op is used as operating capital for maintenance and improvements, such as new substations, poles and wire. Those improvements are expected to last 30 years. Southwestern retires, or returns, capital credits to members on a 30-year schedule. The cooperative traditionally has returned capital credits during general retirements and to estates upon the death of a member.

Q: HOW IS YOUR POLICY FOR RETURNING MEMBER CAPITAL CHANGING?

A: Beginning Jan. 1, 2024, you may apply for an adjusted early payout of capital credits if you’re terminating your membership or if you’re the executor of an estate with capital credits. In the past, Southwestern didn’t offer the option of adjusted early payouts.

RESIDENTIAL OPTIONS

GENERAL RETIREMENT

I am applying to receive capital credits retired for member number _____.

ADJUSTED ESTATE RETIREMENT

As executor/trustee/beneficiary of the estate, I am applying for an adjusted present value capital credit payment for member number _____. The unretired amount is presently \$_____. The adjusted present value is \$_____. No additional capital credits will be assigned or paid to the estate.

ASSIGN CAPITAL CREDITS OF DECEASED MEMBER(S) ESTATE

I wish to retire member number _____ and forego the adjusted present value payment for those capital credits and assign those capital credits to member number _____. I will receive full face value for the capital credits in future years when general retirements are authorized by the board of directors. No additional capital credits will be assigned or paid to the retired member number. An assignment form will need to be completed.

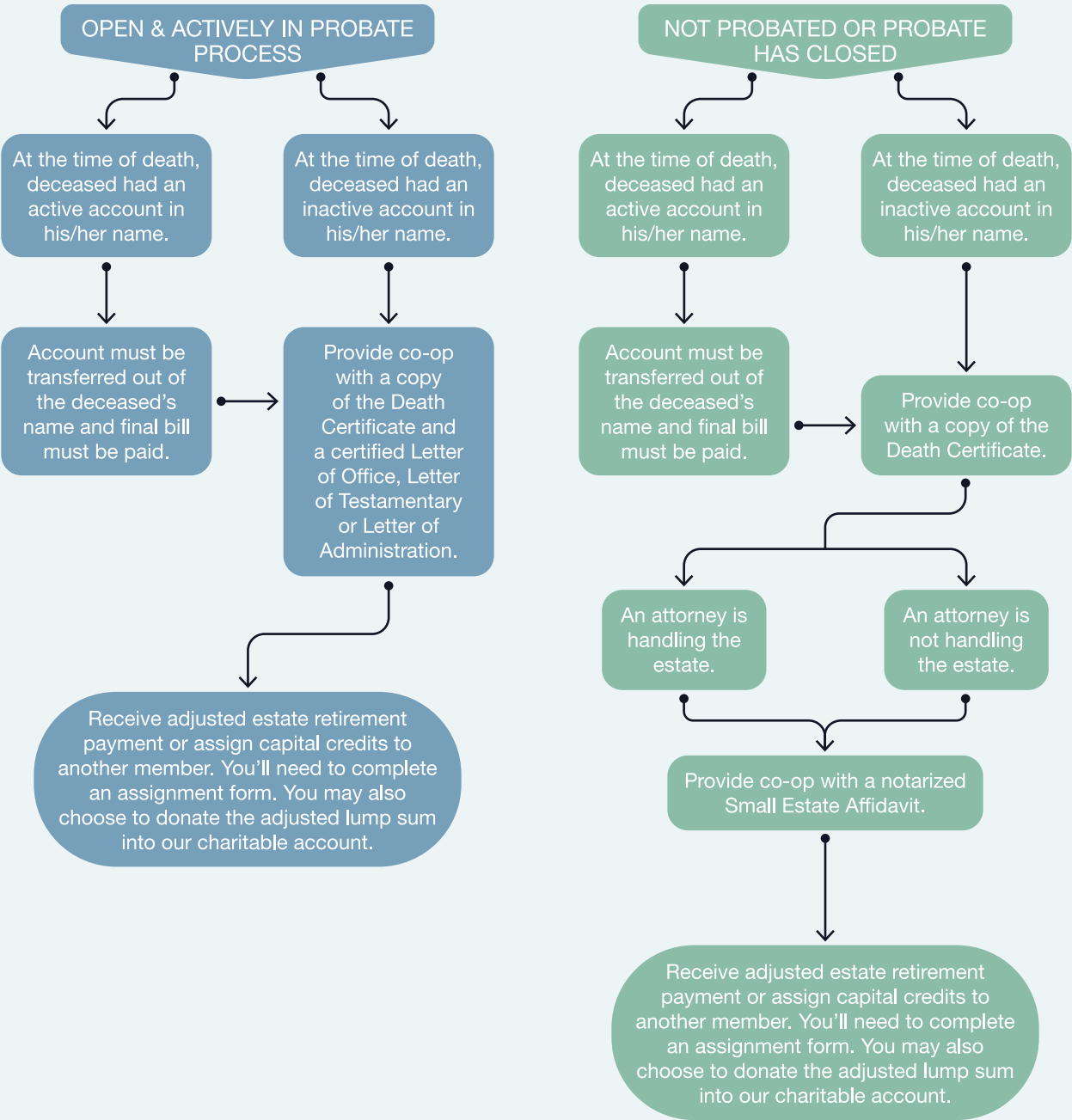
INACTIVE ACCOUNT RETIREMENT

I no longer have an active account with SWECI and don't plan to have service with SWECI in the future. I'd like to receive the adjusted present value payment for member number _____. The unretired amount is presently \$_____. The adjusted present value is \$_____. No additional capital credits will be assigned or paid to this member number.

UNCLAIMED CAPITAL CREDITS

I wish to claim capital credits for member(s) _____. I saw the name on the unclaimed capital credit listing on www.sweci.com>Your Service>Capital Credits.

ESTATE DISTRIBUTIONS



COMMERCIAL OPTIONS

OPTION 1

All assets for member number _____ were included in the sale to _____ and should be assigned to the new business accordingly. You'll need to submit an assignment form and sales agreement for our files.

OPTION 2

Future capital credit general retirement disbursements for member number _____ should continue to be mailed to the address on file. The dissolution paperwork makes provisions for these future payments.

PLEASE NOTE

It's important to carefully consider your choice, as once made, the decision on how to receive your capital credits cannot be changed.

Once an account has been finalized, no additional capital credits will accrue under that membership number.

You may donate capital credits to the cooperative's charitable arm, which is a 501(c)(3). We'll provide a form to transfer the funds.

SWECI may be required to report any capital credit payment over \$600 to you and the IRS. Please consult with your tax advisor to determine your tax liability, if any.

QUESTIONS?

Visit www.sweci.com or call (800) 637-8667.