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Capital credits to be issued in November 2011

This month I'm putting some teeth into the subject of what being a cooperative is all about. I want to discuss a topic that proves there is an important difference between REMCs and all other power suppliers. Cooperatives must adhere to certain principles including one that states our members have an economic stake in the cooperative. This is why I'd like to discuss capital credits and how they relate to the cooperative business model.

As a cooperative, our main purpose is to serve our membership in the most economical manner possible. Should we have any margins, they become the members' equity in the organization. Although the equity is always there, it is not always disbursed back to the member in the form of cash. The margins are often retained to help finance new construction projects, maintain our existing facilities and to meet our other financial obligations. Jasper County REMC has returned margins to members in the past, but we have not done so for the past 12 years.

Although some might confuse capital credits with dividends, they are definitely not the same.

With dividends, the stockholder does not necessarily have to be a participating member of the organization. Anyone who wants to invest in the organization can purchase stocks. Therefore, the investor's only interest in the organization is that it makes a profit. The higher the profits, the greater the dividend, and thus, the more money the stockholder receives.

That concept does not fit the cooperative business model. If we increase our "profits," we return them in the form of capital credits to our membership. However, with the co-op philosophy, it makes better sense to concentrate on keeping members' costs as low as possible to begin with rather than focus on making a profit.

This year, after careful evaluation of the financial health of Jasper County REMC, the board of directors has determined we are able to pay back capital credits to our members. ***Jasper County REMC will be returning \$300,000 to our members in the next few months. This will help to repay the capital credits that are owed to our members who were on the lines from 1965 to 1978.*** We will be allocating the portion of the capital credits designated as cash margins. Margins associated with borrowing activities, rather than cash, have been reinvested in the organization and remain as patronage still owed to our members. These margins will be retired at a later date.

The payment of capital credits is a by-product of the many good decisions our board is making not only on the co-op's behalf, but the members' behalf as well. It represents that your cooperative is in good financial shape. It also indicates your directors are making sound business decisions in paying our debts, i.e. distributing the members' equity that we owe. Your directors are making decisions that are in line with what, and how, a cooperative should act.

We should have our disbursements out in November, so be looking for that check. If you are an heir to someone who was a member between 1965 to 1978 be sure to contact our office to find out how you can collect capital credits that might be owed to the deceased. Lastly, please remember that we at Jasper County REMC will be here keeping the lights on for you.

Bryan Washburn, CEO/GM