

“Capital Credits are one manifestation of commitment to our customers and one example of the many benefits that come from being a member of a democratic cooperative.”



**Sumter Electric
Cooperative, Inc.**

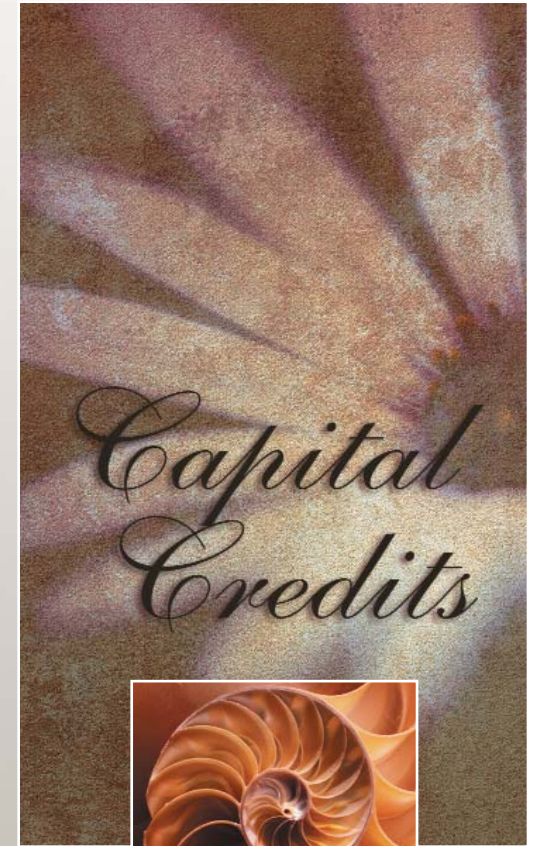
330 South Highway 301

P.O. Box 301

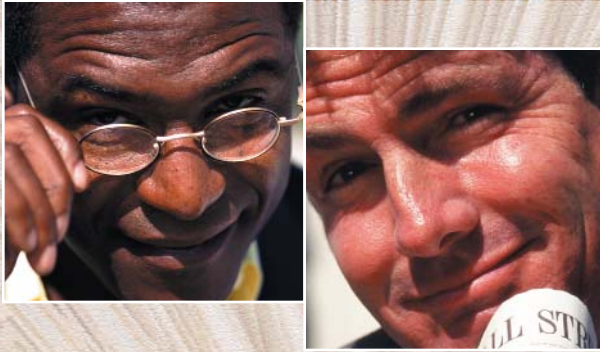
Sumterville, Florida

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Cooperative, Inc.**



Are capital credits returned to members?

Capital credits may be returned by general retirements as approved by our Board of Trustees, based on the financial condition of the Cooperative. General retirements are normally made on an annual basis to current and former members. Current members receive the refund as a credit on their electric bill. Former members receive a check.

Heirs, or estates of current or former members, need to complete the proper forms that will allow us to transfer the capital credits accumulated by the deceased member to the legal heir. This will help insure that the proper person receives the general retirement.

How about businesses?

Capital credits are allocated to businesses in the same manner as they are to residential members. Capital credits are returned to businesses when the Board of Trustees makes a general retirement.

Do I earn interest on them?

Since the Cooperative is operated on a user-owned, non-profit basis, you do not receive interest or dividends on your capital credits. To pay interest, electric rates would have to be increased.

What if I move away?

If you move from our service area, the capital credits accumulated on your account will remain in your name. It is important that you keep the Capital Credit Department informed of your current address so that we can send you a refund when a general retirement is made. By keeping SECO informed of your current address you will avoid a monthly service charge assessed on accounts with unclaimed refunds.

Do I have to report them on my tax return as taxable income?

Capital Credits are a refund of prior years electric costs and need not be reported as taxable income to holders of residential accounts. Holders of business accounts should discuss any refund with their tax preparer/advisor.

What are they?

Sumter Electric is a non-profit corporation. However, sound financial practices and legal requirements are such that each year we must have an excess of revenue over expenses. This excess is referred to as "margins" and by law, must be allocated to each of the members who paid electric bills during the year. This is done by dividing the Cooperative's total margins by total revenue and multiplying the resulting percentage by each member's payments for SECO service for the year. Each member's portion is referred to as his/her capital credits for the year.

What are capital credits used for?

They are used to:

- pay the principal portion of our long-term debt as required by our mortgage agreements.
- help pay for new additions to our electric system which reduces the amount of outside borrowing required.

