**Cobb EMC reaches proposed capital credit settlement**

**with current and former members**

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***Members will have to file formal claims; payments won’t begin for several months***

MARIETTA, Ga. (October 10, 2013) – In a joint statement, Cobb Electric Membership Corporation and attorneys for current and former members of the EMC announced today they have reached a class action settlement agreement under which the company would pay an estimated $98 million in capital credits to individuals and businesses who had accounts with Cobb EMC at any time prior to December 31, 2012.

The proposed settlement was approved by **Judge J. Stephen Schuster** in a Preliminary Approval Hearing, subject to a later final approval hearing scheduled for February 24, 2014. According to terms of the settlement, Cobb EMC will, within 60 days, set aside an estimated $34 million to be paid to individuals and businesses that were co-op members up through the first half of 1988. The remaining amount, estimated at $64 million, will go to reimburse individuals and businesses that were co-op members between the second half of 1988 through December 31, 2012.

Former Georgia Attorney General Michael J. Bowers, who served as the court-appointed mediator in the case brought by a group of former members and later joined by a group of current EMC members, called the proposed settlement “a good-faith effort on the part of all the parties to resolve a very difficult and complicated situation that was not of their making. I believe they have done the best possible job of balancing all the competing interests, and I am strongly urging the court to approve this settlement.”

At issue in the almost four-year-old case are millions of dollars in capital credits the company has allocated in the name of its members. As a not-for-profit electric co-operative, Cobb EMC is required by law to account certain profits – known in the co-op business as “margin” – as capital credits that are typically returned to a cooperative’s members on a revolving basis. Over the years, Cobb EMC recorded the capital credits, but prior management did not actually pay credits that have been booked since 1957, although a partial distribution for the years 1957-1971 was made in 2012 after filing the law suit.

In January, 2010, a number of former members filed a lawsuit to force the company to disburse the unpaid capital credits. Their suit was later joined by current members. The agreement announced today would settle that lawsuit.

“These have been difficult negotiations over a problem to which there is no perfect solution,” said Chip Nelson, president and CEO of Cobb EMC. “The Court has preliminarily approved the settlement so that we can disburse the required capital credits, close the books on this chapter in our company’s history, and put an even stronger focus on our core mission of providing electrical power to our service areas.”

In a joint press briefing, attorneys for the parties observed that unlike many complex litigation settlements where each party walks away disappointed, in this matter the negotiations led to a result with positive outcomes from each of their clients’ perspectives, though significant compromises and concessions were made by all parties.

Attorney Charles D. Gabriel of the Roswell law firm Pierce-Gabriel Partners LLC, as spokesman for the Plaintiffs’ legal team for former Cobb EMC members that also includes the Dallas based firm of Waters Kraus and the Enid, Oklahoma firm of Mitchell DeClerck, said, "We are grateful that Judge Schuster has granted preliminary approval of the settlement. Our clients appreciate the diligence and thoughtful work of mediator Mike Bowers, the officers of Cobb EMC, its current Board and all the attorneys and experts that devoted their talents to reach the agreement ending this protracted litigation, which we believe fairly resolves this long-standing injustice to the EMC’s former members.”

Attorney Hylton B. Dupree, Jr., an attorney for the Class of current Cobb EMC members stated “on behalf of our clients, we are satisfied that the Settlement of this litigation is in the best interest of the current members of Cobb EMC. We likewise acknowledge the efforts of all counsel, the Board and management of Cobb EMC, and the mediator, in achieving this Settlement.

Under the proposed settlement the claims and payment processes for current and former Cobb EMC members will be managed by a third-party Settlement Administrator, The Garden City Group, Inc., one of the nation’s premier settlement administration organizations. It is expected to take several weeks to organize the necessary data and begin attempting to reach the Class Members. The Settlement Administrator will send notice of claims eligibility to all current and former members for whom Cobb EMC has records, and will also promote awareness of the claims process both in Cobb EMC’s service area and nationally through print, broadcast and digital advertising as well as press releases to area and national media. The claim filing period has been set by the Court to remain open until February 10, 2014.

“We understand that many current and former members will want to know how much they are owed, and they will want to be paid, no doubt sooner rather than later,” said Nelson. “As a practical matter, Cobb EMC is not going to be in a position to respond to individual requests for that kind of information at this time, though the information is expected to soon be available to Class Members through the Settlement Administrator. Today’s approval of the settlement by the Court simply begins a process that will take several months to complete.”

Nelson added that Cobb EMC has already turned all the necessary data over to the Settlement Administrator to get the process started as promptly as possible. He said the company has approximately 177,000 current members and estimated there may be over half a million former members eligible for capital credit disbursements.

For current and former members who had accounts between the second half of 1988 and December 31, 2012, the settlement gives them an option of filing a claim to receive either the net present value of capital credits that will not fully mature until 24.6 years after they were booked by the company – or waiting until their capital credits fully mature and then receiving a dollar-for-dollar payout.

The full value of capital credits booked between the second half of 1988 and December 31, 2012, is calculated at $252 million. Under the settlement agreement, each year’s capital credit is discounted 12 percent per year for each year that it falls short of its own 24.6-year point of maturity.

In 1989, for example, Cobb EMC booked $4.48 million capital credits. Of the 1989 credits, approximately $4.17 million would be eligible for disbursement today. In 2012, the company booked $6.2 million capital credits, but only about $427,600 of that amount would be available for disbursement today. Under the proposed agreement, Cobb EMC members will have the option of claiming a present value payout now or waiting until their credit reaches full maturity at 24.6 years and receiving dollar-for-dollar payment.

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