

2020 Annual Report

Powerful Connections



Surry-Yadkin Electric
Membership Corporation

A Touchstone Energy® Cooperative 

Presenting the 80th Annual Report

A message from SYEMC President Lee Von "Toby" Speaks



It is with great pleasure that we bring you the 80th Annual Report of Surry-Yadkin Electric Membership Corporation. In addition, I would like to invite you to virtually attend our 80th Annual Meeting being held via Facebook Live on Oct. 26, 2021, at 7 p.m.

This 80th year of service has continued to provide us with the opportunity to serve our members based on cooperative values that make us unique and relevant to the rural communities we are so fortunate to serve.

The last year has been one unlike any other in our cooperative's history due to the COVID-19 pandemic. We watched as it spread throughout our service area, and we made hard decisions, like closing our lobby and office to visitors, to protect the safety and health of our members and our employees. We suspended disconnects for nonpayment for several months to assist our members who may have been struggling financially due to the economic impacts of the pandemic.

Despite these challenges, we have maintained an impeccable safety record and continued to upgrade and improve our infrastructure so we can uphold our pledge to "provide outstanding service that powers our rural communities."

In 2020, we invested \$7,910,217 in our infrastructure, bringing the value of our system to \$118,732,850. This year, we are happy to report that we will be retiring more than \$2 million in capital credits to our members, which includes estimated estates and special retirements. Our members who

had service in 1995 should have received a refund on their electric bills prior to the Oct. 26 Annual Meeting. Former members who had service in 1995 will be mailed a check at their last known address.

This year's Annual Report is a chance to provide our members with updates and key information about the cooperative and our business operations. We look forward to sharing this with you, and we hope you will join us for our virtual Annual Business Meeting on Oct. 26 via Facebook Live or take time to watch the meeting the following day on our website, syemc.com.

We encourage our members to vote in this year's elections for members of the Board of Directors. Those voting either via mail-in or digital ballot will be entered in a drawing for a chance at several door prizes, including bill credits and gift cards. Ballots, being handled by third-party vendor Survey and Ballot Systems, must be returned by 5 p.m. on Oct. 25, 2021.

Results of the election and winners of the drawing will be announced during the Annual Meeting.

Community Meetings are being planned for 2022 at locations throughout our service area. We look forward to connecting with our members at those events. More details will be provided in Carolina Country in the coming months.


We at Surry-Yadkin EMC appreciate the support of you — our members.



Connecting with our members in the Yadkin Valley since 1940.



Surry-Yadkin EMC

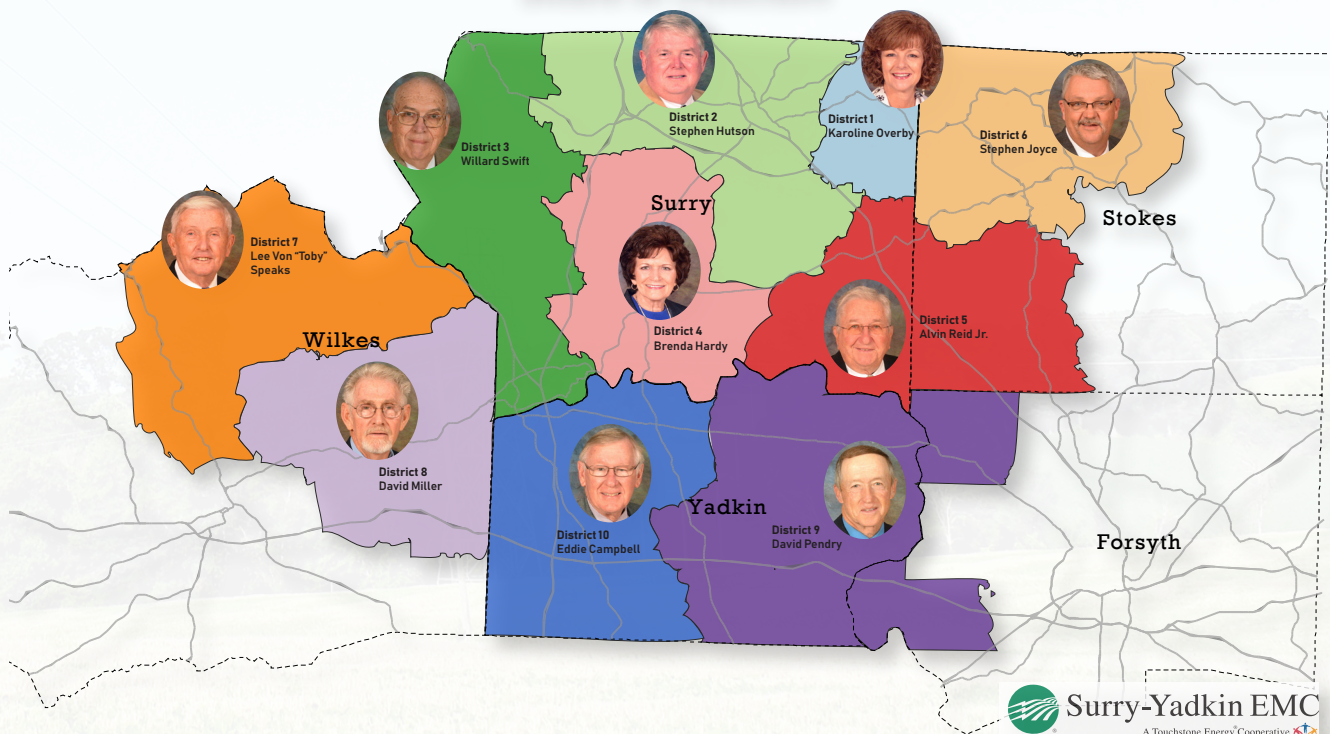
A Touchstone Energy Cooperative 

Your 2020 Board of Directors



Back Row (from left): Stephen Joyce; David Pendry; Alvin Reid Jr.; Willard Swift, vice president; David Miller, treasurer; Eddie Campbell; Greg Puckett, executive vice president and general manager. **Front Row:** Raymond Parker, general counsel; Brenda Hardy; Lee Von "Toby" Speaks, president; Karoline Overby, secretary; Stephen Hutson.

Surry-Yadkin Electric Membership Corporation Board of Directors



COVID-19 pandemic impacts cooperative

Americans intensely watched the news from overseas as COVID-19 spread in other countries in late 2019 and early 2020. Then, it happened. It was discovered in the United States, and shortly after, reports were in that it had spread to North Carolina.

In mid-March of 2020, around the time businesses and schools started shutting down, first temporarily and then more long-term, Surry-Yadkin EMC leaders decided it was time to strongly consider the impact COVID was having on its members. Knowing the financial burden that missing work was going to have and had already proven to have on its members, SYEMC made the announcement on March 13 that disconnects for nonpayment would be suspended for all members.

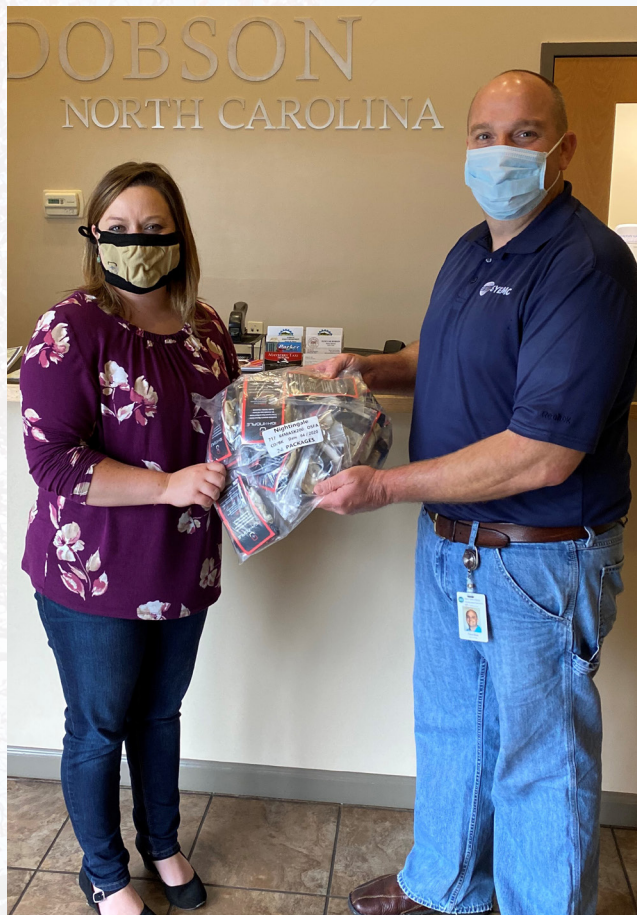
Within a few days, the state issued a mandated executive order that all utilities suspend disconnects, as well as suspending home evictions. This suspension on disconnects was extended several times as the economic effects and lack of jobs for some people continued, and the state wanted to ensure people had power and water and were not evicted from their homes.

Some Surry-Yadkin EMC members continued to make payments on time or as they could throughout the suspension, but others accrued unpaid bills that were then broken into payment plans once the executive order suspending disconnects was lifted in the fall. Any member with a balance as of July 31, 2020, was placed on one of these payment plans.

The cooperative granted more than 4,000 COVID arrangement plans to help the members, with more than \$1.2 million in arrangement amounts.

In addition to revenue that was affected from not being able to collect payments during the moratorium on disconnects, Surry-Yadkin EMC had other COVID-related costs in excess of \$1 million. These expenses included labor; personal protective equipment (PPE) for employees such as masks, gloves and sanitizer; cleaning supplies; leasing trucks for social distancing of line crews; and technology and office equipment to ensure employees could work from home to maintain seamless service to our members.

Our drive-through window remained open to our members throughout COVID, but we closed the inside office to the public and limited on-site staff to reduce the spread of the disease and ensure our employees and members remained safe and healthy. Meetings of staff and the board of directors began being held virtually via platforms



Being masked became the norm for Surry-Yadkin EMC employees during the pandemic, but that didn't stop SYEMC's work supporting the community. Here, Travis Bode, economic development director for SYEMC, donates masks for the town of Dobson's employees.

like Zoom and Microsoft Teams.

After the COVID vaccination became more easily accessible and case numbers across the region began decreasing, the lobby reopened in May 2021 to visitors for payments only and for members who needed to use the on-site portal to fill out a new member application form.

The cooperative and its rural communities continue to feel the impacts of the COVID pandemic. The pandemic has forced many manufacturers to reconfigure plants to accommodate social distancing, which has slowed production, packaging and shipping. Surry-Yadkin EMC has seen longer lead times on receiving material ordered related to parts shortages and demand for supplies. Prices on material have increased two to three times their original costs. The cooperative continues to experience lost revenue from unpaid electric bills due to the moratorium on disconnects as some of our members have lost their jobs.

Member Support & Energy Services a focus

Surry-Yadkin Electric Membership Corporation is always searching for ways to improve its member service while offering members opportunities to save money. One of the newer service areas that SYEMC is proud to extend is the member support and energy services area, through which members are provided with the option to receive free, personalized energy audits.

Concerns over a higher-than-normal power bill, faulty appliances, or simply a desire to create a more energy-efficient home are just a few of the reasons why members are quickly taking advantage of the chance to have an energy audit. Audits are easy to schedule and can take anywhere from an hour to three hours to perform.

Upon arrival, members of our energy services department will complete inspections to see where the areas of concern are taking place in a member's home. With the use of a blower door test and a thermal imaging (infrared) camera, energy services team members can find potential air leaks around windows, doors and overall structural seals in the home. The amperage of appliances also is examined to check if there may be signs of underlying issues. Insulation for better R values (resistance to heat flow) is another area that could potentially require improvements. Members who are not experiencing higher-than-normal bills or any other concerns may still opt to receive an energy audit through SYEMC at no cost.

Once an audit is complete, the participating member receives a comprehensive report from the energy services team. The report includes detailed information about all areas investigated, photos taken from the infrared camera, meter readings and comparisons of what normal readings should look like, as well as a summary of suggestions that the member should follow to reduce their power bill or to become more energy efficient. Members should note that if they choose to follow the suggestions on their report, they could see a reduction in energy costs and will succeed in their quest to become a more energy-efficient home. However, should members not adhere to the suggestions noted in their report, they will not see a change in their energy use nor a reduction in cost.

In addition to offering home energy audits, the energy services team works closely with other

SYEMC team members to ensure members are aware of capital credits, rebates and loans that are available to them. Rebates on the purchase and installation of certain new, energy-efficient products can range from \$100 to \$500. A complete list of these products and a rebate application can be found on SYEMC's website, <https://syemc.com/content/member-rebates>.

Look for energy efficiency tips at syemc.com, in the monthly Carolina Country magazine, and by following Surry-Yadkin EMC on Facebook, Twitter and Instagram.

ElecTel Cooperative Federal Credit Union is also a resource available for homeowners in search of making their home and energy bill more comfortable. ElecTel serves as a financial service for members and provides lower-rate loan options. Loan qualifications and options may be found online at ElecTel.org or by calling 800-849-5600.

Bellwether, a company used to assist in meter and utility field service needs, is another group with which the energy services team works closely. Bellwether employees conduct field and meter audits once every 18 months on every service in every location of SYEMC's coverage area — whether the meter base is in use or not, and the account is active or inactive. Additionally, the team makes sure meter readings correspond with SYEMC's devices, and they assist with letter distributions and field projects. They also check for hazardous situations such as exposed underground pipes, settled ditches, low lines or broken poles, meter corrosion and dangerous trees. They also work in correspondence with SYEMC in the disconnection of unpaid accounts.

Although very dangerous, it is not uncommon for team members to encounter meters which show signs of tampering. If someone leaves a meter base open, it can cause electrocution, house fires and other serious injuries. Unfortunately, it is mostly children who fall victim to the dangers of tampered meters as they are unaware of the dangers that follow tampered and exposed meters. Those who are caught tampering with meters will not only be prosecuted according to state statutes, but also will receive a fine. This fine is being reviewed and is subject to increase in the near future.

To take advantage of the opportunities being offered by the energy services team, contact SYEMC's MSRs and our member support and energy services department by calling 336-356-8241 or 800-682-5903.

Infrastructure upgrades aid grid efficiency

Surry-Yadkin EMC continues to upgrade and update its power grid annually through routine maintenance and other special infrastructure projects. While COVID did affect the way SYEMC did business in 2020 and 2021, infrastructure remained a key focus for the cooperative.

During 2020, Surry-Yadkin replaced 446 of its 61,000 poles and 13.5 miles of copper line as part of its annual upgrade process. Each pole takes anywhere from two to six hours to replace, depending on the attachments on the pole and the accessibility of the pole. Surry-Yadkin's aging infrastructure still includes 40-year-old poles and 80-year-old copper lines, and the annual replacement project helps keep the co-op moving in a direction of renewing the system for safety and reliability for its members.

Two large infrastructure projects kicked off in 2020 and 2021 as well — the construction of the new Double Creek substation just northeast of Pilot Mountain in Stokes County, and the construction and upgrade of the Yadkin County transmission lines between Yadkin, Baltimore and East Bend substations.

The Double Creek substation is the end-product of a multi-year project that included the construction of a four-mile transmission line from the Westfield substation to the site of the new Double Creek substation. Construction on the substation began in July of 2020 and is about 50 percent completed. Completion is estimated for early spring of 2022.

When the Double Creek substation is completed, it will help ease the load and burden on other substations in the Westfield, Francisco and Hanging Rock areas. The new substation also will provide a way to back feed distribution circuits to help reduce outage times and the number of members affected and to provide the needed capacity for future growth in these areas.

The lines, poles and equipment have been upgraded to newer standards and capacities for many

more years of service. Surry-Yadkin EMC's substation department employees are constructing the Double Creek substation.

The Yadkin County transmission project began in March of 2021, with an estimated completion in July of 2022. The construction, contracted by Lee Electric Construction, is about 20 percent completed.

The project includes construction and upgrading of the transmission lines in Yadkin County, replacing lines that were installed 53 years ago and wooden poles averaging 30 years or older with steel poles to avoid woodpecker damage. It also will raise the height of the conductor to help avoid trees falling from outside of the right-of-way and making contact with the conductor. The smaller 2/0 conductor, rated for 275 amps, also is being replaced by a new 795 conductor, rated for 905 amps.

The construction is being built to allow for future growth and many years of service by using specifications for the future conversion from 44 kilovolts (kV) to 100 kilovolts as growth requires. The increase to 100 kV decreases line loss and makes the system more efficient.

An additional project taking place is a full system inventory being conducted by Davey Resource Group. The project is a 12- to 18-month process with DRG employees looking at every line, pole, transformer and piece of equipment owned by the cooperative.

The mapping project began in September 2020, and as of August 2021, DRG has reached the half-way point in the inventory. They are estimating completion of the project in February 2022.

The completion of the inventory project, which included renumbering the system's poles and collecting GPS coordinates on field equipment, will make outage predictions more effective, reduce outage restoration times, improve the accuracy of the co-op's inventory and allow data analysis to be run on the system.



This aerial shot from a drone shows work continuing on the Double Creek substation being built on N.C. 268 northeast of Pilot Mountain in Stokes County. The project will help ease the load and burden on substations in the Westfield, Francisco and Hanging Rock areas, as well as provide a way to back feed distribution circuits to help reduce outage times and the number of members affected and to allow for additional capacity for future growth in these areas.

About \$2 million in capital credits retired

This year, 2021, Surry-Yadkin EMC is refunding capital credits to those members who had service in 1995. During its June meeting, the board of directors approved the retirement of approximately \$2 million in capital credits. This includes 100 percent of 1995's capital credit retirement. Members should see those retirements as a credit on their bills prior to the October annual meeting.

In addition, the board approved special capital credit retirements to estates and other types of early retirements. These special capital credit retirements are retired at an amount discounted to net present-day value.

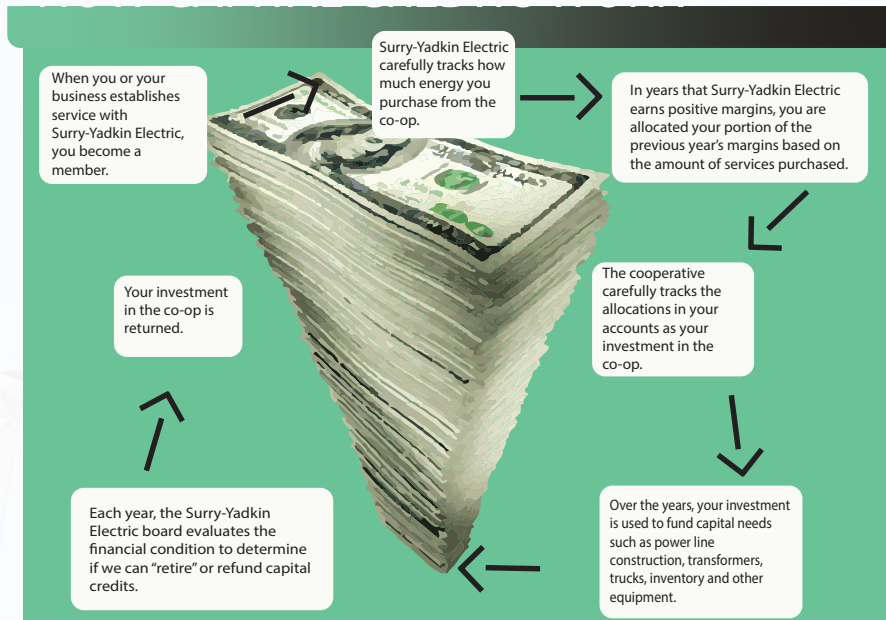
One of the 7 Cooperative Principles that Surry-Yadkin EMC follows as a member-owned cooperative is Members' Economic Participation. Part of the members' economic participation includes allocating and distributing any excess margins the cooperative may have when it is financially feasible to do so. These returns are known as capital credits.

As an electric cooperative, the members of Surry-Yadkin Electric are the primary source of ownership (equity) funds for the cooperative. Members must invest in their cooperative. The equity built within the cooperative is used for leverage to finance large projects that are necessary to upgrade the system to improve reliability and provide electric service to members.

Members' equity is created by the excess margins that remain after all the year's expenses have been paid. Any revenues above the cost of doing business are considered margins. These margins represent capital furnished by the members to the cooperative for use as operating capital.

The cooperative must keep or retain a portion of each year's cooperative earnings as equity capital to use for a period of time. Like any business, a cooperative must have adequate funds to pay bills, make investments in the system such as building new lines and replacing outdated copper lines and old poles, and improve service reliability through projects such as new transmission lines and substations. In addition, we must have on hand reserves for risk management, such as storm damage. Equity capital is one of the measures which financial institutions use to lend funds to the cooperative to pay for the cost of construction as part of long-range planning goals.

When discussing capital credits, there are two ways members will hear about them during the year. In the



spring, this year in May, members were made aware of any allocations of capital credits they earned for the 2020 calendar year. Allocations are the amount of margins assigned to a member based on the percentage of revenue the member paid in for electricity used during the year. Surry-Yadkin keeps a detailed record of each member and his or her amount of patronage capital credits earned by year.

The second mention of capital credits that members will hear about is the retirement of capital credits. The board of directors, made up of 10 members of the cooperative, will elect to retire, or pay out, capital credits back to the members when financial conditions allow. This means that Surry-Yadkin will refund the capital credit investment to the member as a credit on their bill. If a member no longer has an account with Surry-Yadkin, the refund will be distributed in the form of a check.

Having strong and healthy financial ratios is important to continue the well-being of the cooperative and must be present before retiring members' equity (investments).

Surry-Yadkin retires its capital credits back to its members using the FIFO, or First In First Out, method. This method means the first members on our system will be the first ones to be paid out.

Once a year, the board will vote to retire the oldest year — this could be one year, multiple years, or a portion of a year — as a general retirement based on financial conditions. For example, the capital credits from 1994 were retired across two years, 2019 and 2020. The general retirement typically occurs prior to the annual meeting held in October each year.

Members receive a refund on their investment in the form of a capital credit retirement because Surry-Yadkin EMC is an electric cooperative, a not-for-profit organization operating at the cost to provide service.

Striving for A Brighter Future: Co-ops set renewable goals, focus on projects

Striving for A Brighter Future means more than just keeping the lights on. This new initiative by North Carolina's Electric Cooperatives, including Surry-Yadkin EMC, has a three-fold focus: to provide sustainable, affordable energy; focus on reliability and innovation; and provide local community support.

One of the key goals for NC's Electric Cooperatives is to reach a 50-percent reduction in carbon emissions from 2005 levels by 2030 and to be net-zero carbon by 2050. Renewable energy sources, such as solar, and encouraging the purchase and use of electric vehicles are two areas on which SYEMC is able to focus as part of A Brighter Future in an effort to help reach those carbon emission goals.

Surry-Yadkin EMC purchases its power through a wholesale contract with North Carolina Electric Membership Corporation. That power portfolio includes 5-percent renewables as well as 54-percent nuclear energy. Renewable Energy Credits (REC) are required as part of the power mix by Senate Bill 3, which was passed into law by NC legislators in 2007. Those RECs include biomass such as hog waste used to power generators, energy efficiency credits, hydro power, solar power and out-of-state power such as wind. Solar makes up 18 percent of the RECs in SYEMC's portfolio.

One local source of solar power for SYEMC is the

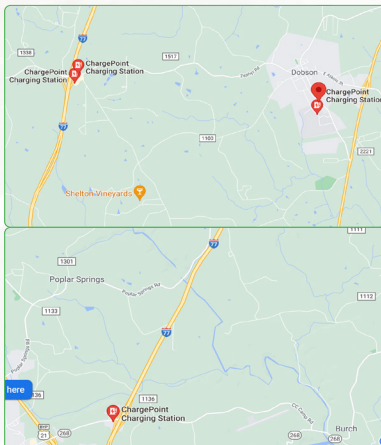
Fairview Solar Farm in Surry County, just southwest of Dobson. The solar farm was built in two phases from 2014 to 2015 and now has a 200-kilowatt (kW) capacity. In addition to aiding in sustainability through its capacity, the solar farm helps offset some of the co-op's demand during peak energy use periods and serves as an educational tool for area students and community groups.

Electric vehicles (EV) are growing in popularity. More often, it is not uncommon to see an EV traveling the roadways in Surry-Yadkin's service area. With that increased use in carbon-free transportation comes a need for places to charge the EVs, and SYEMC continues to grow its EV charging network as part of a statewide effort by electric cooperatives.

At present, Surry-Yadkin EMC's charging network includes Level 2 chargers at Fairfield Inn in Elkin, Hampton Inn at the Dobson exit on I-77, the Surry-Yadkin EMC headquarters in Dobson, Surry Community College's Dobson campus and Surry Communications' Dobson headquarters. In addition, a DC fast charger is located at the Circle K on Zephyr Road at the I-77 Dobson interchange. Future installation of a Level 2 charger is expected at the Hanging Rock State Park visitor center in Stokes County.

As the number of residential and commercial

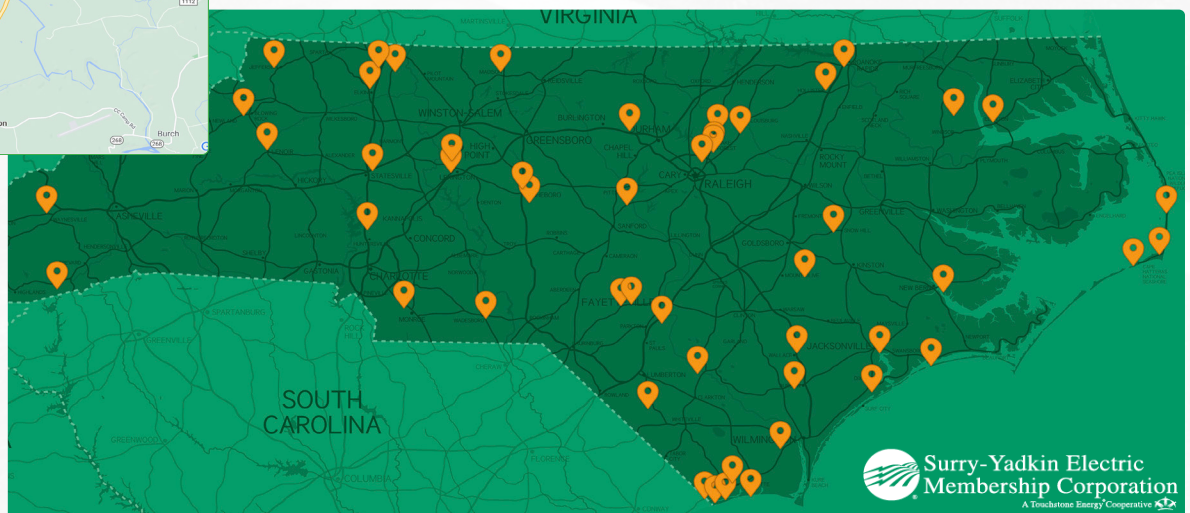
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Surry-Yadkin EMC's EV network includes Level 2 chargers at Fairfield Inn in Elkin, Hampton Inn at the Dobson exit on I-77, the Surry-Yadkin EMC headquarters in Dobson, Surry Community College's Dobson campus and Surry Communications' Dobson headquarters. A DC fast charger is located at the Circle K on Zephyr Road at the I-77 Dobson interchange. In the future, there will be a Level 2 charger at Hanging Rock State Park's visitor center.

NC Electric Cooperatives' EV charging network

To learn more about the EV network or the best EV option for you, visit ncdriveelectric.com



members who are interested in installing rooftop solar increases, the cooperative wants to ensure those members are aware of the options available to them and how the solar will affect their billing. Members are encouraged to reach out to the cooperative to learn more about solar before making any

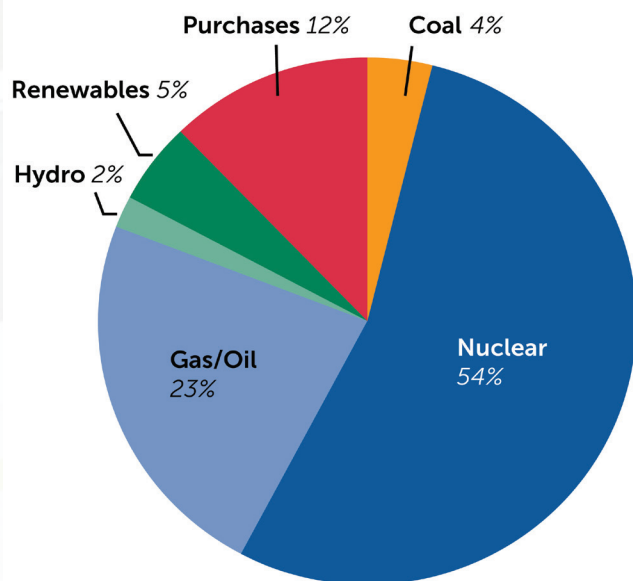
final installation plans.

Also, cooperative leaders are aware that members are looking for more rate options to better suit members' personal needs and situations, so the co-op will be evaluating its rates through a rate study being done over the next six months to a year.

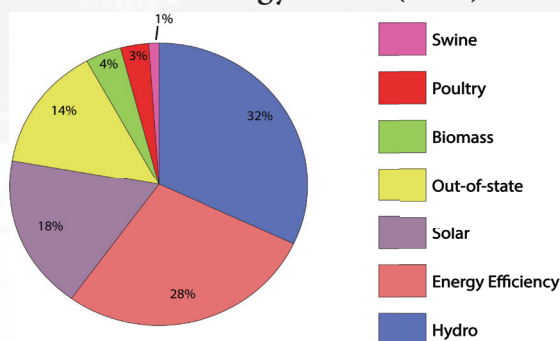
Where does SYEMC power come from? & What is our renewable breakdown?

Power portfolio mix

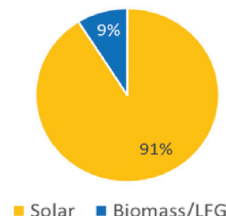
(purchased from North Carolina Electric Membership Corporation)



Renewable Energy Credit (REC) mix



Renewables in Fuel Mix



Don't just go green,



Receive your bill via email and pay online.



Have your bill paid automatically each month via bank draft or recurring payment.



DIGITAL MEMBER NEWSLETTER

Read your monthly newsletter and Carolina Country online. Receive an email notice days before the printed version is mailed.



Manage your energy use, pay bills, report outages with the SmartHub app.

Learn more at syemc.com/GoCoopGreen

Statement of Operations

Revenues

	2019	2020
Sale of Electric Energy	\$55,572,239	\$52,128,927
Non-Operating Revenue	922,832	274,052
Capital Credits from Associated Organizations	1,212,232	1,111,856
Total Revenue	\$57,707,303	\$53,514,835

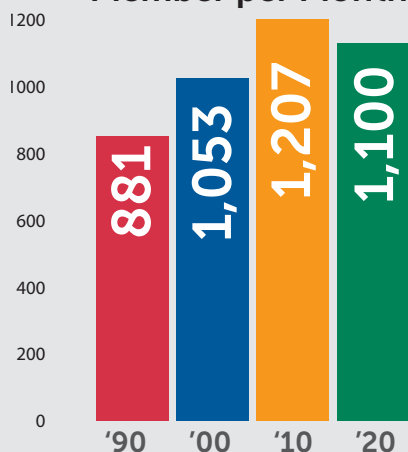
Expenses

Purchased Power	\$31,340,957	\$27,223,373
Operations of Lines	2,923,031	3,439,252
Maintenance of Lines and Property	5,892,273	5,809,114
Consumers Accounting and Collecting	1,370,362	1,690,964
Consumer Services and Information Expenses	189,056	234,250
Administrative and General Expenses	3,897,259	4,215,421
Depreciation	4,209,978	4,364,352
Interest on Long-Term Debt and Other	2,792,722	2,260,722
Other Operations Deductions	10,334	4,978

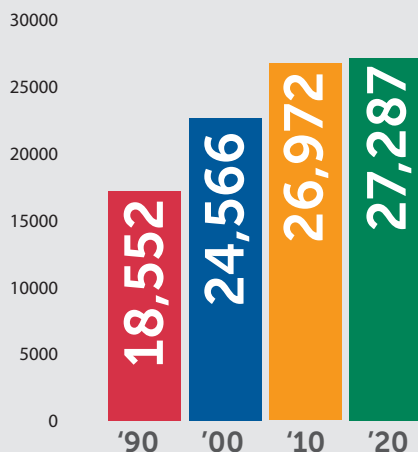
Total Expenses \$52,625,972 \$49,242,426

Net Margins for the Year (Patronage Capital) \$5,081,331 \$4,272,409

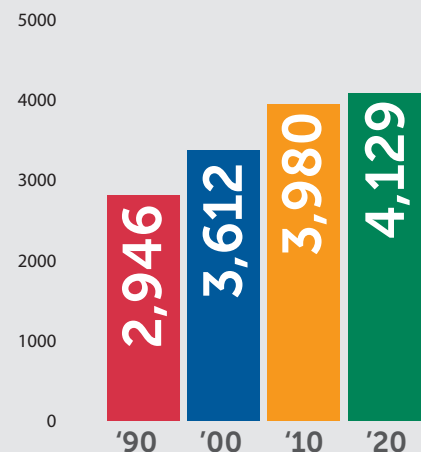
Average kWh per Member per Month



Members Connected



Miles of Line



2020 System Upgrades

- System improvements, about 440 pole replacements, replacing 13.5 miles of copper wire; new construction (\$1.5 million)

Capital Credits

Estimated 2021 Capital Credit Retirement: **\$2 million**

Balance Sheet

What We Own

2019

2020

Utility Plant

Electric Plant in Service.....	\$146,848,724	\$154,758,941
Less Accumulated Depreciation	33,116,529	36,026,091
Present Value of Our System	113,732,195	118,732,850

Investments \$16,197,844 \$16,973,179

Current Assets

Cash on Hand and in Bank.....	\$1,433,430	\$1,323,162
Accounts and Notes Receivable	8,939,228	10,325,768
Materials and Supplies.....	687,132	754,421
Prepayments and other assets	141,776	124,119

Deferred Assets \$781,620 \$746,980

Total Assets and Other Debits \$141,913,225 148,980,479

What We Owe

Membership Equity

Patronage Capital and Unallocated Margins.....	\$49,673,009	\$53,578,381
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Long-Term Debt

Long-Term Debt.....	\$66,043,042	\$67,233,863
Deferred Credits and Other Liabilities	17,703,847	20,130,851
Notes Payable	383,333	333,333

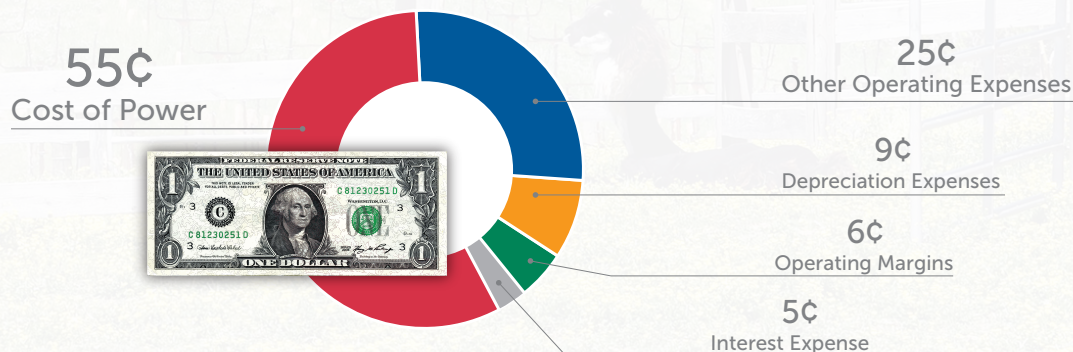
Current Liabilities

Current Maturities of Long-Term Debt.....	3,166,656	2,825,049
Accounts Payable.....	3,337,262	3,808,554
Consumer Deposits.....	861,458	82,207
Other Current & Accrued Liabilities	744,618	988,241

Total Liabilities and Other Credits \$141,913,225 \$148,980,479

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How
your
dollar
is spent





Members continue to make a difference

Operation Round Up is a member-supported relief program that was started in December 2001 through Surry-Yadkin Electric Membership Corporation. Nearly 20 years later, member contributions have reached a total of \$1,596,481.98 and have assisted in aiding 26 community agencies and hundreds of individuals and families in need throughout SYEMC's service area.

When an unfortunate event occurs, such as losing a home to a house fire, Operation Round Up funds help provide immediate assistance with food, clothing and shelter to those impacted. Other types of emergency situations include health and medical needs. Families experiencing catastrophic illness like cancer and organ transplants also have benefited from the program.

Upon submission of an application, each need is thoroughly reviewed by the Operation Round Up Fund Board of Directors, which consists of volunteer representatives from each of the counties SYEMC serves. Funds are allocated when applicants substantiate a genuine need. Applications can be found online by visiting <https://syemc.com/OperationRoundUp>. Upon completion, applications can be mailed, emailed, dropped off in person, or faxed to SYEMC.

The following is a list of local organizations which have profited from the program: Surry County Social Workers, Yadkin County Social Workers, Foothills Food Pantry, Lifeline Pregnancy Center, Mountain Valley Hospice, Children's Center of Northwest

NC, Grace Clinic of Yadkin Valley, SEAMS Ministry (Pilot Mountain Outreach Center), Salvation Army of Surry County, YVEDDI Meals on Wheels, Tri-County Christian Crisis Ministry, Yokefellow Ministry, Wilkes Ministry of H.O.P.E., Surry County Foster Parent Association, "Nichols for Kids" of Wilkes County, Surry Medical Ministries, Ebenezer Children's Home, Surry County Backpack Program, King Outreach Ministries, The Shepherd's House, Helping Hands, Solus Christus of East Bend, The ARK/Echo Ministry of Elkin, Yadkin Christian Ministries, In My Neighbor's Shoes, and The Legacy Center.

Programs like Operation Round Up allow cooperatives to help members and community members in need and to put money back into the local communities by improving quality of life. After all, this is what cooperatives are all about, "People Helping People."

Those interested in contributing to Operation Round Up may volunteer to have their monthly electric bill "rounded up" to the nearest dollar. For example, if a member's monthly bill is \$80.80, the bill would be rounded up to \$81 with the 20 cents going into the Operation Round Up fund. The average donation will be about \$6 a year. All donations are tax deductible and will be shown on your electric bill each month. Participation is voluntary and can be done by contacting SYEMC at 336-356-8241.

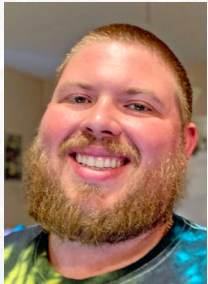
Members of the Operation Round Up board include Lisa Shreve, Carolyn Haynes, Cody McCormick, Andrea Dezern, Delane Hayes, Mary Jessup and Patricia Smith.



Lisa Shreve



Carolyn Haynes



Cody McCormick



Delane Hayes



Patricia Smith



Andrea Dezern



Mary Jessup



Connect with us:    

510 S. Main St., Dobson | 336.356.8241 | 800.682.5903 | syemc.com

POWERFUL CONNECTIONS