



CAPITAL CREDITS

Frequently Asked Questions

WHAT ARE CAPITAL CREDITS?

Capital Credits (sometimes referred to as patronage) are just one of the many benefits of your telephone cooperative association membership. Capital Credits are the amount of money left over at the end of a business year once all the operating expenses have been paid (generally referred to as profits). The remaining money is allocated to the members of the cooperative in proportion to the total amount of goods and services purchased by the member for that year. Members begin accumulating patronage capital with their first purchase of services and goods from the cooperative.

WHAT IS AN ALLOCATION TO THE MEMBERS?

An allocation is a determination of each member's share of the company's profits for a given year. These profits are allocated or assigned to members in proportion to the total amount of goods and services purchased by the member for that year. The company keeps a permanent record of these allocations on what is called a capital credit account for each member which is where the allocated amount remains until it is paid, or "retired".

WHAT IS A RETIREMENT OF CAPITAL CREDITS?

A retirement is the amount you are paid by the company which represents a refund of a certain portion of each member's capital credit account. The company returns capital credits in the form of either General Retirement or Estate Retirement.

The Board of Directors decides annually whether to do a General Retirement to all members who have accrued capital credits, and that decision by the Board is based upon the financial condition of the company. These capital credit refunds are generally paid by the company to qualified members in the fall of each year.

Estate Retirements is a payment of a deceased members accrued capital credits, or in the event a member is corporation, political body, or other legal entity, when that entity dissolves, disorganizes, and ceases to exist.

As to any request to refund the capital credits of a deceased member, (an Estate Retirement) as provided for in Article VIII, Section 2, Paragraph (7) of the company's Bylaws when the accrued capital credits are in excess of \$10,000.00, shall be refunded in four (4) successive annual payments of no less than \$10,000.00 each. These refund payments will be paid on the anniversary date of the initial distribution of the capital credit refund.

Un-retired capital credits will remain on the company's books in the member's name until they are completely retired. In the event a member was to move out of a company exchange area and disconnects their service they will not lose the funds accrued in their capital credit account. A capital credit account does not earn interest. Keeping a current address on file with the company will ensure that any retirements due the member will be delivered.

WHAT IS THE PROCESS TO CLAIM ESTATE RETIREMENTS?

As soon as practicable following the death of a member the company should be contacted and advised of the death (or dissolution of a corporation or other legal entity). The company will provide an Affidavit of Information Concerning Deceased Member to the member's legal representative or surviving family members. This Affidavit must be fully completed and returned as directed by the company. A legal opinion is then obtained by the company as to whom the accrued capital credits should be paid and then the request for the payment of estate retirements is considered and approved by the Board of Directors if appropriate.

CAN CAPITAL CREDITS ACCOUNTS BE ASSIGNED?

A capital credit account may not be assigned. It represents money due to the member and the company does not involve itself in managing the assignment of such account to other members, family members, funeral homes or other persons or entities.

MEMBERSHIP EXPLAINED

The Bylaws of the company allow for one or more classes of membership. However, at this time only individual membership is available. No member may hold more than one membership. Memberships formerly issued to husbands and wives, previously referred to as joint memberships, will be allowed to continue. However, when a membership is held jointly, the capital credits will not be retired until the death of both joint members. Thus, the term "member" as used in the company Bylaws shall refer to an individual or an entity, but can, on a grandfathered basis, be deemed to include a husband and wife still holding a joint membership.

Memberships in the company are extended only to individuals or entities who meet the requirements of Article I, Section I of the company's Bylaws.