

HENRY COUNTY REMC  
POLICY MANUAL

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Capital Credit Policy

Policy 318

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OBJECTIVE

The objective of this Capital Credit Policy (“Policy”) is to state the general policy of Henry County REMC for allocating and retiring capital credits.

POLICY

- A. The Cooperative shall allocate and retire capital credits in a manner that:
  - a. Is consistent with state and federal law;
  - b. Is consistent with operating on a cooperative basis under federal tax law;
  - c. Is fair and reasonable to the Cooperative’s members and former members;
  - d. Provides the Cooperative with sufficient equity and capital to operate effectively and efficiently;
  - e. Protects the Cooperative’s financial condition.
- B. Subject to the applicable law, the Cooperative’s articles of incorporation, and the Cooperative’s bylaws, the allocation and retirement of capital credits shall be at the sole discretion of the Cooperative’s Board of Directors (“Board”).
- C. The Cooperative shall allocate and retire capital credits according to the manner, method, timing, and amount approved by the Board.

Capital Credit Allocations

- A. Patronage Earning Allocations - For each service provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall equitably allocate to each patron, in proportion to the dollar amount of service purchased by the member during the fiscal year, the Cooperative’s patronage earnings in excess of operating cost and expenses from providing service during the fiscal year.

- B. Non-patronage Earning Allocations - All other amounts received by the cooperative from its operations in excess of cost and expenses shall also, as permitted by law, be;
- a. Used to offset any losses incurred during the current or prior fiscal years, and
  - b. To the extent not needed for that purpose, allocated to its members on a member's basis, and any amount so allocated shall be included as part of the capital credited to the accounts of members.
- C. Generation & Transmission (G&T) Patronage Earning Allocations - For each service provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall equitably allocate to each patron, in proportion to the dollar amount of service purchased by the member during the fiscal year, the G&T patronage earned. The G&T allocation will be allocated and recorded in a separate allocation file.
- D. Notice of Allocations - Within eight (8) months following the fiscal year, the cooperative shall notify each member in writing of the amount of capital credits allocated to the member for the preceding fiscal year through a written notice stating the cooperative dollar amount and G&T dollar amount allocated.
- a. Active members will receive their notice printed on their monthly billing.
  - b. In-active members will receive their notice by U.S. mail.

### General Capital Credit Retirements

- A. The Cooperative shall generally retire capital credits with the goals of:
- ~~a.~~ Maintaining an equity level according to the current financial policy # 405;
  - ~~b.~~ Retiring some capital credits every year during the month(s) of May through November; amount determined by governing policies and Board of Directors.
  - ~~c.~~ Retiring capital credits:
    - i. The board of directors will approve a specific dollar amount to be retired each budget year. A percentage of the approved dollar amount will be applied to both the oldest year with capital credit dollars remaining and the newest year with capital credit dollars remaining. Scenarios for retiring capital credit dollars will be presented to the board prior to the general retirement being processed.
    - ii. After retiring, and before paying, capital credits allocated to a member or former patron, the Cooperative may recoup, or offset any amount owed to the Cooperative by the member or former member by reducing the amount of retired capital credits paid to the member or former member by the amount owed.
    - iii. Minimum Amount:

1. The Cooperative shall not issue capital credits checks in an amount less than thirty dollars (\$30) unless the retirement and payment is for all remaining capital credits allocated to a former patron, the former patron specifically requests payment, or the amount can be applied to an active account.
  2. If it is not the full remaining capital credit amount, the former patron has not made a request for payment, and there is not an active account, the amount will be combined with the next year's capital credit record.
- iv. The cooperative may not discount the retirement of general capital credits.
- d. Communicating and promoting the cooperative principles;
- e. Fostering loyalty and support among patrons and former patrons; and
- f. Maximizing public relations and political goodwill.

#### Special Capital Credits Retirements

- A. The Cooperative may specially retire capital credits under certain circumstances:
- a. Any inactive consumer record with less than \$100 total in capital credits (Coop + G&T) on record may be refunded after the allocation of the current year, a discount rate of 6% per year, as approved by the Board of Directors shall apply.
  - b. Upon the request for capital credits because of the death of an individual member or former member or personal representative of a patron; documentation required.
    - i. When retiring, and before paying, capital credits allocated to a member or former patron, the Cooperative may recoup, or offset any amount owed to the Cooperative by the member or former member by reducing the amount of retired capital credits paid to the member or former member by the amount owed.
    - ii. The estate capital credits older than 30 years old will be paid at face value, estate capital credits less than 30 years of age will be paid at a discount rate of 6% per year , as approved by the Board of Directors
  - c. Upon the dissolution a business:
    - i. Upon the request for capital credits because of the dissolution of a business; documentation required.
    - ii. After retiring, and before paying, capital credits allocated to a member or former patron, the Cooperative may recoup, or offset any amount owed to the Cooperative by the member or former member by reducing the amount of retired capital credits paid to the member or former member by the amount owed.

- iii. The estate capital credits older than 30 years old will be paid at face value, estate capital credits less than 30 years of age will be paid at a discount rate of 6% per year, as approved by the Board of Directors.
  - iv. May not specially retire capital credits upon the reorganization, merger, or consolidation of an business member or former patron;
- B. The Cooperative may specially retire capital credits to bad debts;
- a. Upon a former member failing to pay an amount owed to the Cooperative after 90 days, capital credits shall be applied to the account at a discounted rate before being sent to the collection agency
  - b. Capital credits shall be applied to the account, beginning with the oldest year up to the current year.

#### Unclaimed Capital Credits

- A. If a member or former member fails to claim a retired capital credit amount after a period of two (2) years, then the amount shall be turned over to the cooperative.
- a. After a period of 2 years, notice of any unclaimed capital credits will be published in a local newspaper giving a one-time 60 days' notice printed in English language and published in the county in which the cooperative locates its general headquarters.
  - b. If not duly claimed within 60 days of said notice, the same shall be turned over to the Cooperative.
  - c. Any member or former member who fails to claim any cash retirement or capital credit or other payment within 2 years after payment has been made available to such person, such failure will constitute an irrevocable assignment and gift to the cooperative of such capital credits or other payments.
  - d. The amount of unclaimed funds shall be retained by the Cooperative as permanent equity. Permanent equity is ownership of the Cooperative that, in the event the Cooperative is dissolved, belongs to the current cooperative members.

#### Responsibility

- A. The Cooperative's Chief Executive Officer is responsible for implementing this Policy and for developing the practices and procedures necessary to allocate and retire capital credits according to this Policy.
- B. The Chief Executive Officer is responsible for:
- a. Recommending to the Board the manner, method, timing, and amount for allocating and

retiring capital credits.

- b. When, in the best interest of the Cooperative and its members and former members, recommending to the Board revisions to this Policy.

C. The Board of Directors is responsible for:

- a. Reviewing, discussing, and evaluating the CEO's recommendations regarding the manner, method, timing, and amount for allocating and retiring capital credits.
- b. Approving the manner, method, timing, and amount for allocating, discounting and retiring capital credits.
- c. Reviewing, discussing, and evaluating this Policy regular basis.
- d. Reviewing, discussing, and evaluating the CEO's recommendations for revising this Policy.
- e. Revising this Policy.

D. The Board of Directors is responsible for the Cooperative's compliance with this Policy.

This policy shall supersede policy312

Approved: June 18, 2014

Revised: July 13, 2016

Revised July 8, 2020

Revised/Approved February 8, 2023

Approved: May 8, 2024