

# At-a-glance

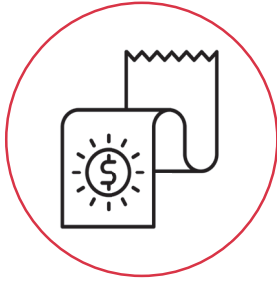
## *How do capital credits work?*



FreeState tracks how much electricity you use and pay for throughout the year.



At the end of the year, FreeState determines if there are excess revenues - or margins.



FreeState will allocate the excess revenue based on how much electricity you paid for.



If the financial health of the co-op allows, the board will retire capital credits.



FreeState will notify members of how and when you will receive your capital credits.

### Method of *Retiring Capital Credits*

The FreeState board determined that the method for returning capital credits is a hybrid method called Last-in-First-Out/First-in-First-Out or LIFO-FIFO.

#### **Last-in-First-Out/First-in-First-Out (LIFO/FIFO)**

This hybrid method manages equity by retiring a combination of the oldest and newest years and provides value to new and long-time members of the cooperative.

#### **Special Retirements**

Special retirements are specific events that occur and are refunded at a discounted rate. Discounting special retirements reflects the time value of money and provides a fair way to recognize special circumstances while continuing to treat members equitably. The board reviews and approves the discount rate on an annual basis to ensure that is fair and equitable to the membership.

#### **When does FreeState use special retirements?**

Current members leaving the system, death of one member of a joint account, or settling estates.

### Allocation vs. Retirement *What's the difference?*

#### **Allocation**

An allocation by FreeState determines each member's share of the cooperative's margin for a given year. Margins are what is left after expenses are all paid.

Margins are allocated—or assigned—to members who purchased electricity from FreeState during the year in which the margin was generated in proportion to the electrical sales for that year.

Each member's allocation is determined by revenue for that year. The co-op keeps a permanent record of each member's capital credit account, which is where the allocated amount remains until it is refunded.

#### **Retirement**

After reviewing the financial health of the cooperative, the board may declare a retirement, at which time all or part of each member's allocated amount is refunded.

**Want more information on capital credits?**  
Visit [www.freestate.coop/capitalcredits](http://www.freestate.coop/capitalcredits).

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## Changing or moving capital credits.

### What happens to the capital credits of a member who dies?

The capital credits of a deceased member may be refunded without waiting for a general retirement. However, these estate payments are not automatic. A representative of the estate must request the credits by submitting an Affidavit of Heirship form and a copy of the death certificate. We also ask for information depending on the situation. Those items are itemized below.

Capital credits will be refunded at a discounted rate for a living spouse up to year of death. If both owners of the account are deceased, the account is refunded in full to heirs. If retirement is approved by the Board, a check will be issued to the estate and the account closed. Forms may be picked up in the FreeState district offices or requested by phone.

#### If any of these situations apply to you the documentation listed is required.

Any release of capital credits to individuals or estates is subject to FreeState Electric Cooperative Policy. The membership account must be finalized prior to any release of funds.

#### Surviving Spouse of Member If you elect to change only the name on the account.

- a) Copy of Death Certificate.

*Note: capital credits may be available in the new name at a future time.*

#### If you elect to claim the accumulated capital credits at a discount, and change the membership to the surviving spouse's name, the amount of the discount will be forfeited.

- a) Affidavit of Heirship completed and NOTARIZED.
- b) Copy of Death Certificate.

*Note: active accounts will be given a new member number and account number.*

#### Joint Membership Separation If you have a joint membership and one member is staying at the property.

- a) Notarized Relinquishment Form from the individual leaving the property.
- b) Application updated by member staying at the property.
- c) Capital credits can be split on request but will not be refunded until retired.

*Note: FreeState can send a relinquishment form on your behalf if the members no longer have contact. This must be requested by the member.*

*The FreeState board has approved policies regarding capital credits. The cooperative reserves the right to make decisions involving payment of capital credits on a case-by-case basis.*

*Circumstances that are not considered "typical" may be evaluated by cooperative management to determine how an account or capital credits will be handled.*

*A divorce or separation document may be required.*

#### Surviving Heir of Member

##### If you are appointed by the probate court as the executor/executrix/administrator.

- a) Certificate from the Probate Court showing appointment.
- b) Letter advising date of death and requesting refund from the administrator, executor or executrix who was appointed by court. The provided Affidavit of Heirship may be completed in place of a letter.
- c) Copy of spouse's death certificate.

##### If you are named in the will or trust document as the executor/executrix/administrator/trustee.

- a) Affidavit of Heirship completed and NOTARIZED. List name(s) of those appointed as indicated in the Trust or Will
- b) Copy of Death Certificate.
- c) Copy of Will or Trust document listing all who are named executor/executrix/administrator/trustee(s). These names should be listed as heirs on the Affidavit of Heirship along with their title.
- d) Copy of spouse's death certificate.

##### I am an heir to the estate.

- a) Affidavit of Heirship completed and NOTARIZED. Names of ALL surviving children/heirs must be listed on this document.
- b) Copy of Death Certificate.
- c) Copy of Obituary to confirm surviving heirs.
- d) Copy of spouse's death certificate.

**FreeState does have board approved policies that will be followed. However, FreeState reserves the right to make decisions involving payment of capital credits on a case-by-case basis. If you have questions about the process, please contact us via phone at 1-800-794-1989 or via email at [customerservice@freestate.coop](mailto:customerservice@freestate.coop).**

Want more information on capital credits? Visit [www.freestate.coop/capitalcredits](http://www.freestate.coop/capitalcredits).