

## What are capital credits?

Franklin REC is a not-for-profit cooperative. Each of its members have a share in **ownership, construction, maintenance** and **prosperity** of the co-op through capital credits. Capital credits have two stages they can be in, **allocation and retirement**.

### 2024 ALLOCATION \$498,432.90

An allocation is made annually for each member based on the amount of revenue spent. The allocation is the member's share of the net margins. The co-op sets this money aside to be used as operating capital for improvements and maintenance until the board of directors elects to retire the capital credits.

When a person establishes service with Franklin REC, they become a member and are eligible for capital credits.



Capital credits represent a member's share of the cooperative's margins during the time they have membership.

At the end of each year, any funds remaining after expenses (margins) are allocated to the member's account based on percentage of electricity purchased.



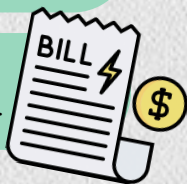
The allocated patronage affiliated with membership has no cash value and is not available for retirement until the board of directors elects to retire.

Annually, the board of directors evaluate the financial condition of the cooperative to determine whether to retire capital credits.



When the board elects to retire capital credits, they calculate the amount to pay each member based on historical allocation.

Capital credits will be returned to active members in the form of an energy credit on the June bill statement.



# 2

## 2025 RETIREMENT \$356,301.54

A retirement is the amount a member receives back as a refund. It is a portion of the total allocation. When capital is no longer needed for operating expenses, it is retired. The amount paid is decided annually by the board of directors based on the financial conditions of the co-op, and is subject to Rural Utility Services and other lending institutions financial requirements.

The only time unretired patronage is available prior to the maturity date is if the account owner is deceased. An executor must complete the required paperwork to receive funds, many times at a discounted rate. The board of directors must also approve the early retirement of patronage, prior to refund.