

## COOPERATIVE MEMBER OWNERS CAPITAL CREDITS



### TELECOMMUNICATIONS: A CAPITAL-INTENSIVE INDUSTRY

The telecommunications industry, such as RTC Communications (Davies-Martin Rural Telephone Company), requires significant investment to maintain operations and prepare communities for future growth and prosperity. As a non-profit cooperative, we strive to minimize the costs of new equipment, services, and infrastructure while returning profits to our members and customers.

### UTILIZING CAPITAL CREDITS

To help fund new builds, products and services, RTC Communications uses Capital Credits. This strategy allows the cooperative to avoid expensive finance charges, ultimately keeping costs lower for members like you. These Capital Credits represent profits that will eventually be returned to members when the Board of Directors determines it is financially feasible to do so.



### ANNUAL ALLOCATION STATEMENTS

Each year, only members who have, or had services with RTC Communications in the previous year receive an allocation statement. For example: In the spring, we send an Allocation Statement to inform member owners of the allocated earnings they've accrued during the previous fiscal year. This is not cash sitting in an account; it is simply a statement of your equity in RTC Communications during the previous year. Then, in December, checks are issued based on the portion the board has decided to retire. This payment represents a portion of the total allocation and includes a summary of all previous years' earnings that have not yet been paid out.

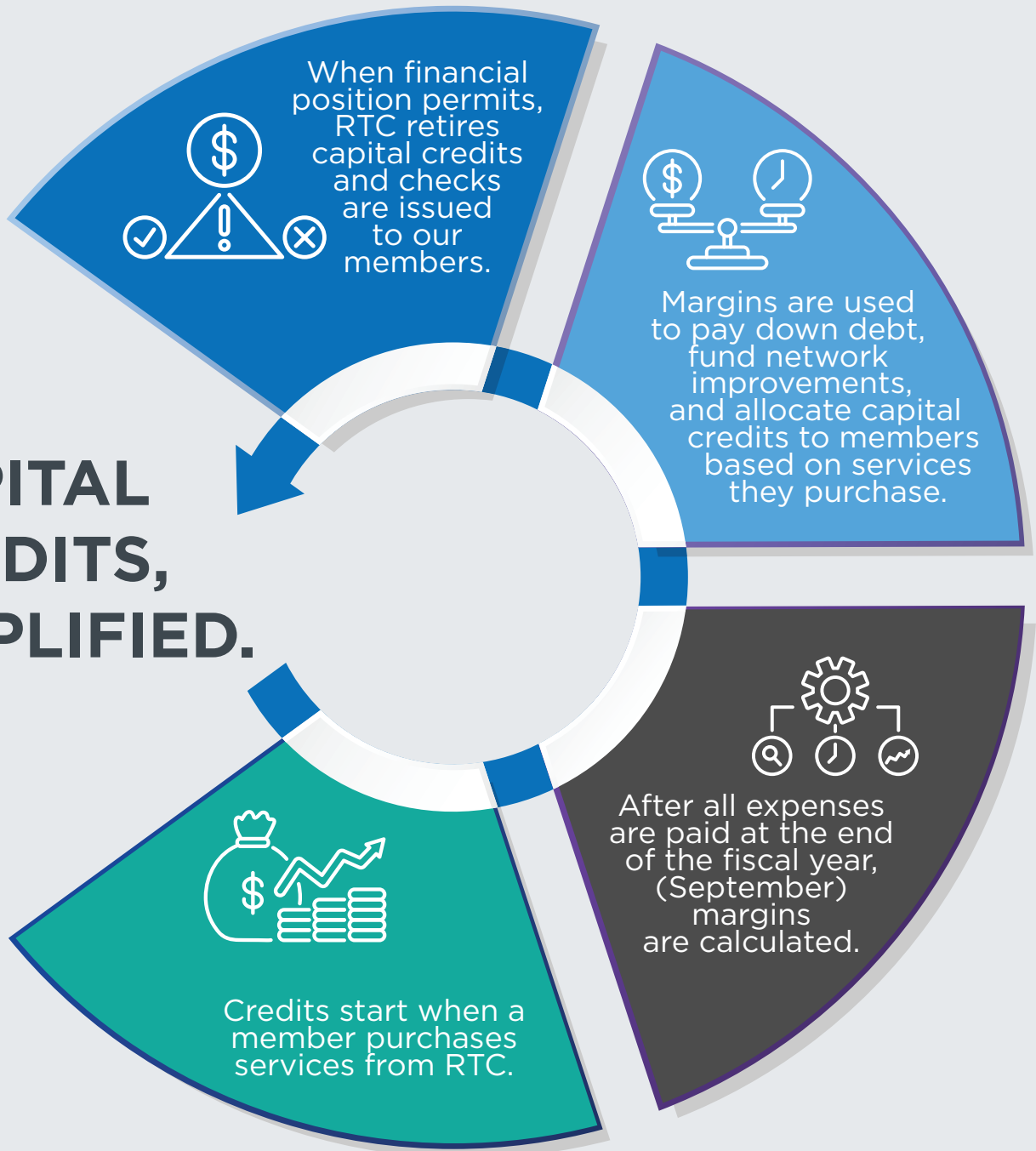
### RETIREMENT OF CAPITAL CREDITS

Capital credits are paid out, or "retired," at the discretion of the Board, based on the financial health of the cooperative. The timing of these payouts ensure the sustainability of RTC Communications while returning value to its members.

## COOPERATIVE MEMBER OWNERS: CAPITAL CREDITS



### CAPITAL CREDITS, SIMPLIFIED.



*NOTE: Members are considered those who have addresses within RTC Communication's incumbent service area. Those who are outside the incumbent area are not considered members and are not eligible to receive capital credits.*

## CAPITAL CREDIT FAQs

### WHAT ARE CAPITAL CREDITS?

Each month when you pay your bill, you are contributing to a member-owned cooperative. Since RTC Communications is a nonprofit organization, we return our profits to the members. Capital credit returns are based on the profit for the year, with each member's share calculated based on the percentage they paid into the cooperative.

### WHAT IS THE DIFFERENCE BETWEEN CAPITAL CREDIT ALLOCATION AND RETIREMENT/DISBURSEMENT?

When income exceeds expenses, margins are allocated to each member's capital credit account according to their usage; this is called capital credit allocation. Capital credits are retired (or returned) to members when the Board of Directors determines it will not jeopardize the cooperative's financial condition.

### I JUST STARTED SERVICE. HOW LONG BEFORE I GET A CHECK?

RTC Communications has retired capital credits through the year 2006. The Board analyzes the cooperative's financial health before making decisions on future retirements, but we cannot provide an exact timeframe for when newer members will receive a check.

### CAN CAPITAL CREDITS BE APPLIED TOWARD MY RTC COMMUNICATIONS BILL?

No. Banking policies prevent us from accepting endorsed capital credit checks as payment on your account.

### CAN MEMBERS CASH THEIR CAPITAL CREDIT CHECKS AT RTC COMMUNICATIONS?

No. You can cash these checks at your financial institution.

### WHY ARE CAPITAL CREDITS NOT PAID OUT FOR THE CURRENT YEAR?

Capital credits are paid based on the total amount allocated for the year being retired, and the dollar amount the Board of Directors approves for payout. This decision is based on the cooperative's fiscal standing and industry standards.

### WHY ARE YOU PAYING OUT CAPITAL CREDITS FROM YEARS LONG AGO?

Each year, the Board of Directors evaluates the cooperative's financial condition and determines which, if any, capital credits will be retired. Currently, credits from earlier years are being retired.

### WHY DON'T YOU PAY OUT FULL CAPITAL CREDITS FOR THE YEAR?

Capital credits are based on the amount the Board allocates and approves for payout. The decision is made after reviewing the cooperative's financial condition and adhering to industry standards.

### HOW ARE CAPITAL CREDITS FIGURED (IN SIMPLE TERMS)?

Capital credits are determined by the Board of Directors, based on the cooperative's financial standing. The total amount allocated is distributed among members who had service during the year, with amounts based on the services the member subscribed to, such as internet, long distance, or calling features.

### WHY ARE CAPITAL CREDIT CHECK AMOUNTS DIFFERENT EACH YEAR?

Your allocation and check depend on the services you subscribed to during the year and the amount the Board approves to retire.

### WHY DO I RECEIVE LESS MONEY NOW THAN I USED TO?

The amount of your check depends on the services you used during the year and the cooperative's payout decisions for that period.

### I RECEIVED A CHECK IN THE NAME OF A FORMER RESIDENT. WHAT SHOULD I DO?

If a check is addressed to a former resident, please do not open it. Mark "Return to Sender" on the envelope and send it back in the mail.

### IF THE CHECK IS IN MY SPOUSE'S NAME AND HE/SHE IS DECEASED, CAN I SIGN IT?

No. Please return the check to RTC Communications. You can request an estate packet, after which we will close the account and reissue the check to you.

### IF THERE ARE TWO NAMES ON MY CHECK, DO BOTH PEOPLE HAVE TO ENDORSE IT?

Yes. Most banks will require both signatures.

### HOW DO I KNOW IF I'M RECEIVING A CAPITAL CREDIT FOR THE CURRENT YEAR?

You will receive a allocation statement stating capital credits will be allocated. The amount of the allocation will not be stated at that time. Depending on the financial situation, capital credits may not be allocated. If this is the case, a letter from the Board of Directors will be sent to member owners.

## **CAPITAL CREDIT FAQs**

### **I USUALLY GET A CAPITAL CREDIT CHECK BUT HAVE NOT RECEIVED IT YET. WHAT SHOULD I DO?**

Capital credits are paid in arrears, so it's possible that profits for a certain year haven't been paid yet. However, if a check was sent and returned to us with a forwarding address, we will resend it. If it was marked undeliverable, you will need to complete the unclaimed capital credit process. If you believe a check was mailed but not received, you can request a stop payment and reissue, though a fee will be deducted.

### **DO I HAVE TO CLAIM CAPITAL CREDITS AS INCOME ON MY TAX RETURNS?**

Please consult with your tax advisor to determine if capital credits need to be included as income.

### **HOW LONG DO MEMBERS HAVE TO CASH THEIR CHECKS?**

Members have 120 days to cash their checks.

### **HOW CAN I ENSURE I RECEIVE CAPITAL CREDIT STATEMENTS OR RETIREMENTS IF I MOVE OUT OF RTC COMMUNICATIONS' SERVICE AREA?**

Please keep your mailing address up to date with RTC Communications to ensure you receive capital credit payments in the future. Call 1-812-486-3211 to update your information.