

CUSTER TELEPHONE COOPERATIVE, INC.

CAPITAL CREDITS POLICY

1. GOALS AND OBJECTIVES

- 1.1 To state the general policy of Custer Telephone Cooperative, Inc. (“Custer”) for allocating and retiring capital credits.
- 1.2 Custer operates on a cooperative basis for the mutual benefit of all its members. The goal of Custer is to be fair and reasonable to its members and former members, while providing Custer with sufficient equity and capital to operate efficiently and effectively.

2. MEMBERS AND CAPITAL CREDITS

2.1 Members

A member is any person, firm, association, corporation or body politic or subdivision thereof, who has paid the membership fee, if any, and who has purchased from Custer retail telecommunications or other information services within Custer’s designated Incumbent Local Exchange Carrier geographic area (the “Services”), in accordance with the Bylaws of Custer Telephone Cooperative, Inc., as the same may be amended from time to time.

2.2 Capital Credits

A capital credit is an amount paid by a member for the Services in excess of the costs and expenses incurred by Custer in furnishing the Services. Custer shall establish and keep in its books and records a capital account for each member and capital credits allocable to such member shall be credited to such member’s account. Each member’s allocable share of Custer’s excess capital in any given year is based upon the amount paid by such member to Custer as compared to all amounts paid to Custer by all members. No member shall be entitled to any interest or dividends on any capital provided to Custer.

3. PROCEDURES FOR RETIRING AND REFUNDING CAPITAL CREDITS

- 3.1 At any time, if the Board of Directors (the “Board”) determines that Custer’s financial condition will not be adversely impacted by retiring the allocated capital credits to the members, the Board may authorize Custer to wholly or partially retire and refund capital credits to the members and former members, in accordance with the governing documents of Custer.
- 3.2 The Board shall have the discretion to determine the method and timing of retiring and refunding capital credits.
- 3.3 Upon a determination that Custer shall retire capital credits, each member shall be entitled to receive such portion of such member’s capital account as determined by the Board to be retired.

- 3.4 Custer will not refund capital credits in an amount less than \$5.00. Amounts that are less than \$5.00 shall be transferred to the general fund.

4. PAYMENT AND NOTICE OF RETIREMENT

4.1 General Retirement of Capital Credits

After the Board makes a determination to retire capital credits allocated to a member, it shall pay the retired amount by sending a check for the amount to the member or former member of record to the most current address listed on Custer's records. Unless otherwise advised by counsel, or as otherwise directed by a court of competent jurisdiction, Custer shall make payment to the member of record in accordance with Custer's Membership Policy.

- 4.1.1 To the active individual member (or former member) in whose name the capital credits were issued.
- 4.1.2 To the president or other officer of an active business account member, as evidenced by the most recent annual report filed with the Secretary of State.
- 4.1.3 To the last president or other officer of a former business account member, as evidenced by the last annual report filed with the Secretary of State.
- 4.1.4 To the personal representative of a probated estate of a deceased individual member.
- 4.1.5 To the claiming successor or heirs/beneficiaries of a non-probated estate of a deceased individual member as designated by proper documentation.
- 4.1.6 To the surviving joint member of a joint membership terminated by the death of a member upon presentation to Custer by the surviving member of a death certificate of the deceased joint member.
- 4.1.7 Proportionately to each joint member of a joint membership terminated for reasons other than the death of a member, unless otherwise instructed by mutual agreement of the former joint members or a court or administrative body of competent jurisdiction

4.2 Set-offs

Any capital credits owed to a member or former member will first be used to settle any amounts owed to Custer on that member's or former member's past due or written off account. Accounts are considered past due if they are in the 30 day column of the current aging list.

4.3 Payment Procedure

Members may be asked to provide proof of identification with two forms of identification including a social security card and a picture ID. If there is any dispute as to the claimant of the capital account as stated on the books and records

of Custer, Custer is entitled to receive satisfactory proof of the status of the payee prior to payment, as set forth in Custer's Membership Policy.

5. PROCEDURES AND REQUIREMENTS FOR SPECIAL RETIREMENTS.

Members may request the retirement of such member's capital credits earlier than determined by the Board pursuant to Section 3 above, under the following circumstances:

5.1 Special Retirement of Capital Credits Due to Death

Upon the death of any individual member or individual former member, and pursuant to a written request from the deceased member's representative, the Board may retire the deceased member's capital credits under terms and conditions agreed upon by the member's representative and Custer.

Upon the death of any joint member, and the presentation to Custer of a death certificate of the deceased joint member, the joint membership shall be converted to an individual membership and all capital credits allocated to the joint membership shall be transferred to the individual membership of the surviving member.

5.2 Valuation of Special Retirements

Special Retirements for deceased members will be valued at full value based on the account balance at the time of death.

6. UNCLAIMED OR ABANDONED CAPITAL CREDITS

If a member or former member fails to cash the check within 180 days, or if the check is returned to Custer for any reason, the check will be voided and the sums due and owing shall be subject to Custer's Unclaimed Property Policy.