

Unclaimed 1986 Capital Credits – Notice to Members

May 17, 2006

Summary

During the four Sundays in June, Chugach will publish a list of names in the Anchorage Daily News for all members whose capital credit checks for 1986 are unclaimed. This is a large insert of approximately 18,000 names.

The publication will generate thousands of phone calls, mailed in claim forms, emails, and lobby visits to our customer service center and 5,000 or so checks should be reissued.

In addition to reissuing checks for the unclaimed 1986 capital credits, staff will also use the capital credit discounting process to pay not yet retired capital credits and close as many memberships as possible, negating the requirement for any further account maintenance on the memberships that are cashed-out.

Background

Capital credits are margins earned by members in a given year. They are typically returned to members 15 to 20 years later. Margins are used to reduce borrowing and help finance the cooperative.

Each year, the Board of Directors determines how much in capital credits will be returned to its members. The Board must consider the financial ability of the cooperative to return capital credits and must comply with a bond covenant that limits retirements to 50% of the prior year's margin if Chugach's equity is below 30%. Chugach's equity ratio is currently 29.5%.

In December 2005 Chugach retired \$3.8 million in capital credits. Retirements of this amount or greater are planned for the next several years.

Notice Required for Unclaimed Credits

This is a statutory process that allows Chugach to keep unclaimed capital credits rather than turning them over to the State of Alaska as "unclaimed property". Completing the process allows the unclaimed capital credits to revert to Chugach and become part of our equity.

The process has two notification requirements. First, a notice of the proposed reversion is mailed to the last known address of the member as shown on our records. Second, there must be published notice of the proposed reversion in a manner provided by law or court rule for service of a summons by publication.

The first requirement is satisfied by a postcard mailing, scheduled for the second week of May, to the approximately 18,000 members from 1986 with unclaimed capital credits.

According to the Alaska Rules of Court, to satisfy the second requirement, “A Notice shall be published four times during four consecutive calendar weeks, once in each week, in a newspaper published in the district in which the action is pending.”

To accomplish this notice requirement, Chugach publishes a list of names in the Anchorage Daily News. This is done during the four consecutive Sundays of June. The Sunday paper has the largest circulation and it also reaches our out of town service areas. Providing this notice in June allows any capital credits still unclaimed to be recognized at year-end in our accounting records as a Gain on Capital Credits Retirement.

Cost

The mailing of the postcards will cost about \$4,400 and the publication of the list will cost about \$47,000. Additional cost will result from the staff time to respond to member contacts and to process and mail checks.