

POLK-BURNETT ELECTRIC COOPERATIVE

Policy No.: **M-22**

Subject: **Capital Credit Allocations and Distribution**

- Objectives:
1. To establish the basis on which electric service capital credits are allocated each year among the various classifications of members and to provide for the retirement of those capital credits to the members.
 2. To define an estate and to establish the basis on which an estate may be retired.

General Policy:

Patronage capital for electric service shall be allocated each year to the account of members who contributed such capital on a pro rata basis relating to the amount of business each has done with the cooperative during that year for the consumption of electric energy. All member classifications shall be treated equally. Revenues from wholly-owned subsidiary sales, commissions from non-electric related businesses or programs, and interest income are not included in the capital credits allocations. These revenues become permanent capital to assist in equity growth to the benefit of all members.

The cooperative shall retire patronage capital annually, with the rotation based on the financial viability of the cooperative before such disbursements are authorized. The amount of the cooperative portion will be calculated based on no more than a 40-year cycle. The amount of the generation and transmission portion will equal the amount of cash received from Dairyland Power Cooperative on an annual basis. This will include compliance with constraints imposed by mortgage agreements.

Inactive Accounts: Capital credit payments will not be made unless the amount is \$10 or greater. Any inactive member with less than \$10 allocated to his/her account and with no future prospects of accruing more capital credits, said capital credits will become Donated Capital of the cooperative.

The method of allocation and resultant method(s) of retirement will be at the discretion of the board of directors.

Estate Policy:

For the purpose of administering this policy in accordance with Article IX, Section 6 of the bylaws, an estate is defined as the court-approved legal entity responsible for the settlement of the affairs of a deceased natural person patron's allocated but unretired capital credits with the cooperative.

Upon the request of the personal representative of a deceased natural person patron's estate, the cooperative may agree to retire the estate's allocated but unretired capital credits at a discounted rate based upon the cooperative's then effective cost of capital. Such early retirement may be paid directly to the estate or to such heir or heirs of the estate as the personal representative may designate.

Upon the request of the personal representative of a deceased natural person patron's estate, the cooperative may agree to assign future undiscounted capital credit retirement payments among such heir or heirs of the estate as the personal representative may designate.

Because the bylaw provides that the financial condition of the cooperative shall not be impaired by the discounted retirement of capital credits, the board of directors may at any time limit the amount of money budgeted for the payment of discounted capital credit retirements on an annual basis.