

## Board of Trustees Policy

Subject: <b>Allocation &amp; Retirement of Patronage Capital</b>			Policy No: <b>205</b>
Original Issue: 01/20/2020	Last Revised: 10/21/2024	Last Reviewed: 10/21/2024	Page 1 of 3

### I. OBJECTIVE

To establish the process for allocating and retiring capital credits of 4 Rivers Electric Cooperative, Inc. (Cooperative), subject to the discretion of the Board of Trustees and the Cooperative's financial condition.

### II. ALLOCATION

- A. Patronage Capital (Capital Credits) shall be allocated pursuant to Article VII, Section 2 of the Bylaws of the Cooperative.
- B. Net margins will be allocated on the Value method (dollar amount of purchases). Calculation for Value method as follows: individual member/consumer's yearly gross operating dollar purchased from the Cooperative less the cost of power allocated by rate class, divided by the Cooperative's total gross margin (operating sales less cost of power), and times the Cooperative's net margins.
- C. The portion of non-operating margins from a generation and transmission cooperative (G&T) which are allocated to members/consumers will be accounted for separately from other non-operating Cooperative margins.
- D. The Board of Trustees shall have their discretion to allocate any and all non-operating margins, not including allocations from the Cooperative's G&T, to a contingency reserve account.

### III. RETIREMENT

- A. Capital Credits shall be retired pursuant to Article VII, Section 2 of the Bylaws of the Cooperative.
- B. The Board of Trustees shall review the economic ability and the financial goals of the Cooperative to retire equity prior to retiring any and all capital credits.
- C. The accumulative retirement of G&T Patronage Capital to Cooperative members/consumers will at no time be greater than the amount of accumulated cash retirement of Capital Credits received by the Cooperative from its G&T.

4 RIVERS ELECTRIC COOPERATIVE, INC.  
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- D. For estates retirements, if authorized by the Board of Trustees and pursuant to Article VII, Section 2 of the Bylaws of the Cooperative, the amount of capital credits allocated to the Decedent's estate shall be discounted to present value so as to retire the estate's capital credits on an equitable basis with the retirement of the capital credits for all other members/consumers. To achieve an equitable basis, the present value of the capital credits allocated to the Decedent's estate shall be computed on the basis of the current capital credit rotation cycle and a discount rate equal to the Cooperative's weighted average cost of capital at the end of the previous year. The residual portion of the estate's capital credits that is not retired as a result of discounting shall be accounted for as donated capital.
- E. The capital credits of any corporation or partnership member/consumer which has dissolved will be retired under the provisions of the Bylaws of the Cooperative and will not be retired under the above policy for the retirement of capital credits for a Decedent's estate.
- F. For a member/consumer who no longer receives electricity from the cooperative and is delinquent in the payment of the member/consumer's inactive account, the Board of Trustees, in its discretion, shall have the power to retire capital credits allocated to such member/consumer's account and apply them to the delinquent balance, pursuant to Article VII, Section 2 of the Bylaws of the Cooperative. For any patron with debt or Membership Fees due to the Cooperative, the Board of Trustees, in its discretion, shall have the power to retire capital credits allocated to such patrons and the Cooperative can apply capital credit to those debts owned pursuant to Article VII, Section 3 of the Bylaws of the Cooperative. The amount of capital credits allocated to the member/consumer's account shall be discounted to present value so as to be retired on an equitable basis with the retirement of capital credits for all other members/consumers. The present value of capital credits shall be computed on the basis of the current capital credit rotation cycle and a discount rate equal to the Cooperative's weighted average cost of capital at the end of the previous year. The discounted amount shall be accounted for as donated capital to the Cooperative. The portion of capital credit, if any, that is not necessary to satisfy the delinquent account shall remain in the member/consumer's capital credit account and be distributed as otherwise set forth in the Bylaws.
- G. For a member whose account is in arrears with the Cooperative, the capital credits retired shall first apply against the amounts owed the Cooperative.

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IV. RESPONSIBILITY

- A. The President of the Board of Trustees shall be responsible for the administration of this policy.

10/21/2024

Date

/s/ Warren Schmidt

Board of Trustees, Secretary