

POLICY NO. 30-070

REVISION DATE: December 28, 2004

SUBJECT: RETIREMENT OF CAPITAL CREDITS

I. PURPOSE

The purpose of this policy is to establish guidelines for the retirement and forfeiture of capital credits.

II. POLICY CONTENT

Retirement of Capital Credits

Capital Credits do not vest until they are retired. The retirement of capital credits is made at the discretion of the Board of Directors. However, in no event, shall any such capital credits be retired if such retirement is in violation of the Cooperative By-Laws, the outstanding mortgage covenants, or any other contracts, or if the Board of Directors determines that the retirement will impair or adversely affect the Cooperative's financial condition.

The priorities for using available funds are (1) to retire capital credits as "special retirements", and (2) to retire capital credits as "general retirements" to qualifying members.

Special Retirements

This policy is the Board of Directors' resolution authorizing special retirements. The accounts eligible for retirement and the method of retirement are described below:

Accounts eligible for special retirement shall include:

- a) Accounts belonging to deceased members where there is no surviving spouse.
- b) Sole-proprietor business accounts where there is no surviving spouse.

All other accounts, including dissolved business accounts of partnerships, limited liability companies, corporations, and sole proprietorships where there is a surviving spouse are not eligible for special retirement.

The special retirement of eligible capital credits is a premature retirement; therefore, the amount paid will be determined using a present value calculation. The present value calculation shall use the rotation cycle in effect at the time of retirement, and use the current interest rate obtained from the Federal Reserve Board at the time of the loan approval.

The special retirement of eligible capital credits is made as "full settlement" of the capital credits. Any difference between the amount paid and the book value of the capital credits is forfeited by the estate or heirs of the estate. This forfeiture also includes un-posted distributions at the time of payment.

General Retirements

General retirements of capital credits shall be made only upon approval by the Board of Directors. This approval shall determine both the amounts authorized for payment along with the method used for such retirement (FIFO, percentage, etc.).

The Cooperative shall have the option of setting minimum general retirement check amounts until such payment retires the account in full. The minimum check amount shall apply to a membership, not a single account. No member who fails to receive a refund because of this shall have that amount deducted from his or her capital credit balance except:

The preceding paragraph is subject to the following qualification from By-Laws Article VIII, section 5: The capital credit and refundable Membership balances due an inactive member shall be forfeited and donated as a free and voluntary gift in the event total capital credits due the inactive member are less than \$5, or such other amount as may be fixed by Board resolution from time to time.

Accounts With "Delinquents" Balances and Bankruptcies

Article VIII, Section 2 of the By-Laws provides that the Cooperative may deduct on a discounted basis from the capital credits or affiliated capital credits at the time of retirements any amounts owed to the Cooperative by the member or former member, including any reasonable compound interest, and late payment fee, determined by the Board.

Forfeiture of Capital Credits

Capital credits shall be forfeited by the member(s) in the following circumstances:

- 1) Total capital credits due for inactive accounts are less than \$5.00.
- 2) The Cooperative is unable to locate the member when attempting to send a refund check.

For number 2 above, all capital credits belonging to the member will be forfeited. However, if within one year of forfeiture the cooperative subsequently locates the member, all capital credits will then be reinstated. Additionally, any refunds that would have been payable to the member under the special or general retirement rules will be made.

RESPONSIBILITY

The General Manager is responsible for implementing the necessary procedures for retiring capital credits and for advising the Board of Directors as to possible violations of By-Laws, mortgage covenants, or other contracts as a result of special or general retirements. The Board of Directors is responsible for authorizing all retirements; either through adopting this policy for special retirements, or through specific board action for general retirements.

ATTESTING:

President

Secretary

Date