5/84
Amended 2/28/89
10/22/90
7/3/99
10/25/04
Amended 9/28/09
Amended 9/27/10
Amended 6/22/15
Amended 11/28/16
Amended 1/28/19
Amended 6/26/23
Amended 7/28/25
Amended 8/25/25

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 determined by the member's consumption of Cooperative electric energy during the prior year. 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 credit allocation. These revenues become permanent capital to assist in equity growth to the benefit of all members.

The Cooperative shall assess whether to retire patronage capital annually, with the final determination 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.

Active members will receive a bill credit for the amount of their retirement., Former members will be mailed a check when retirement is $25 or more; lesser amounts are left to accrue. Retirements will be paid to former members in full when there is no prospect of accruing additional capital credits.

After the Cooperative authorizes the retirement of capital credits allocated to a member or former member, the Cooperative may recoup, offset, or setoff any amount owed/past due to the Cooperative by decreasing the amount of retired capital credits paid to the member or former member by the amount owed/past due.

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.

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Edward O. Gullickson, President
August 25, 2025