

## POLICY No. 6-18

### RETIREMENT OF CAPITAL CREDITS

**PURPOSE OF POLICY:**

To establish guidelines for the retirement and forfeiture of capital credits.

**POLICY CONTENT:**

The retirement of capital credits is made at the discretion of the board of trustees. However, no capital credits will be retired if such retirement is in violation of the cooperative bylaws, mortgage covenants or any other contracts.

**SPECIAL RETIREMENTS**

This policy is the board of trustees' resolution authorizing special retirements. The method of retirement and a description of accounts qualifying for special retirement are described below:

The capital credits for deceased members, dissolved business entities or uncollectable accounts may qualify for special retirement. Because these capital credits are being retired prematurely, the amount paid will be the present value of the total capital credit balance of the member using the weighted cost of capital for the discount rate. The cost of capital will be determined each year. See Procedure 6-18-1 for examples of present value method and weighted cost of capital calculation.

Accounts eligible for a discounted value capital credit special retirement will include:

- a) Accounts belonging to deceased members where there is no surviving spouse.
- b) Dissolved business accounts of partnerships, corporations or sole proprietorships are eligible for special retirements provided they do not cause financial harm to remaining members. Any special retirement exceeding \$10,000 must be approved by the board of trustees.
- c) Uncollectable or bad debt accounts – After staff has exercised reasonable efforts to collect past due balances but before uncollectable accounts are assigned to a collections agency, a special retirement of capital credits will be authorized to cover the amount of the past due balance, with any remaining discounted credits being returned to the member.

The special retirement for deceased members or dissolved business entities 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 member and will be transferred to other margins and equities. That amount shall become the property of the cooperative and unavailable for retirement. Past due balances on accounts of applicants for early retirement shall be paid with proceeds from the present value amount of early retirement capital credits prior to payment to the estate. This forfeiture also includes un-posted allocations at the time of payment.

### GENERAL RETIREMENTS

General retirements of capital credits shall be made only upon resolution by the board of trustees. This resolution will determine both the amounts authorized for payment along with the method used for such retirement such as first in first out (FIFO), percentage, including, at the option of the member, retirement on a discounted basis.

1. The minimum check issued for retirement of capital credits to a membership will be \$25. Retirements of less than \$25 may be credited to the member's account.
2. The minimum bill credit for retirement of capital credits will have no minimum dollar amount.
3. Active and inactive accounts eligible for capital credit retirements with a past due balance will be reviewed and, if appropriate, the amount to be retired will be applied to the account.

Starting in 2017, and moving forward, the board of trustees may elect to discount general retirements. The calculation shall follow the weighted cost of capital calculation.

### **RESPONSIBILITY FOR IMPLEMENTATION:**

The CEO is responsible for implementing the necessary procedures for retiring capital credits and for advising the board of trustees as to possible violations of bylaws, mortgage covenants or other contracts as a result of special or general retirements. The CEO is responsible for developing procedures to ensure a reasonable attempt is made to locate members before acquiring their capital credits. The CEO is also responsible for using reasonable care to determine the proper owner of capital credits belonging to deceased members prior to their settlement. The board of trustees is responsible for authorizing all retirements; either through adopting this policy for special retirements, or through specific board action for general retirements.

POLICY APPROVAL DATE 04/27/23

POLICY EFFECTIVE DATE 04/27/23



Randy Suess, President  
Board of Trustees