



Date Adopted: 09/28/10

Date Revised:

Date Reviewed:

Policy 512

Estate Capital Credit Payments at Net Present Value

POLICY:

For capital credits specially retired before the time the Cooperative anticipated normally retiring the capital credits, as agreed upon by the Cooperative and the applicant, the Cooperative may pay the discounted, net present value of the capital credits.

PROCEDURE:

The normal retirement cycle for Mid-Yellowstone has been established at 30 years, which means that capital credits allocated to an account are traditionally not refunded by the Cooperative until they have been applied to the account for thirty (30) years. For Mid-Yellowstone to adopt what has become acceptable practice among cooperatives, each capital credit applied to a member's account for less than 30 years and refunded under this policy shall be discounted in accordance with the applicable discount rate to determine its net present value.

Applicant Choice: At the time of application for the retirement of estate capital credits, the applicant shall have the choice of applying for payment of the credits at net present value or waiting for payment of those credits through general retirement(s).

Discount Rate: If the Cooperative retires capital credits before the time it anticipates normally retiring the capital credits and pays the discounted, net present value of the capital credits, then the Cooperative shall use a discount rate equaling the 20-yr T-Note Rate (as reviewed every six months) plus a risk premium ranging from 3 to 5 percent. The risk premium rate used shall be determined by board resolution.

Donated Capital: The difference between the full value of the capital credits as applied to the account and the discounted value of the capital credits as paid out will be treated as donated capital and accounted for as such at the time of refund.

RESPONSIBILITY:

Manager, Office Manager, Employees, and Board of Trustees