



Board of Directors Policies

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| Policy Number: 203 | Subject: Capital Credits |
| Review Date: 03/24/2026 | Previous Version: 11/19/2024 |

OBJECTIVE

To establish the manner, method, and timing for allocating and retiring Delta-Montrose Electric Association (DMEA) Capital Credits.

ACCOUNTABILITY

The Board of Directors (Board) and Chief Executive Officer (CEO)

POLICY

1. **Defined Terms.** Capitalized terms not defined in this policy will have the definitions given in the Bylaws.
2. **Manner and Method of Allocation and Retirement.** DMEA shall allocate Capital Credits in a manner that: (1) is consistent with legal, financial, and regulatory requirements; (2) is consistent with operating on a cooperative basis under federal tax law including, but not limited to, Internal Revenue Code section 501(c)(12); (3) is fair and reasonable to Members and former Members of DMEA; (4) provides DMEA with sufficient equity and capital to operate effectively and efficiently; (5) complies with DMEA bylaws (Bylaws); and (6) protects DMEA's financial integrity. DMEA shall allocate Capital Credits to Patrons using industry-standard methodology.
3. **Timing of Capital Credit Allocation.** DMEA shall allocate Capital Credits after the Board accepts the annual audit. Members will be notified annually of any allocation on their electric bills.
4. **Capital Credit Retirement.**
 - a. **Discounting of Capital Credits.** With respect to Capital Credit retirements for all deceased natural Patrons at the request of their estates and any other retirements that the Board authorizes to be discounted, DMEA will pay the discounted, net present value of the Capital Credits. The discount rate will be based on the previous year's blended interest rate and the expected retirement date. Any discount will be retained by DMEA as permanent equity.
 - b. **Timing.** Capital Credits shall be held by DMEA for a period to provide sufficient equity and capital to reduce the amount of debt required to build, maintain, and improve the electric system.

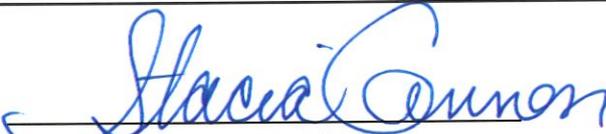


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- c. Recoupment.** Any balance of retired Capital Credits remaining after a recoupment, offset, or setoff of any amount owed to DMEA by a Patron will be paid to the Patron or former Patron.
 - i. Retirements of Capital Credits to any or all Patrons may be transacted by check or bill credit. At the time of retirement, a minimum check amount may be established.
 - ii. Patrons and former Patrons are responsible for keeping an updated mailing address with DMEA. Capital Credit retirement checks will be mailed to the current address listed in DMEA's records.

- d. Forfeiture of Capital Credits.** DMEA shall not enter into contracts with third parties through which a Patron or former Patron forfeits the right to the allocation or retirement of their Capital Credits. DMEA shall not require any Patron or former Patron to forfeit the right to the allocation or retirement of their Capital Credits.

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|  Board of Directors President |  Date |
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