

Central Wisconsin Electric Cooperative
Board Policy No. 408

Retirements of Capital Credits for Deceased Patrons

I. PURPOSE

- A. To provide a fair and equitable method for early retirement of capital credits for estates, heirs, and surviving spouses of deceased members.
- B. To improve the Cooperative's ability to distribute retired capital credits of deceased members to their estates, heirs, or surviving spouses.

II. POLICY

Pursuant to the Cooperative's Bylaws, the Cooperative may, on a case-by-case basis as determined by the Board of Directors, permit early retirement of capital credits allocated to deceased Cooperative members and distribute such capital credits to the appropriate estate representatives, heirs, or surviving spouses (or other joint members), provided that the Cooperative's financial position will not be impaired and such early retirements comply with other applicable Board policies.

III. PROVISIONS

- A. **Eligibility.** Under the Bylaws, the Board of Directors may only authorize early retirement of capital credits allocated to deceased members who were natural persons. Memberships held by trusts, corporations, limited liability companies, partnerships, or other entities do not meet the bylaw eligibility requirements for early retirement.
- B. The Board of Directors may agree with the heirs, surviving spouses (or other surviving joint members), or legal representatives of the deceased patron's estate to either:
 - 1. Assign the deceased member's capital credits to the appropriate party and retire them in accordance with the Cooperative's general patronage capital rotation; or
 - 2. Early retire the capital credits and distribute them to the appropriate party as a lump sum, subject to the other provisions of this policy.
- C. **Early Retirement at Net Present Value.** Where the Cooperative agrees to early retirement of the capital credits, the book value of the capital credits allocated to the deceased member shall be discounted to net present value using a discount

rate equal to the Cooperative's weighted cost of capital over a term approximately equal to the Cooperative's average general patronage capital rotation. The Board shall annually review the discount rate and may adjust it as needed to reflect the Cooperative's actual weighted cost of capital.

D. **Surviving Spouses or Other Joint Members with Rights of Survivorship.** If membership is held by spouses or others as a joint tenants with right of survivorship, then upon the death of one joint member, the surviving joint member or members shall automatically become the sole owner(s) of all capital credits allocated to the joint membership.

1. Surviving joint members may elect, subject in all cases to the agreement of the Board of Directors, to receive an early retirement of the deceased joint member's percentage share of capital credits. The remaining percentage share(s) of capital credits held by such surviving joint member(s) shall continue to be subject to the Cooperative's general patronage capital rotation.
 - a. Example 1: If a spouse dies, the surviving spouse may elect the early retirement of one-half of the capital credits allocated to the spousal joint membership.
 - b. Example 2: If a joint membership is held by three persons, and one dies, then the two surviving members may elect the early retirement of one-third of the capital credits allocated to that joint membership, and each surviving member will be entitled to receive one-half of the deceased person's one-third share.
2. If early retirement is not requested or authorized, then the deceased member's share of capital credits shall be assigned to the surviving joint member(s) and retired in accordance with the Cooperative's general patronage capital rotation.
3. Surviving joint members must furnish the Cooperative with a certified copy of the death certificate of the deceased joint member before the Cooperative will consider assignment or early retirement of the decedent's percentage share of capital credits.

E. **One-Person Memberships; Assignments and Distributions to Heirs and Personal Representatives.** The assignment or early retirement of a deceased member's capital credits shall only be made at the request of parties that are legally authorized to receive the capital credits, as follows:

1. Open Probate Estates. If the deceased member's estate is probated, either formally or informally, the Personal Representative of the estate may request

early retirement and receive the distribution of patronage capital on behalf of the estate, subject to furnishing the Cooperative with the following:

- a. A completed “Application by Legal Representative of Estate for Redemption of Patronage Capital” (Exhibit A);
 - b. A certified copy of the deceased member’s death certificate; and
 - c. A certified copy of a Domiciliary Letter (to be issued by the probate court in the form shown in Exhibit D) appointing the Personal Representative on behalf of the estate.
2. No Probate. Estates may not be probated in cases where the gross value of the deceased member’s estate is \$50,000 or less. In such cases, the capital credits allocated to the deceased member may be assigned or early retired, at the discretion of the Board of Directors, to any heir of the decedent, trustee of a revocable trust created by the decedent, person named in the decedent’s will to act as personal representative of the estate, or a person who was guardian of the decedent at the time of death, subject to finishing the Cooperative with the following:
- a. A certified copy of the deceased member’s death certificate; and
 - b. A completed sworn “Affidavit Requesting Redemption of Patronage Capital of Deceased Member Where No Estate is Being Probated” (Exhibit B).

If the Cooperative receives a request to transfer capital credits under this section by any person purporting to be the deceased member’s personal representative who is not otherwise an heir, trustee, or guardian, there shall be a 30-day waiting period before the Cooperative will take action on the request. If, within the 30-day window, the Cooperative receives any other affidavit from another person purporting to be the deceased member’s personal representative, the Cooperative shall not transfer the capital credits unless ordered to do so by a Court having jurisdiction over the matter. If no such other affidavit is received, the Cooperative may transfer the capital credits as requested.

3. Closed Estates. In cases where a representative or heir requests assignment and/or distribution of capital credits after the closing of the probate estate, the Cooperative will assign or early retire the capital credits, at the discretion of the Board of Directors, upon receipt of the following:
- a. A certified copy of the deceased member’s death certificate;

b. A completed sworn “Affidavit Requesting Redemption of Patronage Capital – Closed Estate” (Exhibit C).

F. **Cooperative Security Interest.** The Cooperative shall have a security interest in all patronage capital. If early retirement is permitted by the Board, the deceased member's accrued patronage capital shall first be discounted to net present value and then any indebtedness of the deceased member (including the entire indebtedness owed by a joint membership, if applicable) shall be deducted from the patronage capital. The remainder of the net present value of patronage capital, if any, shall then be distributed in accordance with this policy.

G. **Restrictions.** To ensure that: (a) the Cooperative’s financial condition will not be impaired by the early retirement of capital credits, and (b) that the Cooperative’s ability to retire capital credits for all members according to the Cooperative’s general patronage capital rotation will not be impaired, the Cooperative’s Board of Directors may establish a limit for capital credits allocated to deceased members that may be early retired in any fiscal year. The Board of Directors may adjust this limit from time to time at its discretion.

H. **Review of Requests to Assign and/or Early Retire Capital Credits.** As needed, and to the extent feasible, the Board of Directors shall review requests for early retirement of capital credits at regularly scheduled Board meetings.

IV. RESPONSIBILITY

A. It is the responsibility of the Board of Directors to implement and oversee this policy. The Board shall have sole discretion in making any determinations concerning the retirement of capital credits on a case-by-case basis, applying principles of general application.

B. It is the responsibility of the President/CEO or his/her designated staff to ensure that requests for assignment and/or early retirement of capital credits for deceased patrons are timely submitted to the Board for consideration at regular Board meetings. The President/CEO or his/her designated staff shall also be responsible for distributing and collecting the appropriate forms for interested parties to formally submit their requests for the Board’s consideration.

Date Approved: December 27, 2019

Date Revised

Date Reviewed: