MORA-SAN MIGUEL ELECTRIC COOPERATIVE INC.
RETIREMENT OF CAPITAL CREDITS TO DECEASED PATRONS
BOARD POLICY NO. 406
Supersedes Policy # 34

SUBJECT: Retirement of Capital Credits

OBJECTIVE: To establish a procedure for refunding of Capital Credits to deceased patrons

POLICY:

It shall be the policy of the Board of Trustees ("Board") to refund deceased patrons’ capital credits.

The credits so refundable shall be only those which were owned by the decedent in relation to the whole of such credits were at the time of the patrons death owned by decedent and a spouse or other person or persons.

The Board shall review periodically the financial position of the Cooperative to determine if the sum as authorized under the Cooperative Bylaws to be paid the estate of deceased patrons can be paid without manifest prejudice to the financial condition of the Cooperative. Currently the Bylaws requires that the Cooperative pay a minimum of $12,000 twelve thousand dollars deceased capital credits per year. RUS rules prohibit the Cooperative from paying any capital credits if it is in default of its RUS loan obligations. The Cooperative is not in default until the TIER requirements have not been met for an average of three years.

The Board shall be responsible for the enforcement of this Policy.

Approved: February 24, 1995
Effective: February 24, 1995
Revised: October 27, 2005
Effective: October 27, 2005

[Signature]
Board Secretary