

VALLEY ELECTRIC ASSOCIATION, INC.

Corporate Policy #106

EARLY CAPITAL CREDIT RETIREMENT

Dated: July 31, 2009
Supersedes: June 30, 2005
Formerly: Policy Cor 110

I. OBJECTIVE

To establish a procedure for the retirement of a member's capital credit allocation prior to the retirement of a specific year's retirement of capital credits by the Board of Directors.

The Association Bylaws provide that the Board of Directors, at its discretion, shall have the power at any time upon the death of any member that is a natural person, if the legal representatives of his estate shall request in writing, that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire capital credited to any such member upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby.

II. POLICY

A. Death of a Member: Early retirement of capital credits will be considered by the Board of Directors upon receipt of a written request to the Association by the member's legal representative, which shall include the death certificate of the deceased member.

The Board of Directors shall consider such request and may approve or disapprove such request on a case-by-case basis.

B. Early Retirement Calculation: The amount to be paid for the capital credits to be retired shall be based on the estimated present value of the capital credits. The estimated present value of the capital credits will be determined by using the 20-Year Long-Term Fixed Rate as published by the National Rural Utilities Cooperative Finance Corporation (CFC), as of the date the early retirement of the capital credits is authorized by the Board of Directors, and the most recently authorized capital credit retirement time period for each year of capital credits being retired.

III. RESPONSIBILITY

The Board of Directors shall be responsible for the enforcement of this policy.