

M. J. M. ELECTRIC COOPERATIVE, INC.

SECTION I – THE ORGANIZATION

Policy 2 APPROVED: 01/24/08

REVIEWED: 02/26/2015

REVISED: 03/22/2018

DEBT PORTFOLIO MANAGEMENT

POLICY

To set forth policy relating to management of the Cooperative's debt portfolio in order to minimize the costs of its capital while assuring access to debt financing.

RESPONSIBILITY

Board of Directors

PROCEDURE

A. Commitment to Debt Portfolio Management

It is the policy of the Board of Directors of this Cooperative to guide active management of choices among equity, debt and other forms of financing and careful selection of the interest-rate modes, principal amortization and other features of its debt portfolio.

B. Foundations of the Cooperative's Debt Portfolio Management

The Cooperative's management of its debt portfolio shall be based upon careful consideration of its:

1. Present debt portfolio structure including mix of variable and fixed-rate interest modes, interest rate adjustment periods, covenant requirements and other features.
2. Forecast future needs for capital, including both debt and equity for utility plant, diversified business ventures, community and economic development and such other uses as the Board may recognize from time to time.
3. Current and prospective business conditions that may have an impact on the availability and cost of alternative forms of financing.
4. Diligent analysis of risks and rewards of allowing debt interest rates to vary or be fixed.

C. Policy Implementation Guidance

The Cooperative shall develop and implement debt portfolio management, generally as follows.

1. The President/CEO and Director of Finance and Administration will be assigned to maintain understanding of capital markets and interest, rate trends, regularly updated forecasts of the Cooperative's capital needs, operate financial models and keep documentation of alternative debt sources current.
2. The Cooperative's debt portfolio will be carefully monitored to identify and execute savings opportunities from conversations between interest rate modes.
3. The Board will provide periodic guidance regarding its financing cost reduction goals, risk tolerance, rate conversion trigger points and cost recovery-period guidelines.

D. Monitoring and Correcting of Debt Portfolio Management

Management shall be held accountable for achievement of the Cooperative's debt cost reduction and availability objectives and will routinely report to this Board regarding progress toward objectives as well as opportunities to improve the Cooperative's plans and this policy.

BOARD ESTABLISHMENT OF POLICY

The initial policy was established by the Board of Directors at its meeting, January 24, 2008.


William R. Heyen, Secretary