

<b>Subject: Equity Management Policy</b>			<b>Policy No.: 113</b>
<b>Original Issue: 09/16/1994</b>	<b>Last Revised: 11/30/2011</b>	<b>Last Reviewed: 11/30/2011</b>	<b>Page: 1 of 2</b>
<b>Board Policy 56 is revoked and replaced with Board of Trustees Policy 113.</b>			

**PURPOSE**

To establish the equity level for Jemez Mountains Electric Cooperative (JMEC) that allows JMEC to provide service to its members at the lowest possible cost, while maintaining its ability to obtain additional debt capital when needed as well as returning the capital contributed by its patrons on a meaningful cycle.

**ACCOUNTABILITY**

The Board of Trustees (BOT) is responsible for approving this policy. The General Manager is responsible for administering this policy through an Equity Management Plan.

**POLICY**

**1. Considerations in Equity Management Planning**

Development and implementation of the JMEC plan to manage the cooperative’s equity will take into account any relevant economic, strategic, regulatory and other considerations including:

- a. The expected growth in consumers and sales, the need for utility plant financing and the expected debt service earning coverage capacity;
- b. JMEC’s rate competitiveness, including factors such as the need to accumulate equity or reduce consumers’ effective costs by returning their capital as patronage dividends; and
- c. Legal, tax and other regulations, and accounting principles.

**2. Approval of Equity Management Plan and Goals**

As directed by the Board, JMEC management will prepare or update its equity management plan, including the following elements:

- a. The Equity to Debt goal of the JMEC Equity Plan will be between 38% to 48%;
- b. A range of forecasted growth rates in total capitalization (debt plus equity) of the cooperative, based upon expected increases in member consumers and electricity sales;
- c. Estimated debt financing requirements and their expected costs;
- d. Goals for financial ratios as required by the lenders to JMEC; and
- e. A capital credit rotation cycle.

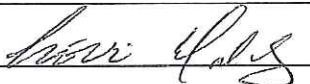
**3. Cash Requirements**

The amount of liquid investments to be maintained by JMEC shall be sufficient to cover all operating expenses, including purchased power, property taxes and easement payments for approximately a two (2) month period.

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**4. Monitoring and Correction of Equity Management Plan**

Management shall routinely report on progress toward the goals of the Equity Management Plan and its objectives, as well as opportunities to improve the cooperative's plans and this policy.

	Chairman of the Board	Date: <u>12/21/11</u>
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