



FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

GENERAL POLICY No. 309
SUBJECT: ALLOCATION AND RETIREMENT OF PATRONAGE CAPITAL

I. PURPOSE:

Article IX, Section 2 of the By-laws of the Cooperative, establishes the basis by which Patrons of the Cooperative, Members and Nonmembers alike, provide capital investment in the future of the Cooperative. Such capital investment is necessary to insure the financial stability of the Cooperative.

The purpose of this policy is to detail the process by which Patron-furnished capital shall be allocated to individual capital accounts and to specify the manner in which the patronage capital will be repaid to the Patron.

II. POLICY:

In conformity with Article IX, Section 1 of the By-laws, the Cooperative shall at all times be operated on a Cooperative nonprofit basis for the mutual benefit of its Patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Patrons.

In conformity with the By-laws of the Cooperative, it shall be the policy to retain all capital received in excess of the operating costs and other expenses, as permitted by law and Cooperative operations, and be allocated to the Patrons properly charged against the furnishing of electricity as a Patronage Capital in the name of the Patron responsible for the purchase of the electricity. The return of Patronage Capital to the patron shall be in accordance with the By-laws of the Cooperative, and National Rural Electric Cooperative Finance Corp., and the provisions of this policy.

III. RESPONSIBILITY:

The Board of Directors and the CEO/General Manager are responsible for seeing that the provisions of this policy are carried out.

IV. PROVISIONS:

A. Accumulation of Patronage Capital:

1. The retail rates of the Cooperative shall be established and maintained to provide for sufficient patron-furnished capital to insure the financial stability of the Cooperative as determined from time to time by the Board of Directors and retire Patronage Credits on regular rotation basis and Retirement of Deceased Patron's Capital.
2. The Patronage Capital for any one-year shall be the accumulated Patron-furnished capital for that year.

B. Allocation of Patronage Capital:

The operating and non-operating margins for a calendar year shall be combined and allocated to each Patron's capital account as follows:

1. The basis for allocation shall be the proportionate share of each consumer's patronage to the total patronage of all consumers as shown by the total billing records of the Cooperative.
2. The total billing figure as stated in paragraph 1 shall be divided into the total operating and non-operating margins to produce a patronage capital allocation factor.
3. The allocation factor shall be used as a multiplier against the total billings, as established in paragraph 1, for each consumer account. The resulting product shall be assigned to the Patronage Capital account for that consumer as their Patronage-furnished capital for that calendar year.
4. The Cooperative shall within reasonable time after the close of the fiscal year, notify each Patron of the amount of patronage capital assigned to their account. All such amounts assigned to the patronage capital account of any Patron shall have the same status as though they had been paid to the Patron in cash in purchase of a legal obligation to do

so, and the Patron had then furnished the Cooperative corresponding amount for capital.

5. The By-laws shall constitute a contract between the Cooperative and each Patron as though each Patron had individually signed a separate instrument.

C. Retirement of Patronage Capital:

The Board of Directors shall annually review the financial position of the Cooperative to determine whether the financial condition is such that some portions of the accumulated Patronage Capital can be returned to the patrons who furnished the capital. If the financial stability of the Cooperative will not be impaired, the Board may authorize the retirement of Patronage Capital to patrons in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

1. However, in accordance with the By-laws, the Board of Directors at its discretion shall have the power at any time upon the death of any Patron, if the legal representatives of their Estate shall request in writing, the Patronage Capital of the deceased patron on First In, First Out basis upon terms adopted by the Board, provided funds can be made available. (Policy 314: Retirement of Decedent's Capital Credits).
2. The Board of Directors limits the Cooperative to retire Patronage Credits up to an aggregate amount of 25% of previous years' revenue including Deceased Patronage retirements, at the option of the Board of Directors, when the Cooperative does not own 40% of its assets after Patronage Credits have been deducted. Any retirements beyond the 25% of previous years' revenue requires Board approval as long as Cooperative ownership is less than 40% of its assets.

D. Unclaimed Patronage Capital:

Retired Patronage Capital payments will be mailed to the last known address of

the member. Payments that are returned to the Cooperative or uncashed by the void date on the check will be considered unclaimed. Patronage Capital may be assigned to the books of the Cooperative in accordance to the By-laws Article IX, Section 2.

The Cooperative will strive to locate and return such unclaimed Patronage Capital Credits using the following methods:

A listing of members who have unclaimed Patronage Capital:

- Will be published on the Cooperative's website.
- May be published in the local newspapers.
- May be reported to the Secretary of State's unclaimed property database.
- May be shared with Fall River Electric Employees and Directors in an effort to locate family members.

V. PRIMACY OF POLICY

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

APPROVED BY THE BOARD OF DIRECTORS



Georg Behrens, President

DATE EFFECTIVE: January 18, 1988

DATE REVISED: March 23, 2015
August 21, 2018
August 26, 2019
March 27, 2023