

**MAQUOKETA VALLEY ELECTRIC CO-OP  
OPERATING PROCEDURE O-3  
DEFERRED PATRONAGE DIVIDENDS PROCEDURES**

**I. Allocation:**

The Board of Directors shall allocate the previous years margins in accordance with the By-laws and good business practice. This is typically authorized at their February meeting.

**II. General Retirement**

The Board of Directors shall authorize the total amount of patronage to be retired, and the year(s) from which payment is to be retired. Payment is generally made in October but can be made at any time authorized by the Board.

Payment by check: Unless instructed otherwise by the member, patronage dividend payments will normally be paid by issuance of a separate check mailed to the member at the last known valid address on file at the cooperative.

Payment applied to electric or telecommunications account: The cooperative will give member's the option to have their retired patronage payment applied to their account instead of receiving a check. Once notified, the member's account will be marked and will remain marked "apply to account" until further notice from the member.

Members with a balance 60 days past due will not receive a check, but will have the full amount applied to their bill. This may result in a credit being carried forward on their account.

Members who do not cash their check within 120 days will have their patronage retained in a gains account by the Cooperative. This will be re-disbursed to the Member upon future patronage retirements.

Void Date: Patronage checks will be void after 120 days from the date issued. The CEO may extend the payment date if he/she deems warranted. No new check may be reissued until the void date has expired.

Checks not cashed: A notice will be given in the cooperative's monthly newsletter and website approximately 30 days before the void date to remind all active and inactive members who have not cashed their check to cash them. After the void date, inactive members with uncashed checks greater than \$50 will be notified by letter that their check is void, the amount has been marked as unclaimed, and they must contact the cooperative within three years to obtain payment.

Invalid Addresses: The members are responsible for keeping the cooperative informed of their change in address. If checks are returned due to an invalid address, the cooperative will mark the account "invalid address" and no future

checks will be generated for that account until a valid address is available. The cooperative will diligently attempt to locate the inactive member and will document all steps taken to locate the member. The cooperative will publish a list of names of the inactive members with retired patronage dividends on the cooperative's website.

The retired patronage will be marked as "unclaimed". If a valid address is found, a new check will be issued, and the cooperative records updated.

Minimum Check: Checks will normally not be issued for an amount under \$5.00. Retired amounts under the \$5 minimum will be held by the Cooperative until the member's cumulative retired patronage balance reaches \$5. The Cooperative will then issue a check to the member. Inactive members automatically moved to the Retire No Check status and will become payable as future retirements increase the check amount.

Closing Accounts: Any account no longer active and not scheduled to receive future payments of allocated patronage will have a check issued for amounts over \$5.00 to close the account.

### **III. Special Circumstances:**

No account shall be retired early without specific approval of the Board of Directors. The following exceptions to this policy have prior approval of the Board.

#### **Estate Retirement**

Estates shall be retired at a discounted rate established by the Board of Directors to reflect a present value based on the cost of money to the cooperative. The current annual discount rate has been set at 5%.

Estates with current year revenue will be paid with an estimate of the current year patronage. An estimated amount shall be approved by the Board of Directors and is currently set at 7.5%.

Executors, administrators and/or heirs may be required to execute an agreement with the cooperative concerning the early retirement and discount.

Procedures for outstanding checks, check minimums, void checks and invalid addresses shall be the same as for General Retirements.

## **Bankruptcy**

Retirements to accounts who have filed Chapter 7 bankruptcy shall be retired at a discounted rate established by the Board of Directors and shall be paid as directed by Court order. This current discount rate established by the Board is the then current CFC 35-year fixed loan rate plus 2%.

## **Dissolution of Marriage**

Accounts in one name: Deferred Patronage Dividends will remain on file with the person whose name appears on the membership agreement unless a copy of the divorce decree is presented indicating the court has ordered a transfer of Deferred Patronage Dividends. Patronage will be retired following normal procedures and will not be retired early.

Joint Accounts: Deferred Patronage Dividends disbursements will follow the criteria established on the membership agreement whereas all monies will be divided equally between both parties at the time service address is changed. If a forwarding address is unknown for one or both parties, the account will be marked "Invalid Address" and will follow the procedure as outlined under General Retirement. Patronage will be retired following normal procedures and will not be retired early.

Exception to this policy will follow divorce decree instructions.

## **IV. Unclaimed Retired Patronage Dividends**

The Cooperative shall make a diligent attempt to locate all members and former members having deferred patronage dividends in an account with the cooperative.

Unclaimed patronage dividends are considered abandoned property and after three years will escheat to the cooperative in accordance with requirements of Iowa Code, Section 499.30 and the following policy adopted by the Board of Directors:

Unclaimed property will be utilized for (1) educational purposes for teaching and promotion of cooperation as defined in Iowa Code 499.30, or (2) economic development in the form of private or joint public and private investments involving the creation of economic development opportunities for its members or the retention of existing sources of income that would otherwise be lost.

## **V. Assignment of Patronage Dividends**

Members may assign previously allocated, unretired patronage dividends to up to three other individuals or to a single Trust. The member shall execute an Assignment Agreement (see appendix A) and shall indemnify the Cooperative from future claims against the unretired dividends.

Members wishing to assign future allocations must sign a new Assignment Agreement each year after the patronage has been assigned by the Board.

Members that are dissolving a business may assign previously allocated unretired patronage to up to three (3) individuals. An authorized officer of the corporation shall execute an Assignment Agreement (Appendix B) certifying his/her authority to act and agreeing to indemnify the Cooperative from any claims against the unretired dividends.



**AGREEMENT and ASSIGNMENT**

WHEREAS, \_\_\_\_\_ ("Member") is a former member of Maquoketa Valley Electric Cooperative ("Cooperative"); and,

WHEREAS, Member is a corporation that either has dissolved or is in the process of being dissolved and the undersigned is authorized to wind-up the affairs of the Member in connection with such dissolution; and,

WHEREAS, the undersigned, on behalf of the Member, has requested that the right to receive payment of all deferred patronage dividends allocated by Cooperative to Member, if and when said patronage dividends are retired in the future, be assigned to \_\_\_\_\_ ("Assignee"); and,

WHEREAS, Cooperative is willing to agree to such assignment pursuant to the terms and conditions set forth in this Agreement and Assignment and consistent with Cooperative's policies on payment of patronage;

IT IS, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS SET FORTH HEREIN, AGREED BY AND BETWEEN COOPERATIVE, MEMBER AND ASSIGNEE AS FOLLOWS:

- 1. Assignee hereby accepts the assignment of all deferred patronage dividends allocated to Member through date of the termination of Member's membership, and directs Cooperative to make any payments upon retirement of such patronage dividends to Assignee.
- 2. Following such assignment, Member shall have no right to payment of, and shall have no right, title, claim or interest in and to any deferred patronage dividends previously allocated to the account of Member.
- 3. Member and Assignee state that they have full and complete authority to execute this agreement, and that they further agree to indemnify and hold Cooperative harmless from and against all liability for any and all claims or demands for payment of the deferred patronage dividends which are the subject of this agreement by any person other than Assignee.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

Member

Assignee

by: \_\_\_\_\_

by: \_\_\_\_\_

Maquoketa Valley Electric Cooperative

by: \_\_\_\_\_

For Member:

STATE OF IOWA            )  
  ) SS:  
COUNTY OF \_\_\_\_\_)

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me, the undersigned, a Notary Public, personally appeared:

\_\_\_\_\_ to me known to be the identical person(s) named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

\_\_\_\_\_  
Notary Public

For Assignee:

STATE OF IOWA            )  
  ) SS:  
COUNTY OF \_\_\_\_\_)

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me, the undersigned, a Notary Public, personally appeared:

\_\_\_\_\_ to me known to be the identical person(s) named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

\_\_\_\_\_  
Notary Public