

**MORA - SAN MIGUEL ELECTRIC COOPERATIVE, INC.**  
**EQUITY CAPITAL OBJECTIVES &**  
**PATRONAGE CAPITAL PAYMENTS**  
**BOARD POLICY NO. 407**  
**New Policy**

**SUBJECT:** Equity Capital Objectives

**OBJECTIVE:** To maintain the Nonprofit financial basis of the Cooperative

**POLICY:**

1. The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its consumers.

2. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all member will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all of its member for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amount in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the consumers as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amount in excess of operating costs and expenses provided by the consumers. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each consumer is clearly reflected and credited in an appropriate record to the capital account of each member.

All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the consumer had then furnished the Cooperative corresponding amount of capital.

3. All amount received by the Cooperative from its operation in excess of costs and expenses shall, insofar as permitted by law, be:

(a) used to offset any losses incurred during the current or any prior fiscal year and;

(b) to the extent not needed for that purpose, allocated to its members on a patronage basis and any amounts so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

4. The Cooperative, through its operations, shall strive to attain an equity position of forty percent (40%) in as short a period of time as is consistent with prudent business practices.

5. The Cooperative shall strive to refund to its members, all capital received from the furnishing of electric energy in excess of operating costs and expenses chargeable against the furnishing of electric energy, within a period of not more than fifteen (15) years.

6. In refunding patronage capital, the Cooperative shall:

A. Not retire capital if in so doing, the financial condition of the Cooperative will be impaired thereby or such retirement would violate any of the Cooperative's legal or mortgage requirements.

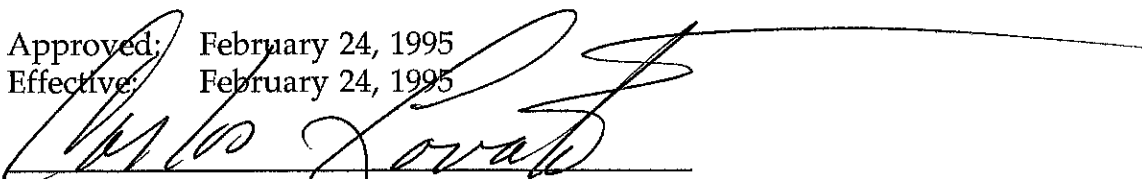
B. Capital Credit retirements shall be accomplished in such manner as prescribed by the Bylaws.

7. The Manager shall keep the Board advised as to the status of equity and the length of time patronage capital has been credited.

8. The Board shall at the appropriate time direct the retirement of patronage capital.

The Board shall be responsible for the enforcement of this Policy.

Approved: February 24, 1995  
Effective: February 24, 1995

  
Board Secretary