

patrons on a patronage basis in any manner allowed by law and any amount so allocated shall be included as part of the capital credits credited to the accounts of patrons, as herein provided. Consistent with law, the allocation of capital credits is within the discretion of the Board and the Board must determine the manner, method, and timing of allocating capital credits. The Cooperative may use or invest unretired capital credits as determined by the Board.

**Section 4. Security Interest in Capital Credits.** To secure a patron's obligation to pay amounts owed to the Cooperative and in return for the Cooperative providing Cooperative Services to a patron, the Cooperative may require a patron to authenticate an agreement giving the Cooperative a security interest in the patron's capital credits.

**Section 5. Assignment of Capital Credits.** A patron's capital credits shall be assignable only on the books of the Cooperative pursuant to written instruction from the patron-assignor and only to successors in interest or successors in occupancy in all or in part of such patron-assignor's premises served by the Cooperative, unless the Board, acting under policies of general application, shall determine otherwise. Except as otherwise provided by the Board or these Bylaws, to assign or transfer a patron's capital credits, the patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative.

**Section 6. Joint Memberships.** Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a joint membership: (i) through the death of a joint member, the Cooperative shall assign and transfer to each surviving joint member an equal portion of capital credits allocated, or to be allocated, to the joint membership; or (ii) other than through the death of a joint member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the joint members, the Cooperative shall assign and transfer to each joint member an equal portion of capital credits allocated, or to be allocated, to the joint membership.

**Section 7. General Retirement of Capital Credits.** At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all capital credits allocated to patrons and former patrons, in a patron's name as shown in the Cooperative's records. As reasonable and fair, the Cooperative may retire and pay capital credits to classes of similarly situated patrons and former patrons under different manners, methods, and timing, provided the Cooperative retires and pays capital credits to similarly situated patrons and former patrons under the same manner, method, and timing.

**Section 8. Special Retirement of Capital Credits.** The Board, at its discretion, shall have the power at any time upon the death of any patron, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting upon policies of general application, shall determine; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Board, at its discretion, may specially retire and pay some or all capital credits allocated to former patrons; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative may not specially retire and pay capital credits allocated to an entity patron or former entity patron during or after the entity's reorganization, transfer, merger, or consolidation.

**Section 9. Capital Credit Recoupment and Offset.** Regardless of a statute of limitation or other time limitation, after retiring capital credits allocated to a patron or former patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the patron or former patron, including any compounded interest and late payment fee, by reducing the net present value amount of retired capital credits paid to the patron or former patron by the amount owed to the Cooperative.