

NONPROFIT CORPORATION ACT (EXCERPT)
Act 162 of 1982

450.3135 Net savings; determination, allocation, distribution, and use; apportionment of losses.

Sec. 1135. (1) At least once each year, a cooperative shall determine its net savings by deducting from total income:

- (a) All operating costs and expenses.
- (b) Reasonable reserves for depreciation and obsolescence of property, doubtful accounts, other valuation or operating reserves, capital investments and reserves for capital investment.
- (c) Dividends paid on member capital and interest or dividends paid on nonvoting investment certificates or bonds, if any.

(2) The articles or bylaws may provide for any reasonable method of allocating net savings by the board of directors for the common benefit of all the patrons of a cooperative.

(3) Unless the articles or bylaws otherwise provide pursuant to subsection (2), net savings shall be allocated, distributed, or used in any of the following ways:

(a) By allocation of net savings to all patrons at a uniform rate in proportion to their individual patronage, provided that different rates of allocation may be established according to the net savings generated by various departments or types of business done by the cooperative. Distribution to patrons may be made as follows:

(i) In cash or credits. Credits shall be evidenced by shares, revolving fund certificates, notices of allocation, capital credits, or other certificates or notices of the cooperative, or any combination thereof.

(ii) In the case of nonmember patrons who have subscribed for membership, distribution may be credited toward payment of unpaid member capital or membership fees.

(iii) In the case of nonmember patrons, distribution of the proportionate amount of net savings generated by nonmember patronage may be made to a general fund. Redistribution shall be made to an individual nonmember patron only upon request and presentation of evidence of the nonmember's patronage. Such net savings may be distributed in cash or credited toward payment of member capital or membership fees. Reasonable notice shall be provided to nonmember patrons of their rights to redistribution and the means of applying for membership.

(b) By allocation to retained earnings, operating costs or capital expenditures of the cooperative to reduce the costs of goods, facilities, or services, to improve the quality provided or otherwise to further the common benefit of the patrons.

(4) The articles or bylaws may include any reasonable provisions for the apportionment of losses.

History: Add. 1984, Act 209, Eff. Nov. 1, 1985.