

## ARTICLE VII - Non-Profit Operations

**Section 1. Interest or Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a cooperative non-profit 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 members.

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy.** In furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its members 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 amounts 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. 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 member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account. 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 member had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses (a) shall, insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, may either become permanent equity of the Cooperative or be allocated to its members on a patronage basis, as determined by board policy.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to members' accounts may be retired in full or in part. The board of trustees shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital, unless otherwise provided for by law.

Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative unless the board of trustees, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board of trustees at its discretion, shall have the power at any time upon the death of any member, who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the board of trustees, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The board of trustees reserves the right to withhold payment of capital credits to the estate of deceased patrons, or to withhold payment of capital credits from any other capital retirement, up to the amount of any outstanding charges for electrical services provided by the Cooperative. In the event that the Cooperative receive any legal judgement against a member for money owed on account, such amount shall be subtracted from the amount of patronage capital retired from the member's account. In the event that a member seeks protection under the bankruptcy laws of the United States, and should such member seek discharge of any debts owed to the Cooperative through bankruptcy proceedings, the amount of the debt which the member seeks to be discharged shall be subtracted from the amount of patronage capital retired from the member's account. Any collection expenses, including collection agency expenses and/or attorney fees, shall be subtracted from the amount of patronage capital retired from the member's account.

The board of trustees shall have the power, at any time, to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the member are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

*\*the word member includes non-members we may be serving inadvertently*