

Article VII Non-Profit Operation

SECTION 7.1. Definitions. In this article, the term "patron" means a member of the Cooperative who is eligible to receive an allocation of capital credits as a result of the purchase of electric energy from the Cooperative as defined in Section 1.7 of these Bylaws.

SECTION 7.2. 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 patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 7.3. Patronage Capital in Connection with Furnishing Electric Energy. (a) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons 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 obliged to account on a patronage basis to all its patrons 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 patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

(b) All other amounts received by the Cooperative other than in the furnishing of electric energy in excess of costs and expenses may in the discretion of the Board and insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year, (b) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

(c) 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 shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. After December 1, 1989, the Board shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital.

(d) The Cooperative shall have the right to offset the retirement approved by the Board for a patron against the debt owed to the Cooperative by such patron. The Cooperative, before retiring any capital credit of any patron's account, shall deduct from the retirement of capital credits any amount owing by such patron to the Cooperative. This provision shall apply to all retirements of capital credits.

(e) Capital credited to the account of each patron 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 patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

(f) Notwithstanding any other provision of these Bylaws, the Board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron 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 patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

(g) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles and the Bylaws shall constitute and be a contract between the Cooperative and such patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron 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 patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.