

**ARTICLE VII  
NON-PROFIT OPERATIONS**

**SECTION 1. Patronage Capital In Connection with Furnishing Electric Energy and Other Services.** In the furnishing of electric energy, and other services 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 and other services in excess of operating costs and expenses properly chargeable against the furnishing of electric energy and providing of additional services. 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 their 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 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 amount so allocated shall be included as part of the capital credited to the accounts of members, as herein provided.

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 members' accounts may be retired in full or in part. The board shall determine the method, basis, priority and order of retirement, if any, for all amounts hereafter furnished as capital.

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' premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board at its discretion, shall have the power at any time to determine the application and retirement of capital credits in the best interest of the Cooperative and the board 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 their 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, 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 shall have the power, at any time, to adopt rules provided for the separate retirement of the portion ("Power supply portion") of capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall:

- a) Establish a method of determining the power supply portion of capital credited to each member for each applicable fiscal year;
- b) Provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's members;
- c) Provide for appropriate notifications to members with respect to the power supply portion of capital credited to their accounts; and
- d) Preclude a general retirement of the power supply portion of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior fiscal year.

Unclaimed capital credits shall be held in the name of the member entitled thereto until properly claimed by the member. There may be charged against said capital credits a reasonable service charge, as prescribed by the board, as a maintenance fee for said account.

**SECTION 2. Patronage Refunds in Connection with Furnishing Other Services.** In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services, shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.