

ARTICLE VII
NONPROFIT OPERATION

SECTION 1. INTEREST OR DIVIDENDS PROHIBITED.

The Cooperative shall at all times be operated on a cooperative nonprofit 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 the furnishing of electric 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 is obligated to account on a patronage basis to all its members, for all amounts received and receivable from the furnishing of electric energy or electrical services in excess of operating costs and expenses properly chargeable against the furnishing of electric energy or electrical services, all such amounts in excess of operating costs and expenses are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to record all such amounts in excess of operating costs and expenses by credits to a capital account for each member. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, in so far 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. Any amounts so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided. 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. The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount of capital credited to his/her account. All such amounts credited to the capital account of any member, subject to the right of the Cooperative to use the same, shall have the same status as though the member had then furnished the Cooperative a corresponding amount of patronage capital.

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 Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part. Notwithstanding any other provisions of these Bylaws, the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and 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 occupancy in all or part of such member's premises served by the Cooperative unless the Board of Directors acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall have the sole discretionary power to retire the capital credits of any deceased member who is a natural person, prior to the time such capital would otherwise be retired under the provisions of these Bylaws, upon the written request of the legal representatives of the member's estate and pursuant to such terms and conditions as the Board of Directors shall establish; provided, however, that the financial conditions of the Cooperative shall not be impaired thereby as determined by the Board of Directors.

In the case of any dispute involving the disposition or allocation of patronage capital, the membership shall be terminated and the patronage capital shall be distributed according to a court decree or written agreement signed by all parties involved.

SECTION 3. RESTRICTION ON RETIREMENT OF CAPITAL CREDITS.

If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition shall not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part. Notwithstanding any other provisions of these Bylaws, the Board shall determine the method of allocation, basis, priority and order of retirement, if any, for all amounts furnished as patronage capital.