

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

**SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy:** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will, through their patronage, furnish capital for the Cooperative. The Board of Directors of the Cooperative before allocation and crediting margins to its patrons may, by resolution provide for the adoption of margin stabilization plans, revenue or expense deferral plans or other plans that provide for the retention of revenues and receipts in excess of those needed to meet current losses and expenses. Reasonable reserves may be created by the Cooperative for the payment of the incremental cost of electric power and energy purchased by the Cooperative for resale to its patrons. Any amounts received by the Cooperative in excess of the funds necessary to provide for the reserves and plans as herein provided and in excess of operating costs and expenses shall be accounted for by the Cooperative on a patronage basis to all its patrons. All such amounts 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 those funds needed by the Cooperative for the purposes stated herein. 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/her account. Provided, that individual notices of such amounts furnished by each patron may not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for themselves the specific amount of capital so credited to him/her. 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 purchases of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for 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 patrons accounts may be retired in full or in part. After December 31, 1986, the Board of Directors shall determine the method, basis, priority, percentage, and order of retirement, if any, for all amounts furnished as capital. Provided further that the Board of Directors shall have the power to adopt rules providing for the separate retirement of the portion of capital credited to the account of the Cooperative by organizations in which the Cooperative is a member. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital (means member equity) of the Cooperative shall equal at least fifteen per centum (15%) of the total assets of the Cooperative.

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 part of such patron's premises served by the Cooperative unless the Board of Directors, acting under the policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the Board of Directors, at its discretion, shall have the power at all times upon the death of any patron, who is a natural person, if the legal representatives of his/her estate, the surviving joint of life tenant, in the event the real estate served was owned in joint of life tenancy and all capital credits accrued to the decedents, or all of the heirs at law of said decedent 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 the capital credits to any such patronage immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives, surviving joint of life tenant or all of the heirs at law of said deceased, if no estate is to be administered or probated, shall agree upon, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of conversion and bylaws shall constitute and be a contract between the Cooperative and each 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.

**SECTION 3. 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 there from 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 these patrons, members and non-members alike, from whom such amounts are obtained.

**SECTION 4. Publications:** For the purpose of advising the members concerning the general activities and business of the Cooperative and disseminating such other information as the management may deem advisable, there shall be established an official publication of the Cooperative to be known as Cooperative Connection, the said publication to be distributed to each member in good standing of the Cooperative once or more each month, or at intervals as may from time to time be

determined by the Board of Directors, at an annual subscription price of \$5.00 to be paid in each year by each member from the amount accruing to such members as capital credits on the records of the Cooperative.