

**PROPOSED BYLAW REVISIONS TO DELETE CURRENT ARTICLE VII CAPITAL IN ITS ENTIRETY AND  
APPROVE REVISED ARTICLE VII CAPITAL AS SHOWN IN THE FOLLOWING PAGES**

**ARTICLE VII  
CAPITAL**

**ARTICLE VII CAPITAL currently reads as follows:**

Section 1.

Interest and 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 nonmembers alike, 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 patrons, members and nonmembers alike, 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, members and nonmembers alike, 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. The Cooperative shall make the capital account of each patron available for the patron's inspection. 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 legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of 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; provided, however, that a retirement of capital to a nonmember shall not be made until he or she has become a member of the Cooperative. If such nonmember does not become a member of the Cooperative within one year after the amount of the distributive share(s) of capital equals the membership fee, the nonmember shall cease to be entitled to such share(s). Any such retirement of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being the first retired. All payment of patronage capital shall be paid jointly to parties holding a joint membership during the year for which capital is being paid.

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 of Directors, acting under policies of general application, shall determine otherwise. In the event that a nonmember patron shall elect to become a member of the Cooperative, the capital credited to the account of such nonmember patron may be applied by the Cooperative toward payment of the membership fee on behalf of such nonmember patron.

Notwithstanding any other provisions of these Bylaws, the Board of Directors, 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 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 of Directors, 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.

Notwithstanding any other provisions of these Bylaws, the Board of Directors, at its discretion, under uniform terms and conditions, shall have the power to authorize the accelerated payment of all of the capital credits credited to the account of certain patrons, identified as follows:

To be eligible for an accelerated payout, the patron must be a natural person who has been a member of the Cooperative for a significant number of years, or has a terminal illness, which number shall be established by the Board of Directors, from time to time, as official policy, based upon the financial condition of the Cooperative. The purpose of this policy is to permit the longest term natural person members, or having a terminal illness, of the Cooperative, to receive accelerated payout of the patron's capital credits account, to the extent that the payouts will not impair the financial condition of the Cooperative at that time. Such payment shall be upon the written request of the patron and shall be computed as of the date of refund of capital credits. Provided, however, that the financial condition of the Cooperative will not be impaired thereby.

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**Current Article VII Capital continued**

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Article of Incorporation and Bylaws shall constitute and be 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.

Notwithstanding any other provision of the Bylaws or other provisions of the membership certificate, if any patron fails to claim a cash retirement of capital credits or other payments from the Cooperative within one (1) year after payment of the same has been made available to him/her by notice, or check, mailed first class mail, postage prepaid to him/her at the last address furnished by him/her to the Cooperative, such failure shall be, and does constitute an irrevocable assignment and gift by such patron of such capital credit or other payment to the Cooperative. Payment shall have been deemed made available to such patron upon the date of mailing of such notice or check. The failure to claim any such payment within the meaning of this section shall include the failure by such patron or former patron to cash any check mailed to him/her by the Cooperative at his/her last address furnished by him/her to the Cooperative.

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 therefrom which are in excess of costs and expenses properly chargeable against the furnishing of goods or services, shall insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and nonmembers alike, from whom such amounts were obtained; provided, however, that no return of such excess amounts shall be made to a nonmember until he or she has become a member of the Cooperative. If such nonmember does not become a member of the Cooperative within one year after the amount of distributive share(s) of capital equals the membership fee, the nonmember shall cease to be entitled to such share(s).

Section 4.

Forfeiture of Capital Credits

Capital credits accrued to a member shall be forfeited in total in the following two (2) circumstances:

- A. When a member has any unpaid amount of money due to the Cooperative for a continuous period of 47 months (3 years and 11 months); and
- B. When a member has any unpaid amount of money due the Cooperative, which debt is discharged in bankruptcy.

The forfeiture of capital credits shall be complete and irrevocable. The basis of the forfeiture is both the unpaid money which is uncollectible and the extra work and expense of the Cooperative in the collection process and operating without income.

The capital credits forfeited shall be transferred to the general fund of the Cooperative.

**Amend Article VII Capital to read as follows:**

Section 1.

Definitions.

As used in this article,

- (a) "Capital Credit" shall mean an amount credited to a Patron's account on the Cooperative's books and records as capital contributed by such Patron in accordance with this Article.
- (b) "Good or Service" shall mean the provision of electric energy and related distribution goods and services, as well as the provision of other utility type goods and services all on a cooperative basis to Patrons to the extent that the income derived from providing such other goods and services would be exempt from federal income taxation if received by an organization qualifying for exemption under Section 501 (c )(12) of the Internal Revenue Code.
- (c) "Nonpatronage Earnings" shall mean, for any fiscal year, with respect to any activities other than the provision of Goods or Services, the amount by which the Cooperative's revenues, income, or gains from and directly related to such activities exceeds any expenses and losses associated with such activities, all as determined by the Board of Directors consistent with federal tax law.
- (d) "Nonpatronage Loss" shall mean, for any fiscal year, with respect to any activities other than the provision of a Goods or Services, the amount by which expenses and losses associated with such activities exceeds the revenues, income, or gains derived from such activities, all as determined by the Board of Directors consistent with federal tax law.
- (e) "Patron" shall mean any member or non-member of the Cooperative to whom the Cooperative furnishes any Good or Service pursuant to Board resolutions, Board policies, or contract.
- (f) "Patronage" shall mean the quantity or value of Goods or Services used by a Patron during the fiscal year. An allocation "on the basis of Patronage" shall mean an allocation based on the quantity of value of Goods or Services provided to a Patron during a fiscal year relative to the quantity or value of all Goods or Services provided to all Patrons during the fiscal year.
- (g) "Patronage Earnings" shall mean, for any fiscal year, with respect to any Good or Service, the amount by which the Cooperative's revenues, income, or gains from and directly related to providing such Good or Service exceeds any expenses and losses associated with providing such Good or Service, all as determined by the Board of Directors consistent with federal tax law. Such associated costs include, by way of example, and without limitation, reasonable reserves as described in this Article.
- (h) "Patronage Loss" shall mean, for any fiscal year, with respect to any Good or Service, the amount by which expenses and losses associated with providing such Good or Service, exceed the revenue, income, or gain from and directly related to providing such Good or Service, all as determined by the Board of Directors consistent with federal tax law.

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Section 2.  
Nonprofit and Cooperative Operation

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 3.  
Allocation of Capital Credits

If the Cooperative has Patronage Earnings with respect to any fiscal year, the Cooperative shall equitably allocate such Patronage Earnings among its Patrons on the basis of Patronage as Capital Credits in accordance with this Section. If the Cooperative incurs a Patronage Loss with respect to any fiscal year, the Board of Directors shall prescribe the manner in which such Patronage Loss shall be accounted for on the Cooperative's books and records, including any related adjustments to Capital Credits, provided that such authority must be exercised in a manner consistent with accepted accounting practices, any applicable loan or other contractual covenants, and applicable federal tax laws.

If the Cooperative has Nonpatronage Earnings with respect to any fiscal year, the Cooperative may use, retain, or equitably allocate as Capital Credits among its Patrons on the basis of Patronage such Nonpatronage Earnings, as determined by the Cooperative's Board of Directors. Notwithstanding any other provisions of these bylaws, by way of example and without limitation, Nonpatronage Earnings may be used to offset any current or prior Patronage or Nonpatronage Losses.

If the Cooperative incurs a Nonpatronage Loss with respect to any fiscal year, the Board of Directors shall prescribe the manner in which such Nonpatronage Loss shall be accounted for on the Cooperative's books and records, including any related adjustments to Capital Credits, provided that such authority must be exercised in a manner consistent with accepted accounting practice, any applicable loan or other contractual covenants, and applicable federal tax laws. Notwithstanding any other provisions of these bylaws, by way of example and without limitation, the Cooperative may offset any Nonpatronage Losses with its unallocated and retained equity or with Patronage Earnings with respect to the fiscal year which would otherwise be allocable as Capital Credits.

For each amount allocated to a Patron as a Capital Credit under this Section, such Patron shall be deemed to contribute a corresponding amount to the Cooperative as capital at the moment of receipt by the Cooperative. The Cooperative shall credit such capital contribution to a capital account for the Patron. The Cooperative shall maintain books and records reflecting the capital contributed by each Patron. At the time of receipt by the Cooperative, the amount of each capital contribution will be treated as though the Cooperative paid such amount to the Patron in cash pursuant to a pre-existing legal obligation and the Patron then contributed the corresponding amount to the Cooperative as capital.

Consistent with this bylaw, the Board of Directors shall determine the manner, method, and timing of allocating Capital Credits. As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods, and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons (within any such class as determined by the Board of Directors) under the same manner, method, and timing.

Upon the Cooperative receiving written notice and sufficient proof of the death of a party in a joint membership, the Cooperative shall assign and transfer to the surviving party the Capital Credits previously allocated, or to be allocated, to the joint membership.

Upon notification of the dissolution of marriage or separation between parties in a joint membership, capital credits allocated to the joint membership and any amounts owed to the Cooperative shall remain in the name of both parties until otherwise instructed by a court or administrative body of competent jurisdiction.

Section 4.  
Retirement of Capital Credits

At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may retire and pay some or all Capital Credits to its Patrons to whom such Capital Credits are then allocated on the books and records of the Cooperative.

The Cooperative may retire and pay Capital Credits only if the Board of Directors determines that the retirement and payment will not adversely impact the Cooperative's financial condition. Consistent with this bylaw, the retirement and payment of Capital Credits are in the discretion of the Board of Directors and the Board of Directors shall determine the manner, method, and timing of retiring and paying Capital Credits. As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons, current and former, under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons (within any such class as determined by the Board of Directors), current and former, under the same manner, method, and timing. Such manner, method, and timing of retirement and payment, if any, determined by the Board may include the retirement and payment of Capital Credits on a discounted and net present value basis.

Upon the death of a current or former individual Patron, upon receiving a written request from the deceased individual's legal representative, the Cooperative may authorize an accelerated special retirement of some or all Capital Credits allocated to the Patron or former Patron. This special retirement is subject to terms and conditions established by the Board of Directors and shall be paid at the net present value of the retired Capital Credits. Criteria in determining the net present value of the retired Capital Credits shall be established in accordance with the policies and procedures set forth by the Board of Directors. Such criteria shall be provided to a representative of the deceased individual.

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**Amend Article VII Capital to read as follows (continued):**

After retiring Capital Credits of a current or former Patron, the Cooperative may recoup, offset, or setoff any amount owed to the Cooperative by such current or former Patron, including any compounded interest and late payment fee, by reducing the amount of retired Capital Credits payable to the current or former Patron by the amount owed.

Retired Capital Credits, which have not been claimed by the respective current or former Patron shall constitute an irrevocable assignment and contribution to the Cooperative, after reasonable effort to locate said current or former Patron. The assignment and contribution shall be added to the Cooperative's donated capital and net savings subject to the property rights of members. Mailing of a check or notice of the availability of a check to the last known address of a patron by first class mail and publication of the list of Patrons or former Patrons having unclaimed Capital Credits on the website and/or newsletter of the Cooperative for a period of three years shall be deemed reasonable effort to locate said Patron or former Patron.

Capital Credits 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 Patrons' premises served by the Cooperative, unless the Board of Directors, acting under policies of general application shall determine otherwise.

Subject to the right to offset, setoff, and recoupment for any amounts owed the Cooperative, current and former Patrons may at any time irrevocably assign and contribute their unretired Capital Credits balance to the Cooperative as a contribution to capital and net savings. Such irrevocable assignment and contribution of capital shall not be allocated to the Patrons and is distributable only upon dissolution of the Cooperative. The Board of Directors is authorized, but not required, to negotiate capital credit retirement agreements with estates of deceased individuals, and/or former Patrons.

Section 5.  
Reasonable Reserves.

Notwithstanding other provisions of these bylaws and to meet the reasonable needs of the Cooperative, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expense ("Reasonable Reserves").

Section 6.  
Dissolution or Liquidation.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, unretired Capital Credits shall be retired and paid without priority on a pro rata basis before any payments are made on account of property rights of members.

Section 7.  
Patron Agreement.

The Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the 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.