

Jackson Electric Cooperative

ARTICLE VII Revenues and Receipts

Section 1. Interests or Dividends on Capital Prohibited. JEC 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 JEC on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy JEC's operation shall be so conducted that all patrons, alike, will through their patronage furnish capital for JEC. In order to induce patronage and to assure that JEC will operate on a non-profit basis JEC is obligated 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 moments of receipt by JEC are received with the understanding that they are furnished by the patrons, as capital. JEC 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 JEC 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 JEC 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 JEC corresponding amounts for capital.

Except as provided in Section 3 of this Article, all other amounts received by JEC 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 patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

The board of directors may classify the business or service rendered by JEC with its patrons into appropriate classes or departments of business or patronage; which classification relates to the cost of rendering such service or doing business with the rate schedule applied for such service or business rendered.

The board of directors may allocate capital credits according to the class of members served based on the cost of service rendered and the rate of return received and paid to JEC for such service.

Determination of classes of members may be made by the board of directors who shall give notice thereof to the members affected by letter directed to the last known address of the member. Any appeal from such classifications by a member must be made to the membership at the next annual meeting of the membership following the mailing of such notice. The determination of classes by the board of directors shall be final if no appeal is made by the member within thirty (30) days after the mailing of such notice.

In the event an appeal is perfected to the membership their decision at the next annual meeting shall be final.

In the event of dissolution or liquidation of JEC, after all outstanding indebtedness of JEC 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 JEC will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. After March 31, 2001, the board of directors shall determine

under rules of general application the method, basis, priority and order of retirement, if any, for all amounts theretofore or thereafter furnished as capital.

Capital credited to the account of each patron shall be assigned only on the books of JEC 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 JEC 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, at its discretion, shall have the power at any time upon the death of any patron if the legal representative of his estate or his heirs shall request in writing that the capital credited to any such patron 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 or his heirs shall agree upon; provided, however, that the financial condition of JEC will not be impaired thereby.

Any distribution of proceeds or redemption or retirement of capital which remains unclaimed three (3) years after the date authorized for retirement or payment in cash or other property may be forfeited by the board and used as a fund for cooperative education. Any amounts forfeited may revert to JEC for exclusive use in cooperative education, if, at least six (6) months prior to the declared date of forfeiture, notice that such payment is available has been mailed to the last known address of the person shown by the records to be entitled thereto, or if the address is unknown, is published under Section 185.23 Wisconsin Statutes.