



A Touchstone Energy® Cooperative 

BYLAWS

**BYLAWS
OF
MIDSTATE ELECTRIC
COOPERATIVE, INC.**

An Oregon Nonprofit Cooperative Corporation

16755 Finley Butte Rd

P.O. Box 127

La Pine, OR 97739

General Business

541-536-2126

General Business Toll Free

800-722-7219

Outage

541-536-2165

Outage Toll Free

800-752-5935

Website

www.midstateelectric.coop

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A Touchstone Energy® Cooperative 

MISSION STATEMENT

Midstate Electric Cooperative delivers safe, reliable and cost-effective energy services while providing outstanding service to our members and communities.

VISION

Midstate Electric Cooperative is a progressive and influential community partner that sets the standard in providing the highest level of quality service, reliability and value to our members through honest, well-trained, professional, courteous and motivated employees.

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An Oregon Nonprofit Cooperative Corporation**

**PART I
Purposes**

BYLAW 1.1

This organization ("the Cooperative") is a nonprofit cooperative corporation incorporated under the Oregon Cooperative Corporation Act (Oregon Revised Statutes Chapter 62) of the State of Oregon. The purposes of the Cooperative are as set forth in its Articles of Incorporation.

**PART II
Membership**

BYLAW 2.1 - QUALIFICATIONS.

Any person, firm, association, corporation or body politic which uses electric energy and to whom the Cooperative's electric service is then available, shall be eligible for membership in this Cooperative, subject to acceptance for membership as hereinafter provided.

BYLAW 2.2 - APPLICATION AND ACCEPTANCE.

(a) Application for membership shall be in writing, shall specify the premises on which electric energy obtained from the Cooperative would be used, and shall be in such form as the Board of Directors of the Cooperative from time to time shall prescribe. Such application shall constitute an agreement by the applicant, if accepted for membership, to comply with and be bound by the Articles of Incorporation, Bylaws and rules and regulations of the Cooperative then in effect or as thereafter from time to time duly amended or promulgated, and also an agreement to obtain from or through the Cooperative electric energy used by or for that member on the premises specified in the application.

(b) Each application for membership shall be acted upon, and rejected or accepted, by the Board of Directors of the Cooperative. If received by the Cooperative more than ninety (90) days prior to an annual or special meeting of the members of the Cooperative, and not accepted by the Board of Directors, the application of a qualified applicant shall be submitted upon applicant's written request to that meeting and may be accepted by majority vote of the members of the Cooperative voting at that meeting. The Secretary of the Cooperative shall give each applicant whose application is to be submitted to a meeting of the members of the Cooperative, not less than ten (10) days written notice of the date of that meeting, and such applicant may attend and be heard at that meeting.

(c) Upon application for membership the applicant shall pay a membership fee of five dollars (\$5.00) which shall be nonrefundable unless the membership application is rejected by the Board of Directors.

BYLAW 2.3 - JOINT MEMBERSHIP.

Persons who qualify to be members may apply for a joint membership in the cooperative. A joint membership may consist of a husband and wife, or any two natural persons otherwise joined in a legally recognized marital relationship and owning or occupying the same location to or for which the cooperative provides or will provide service. Joint memberships are subject to compliance with the requirements of Bylaw 2.2. A joint membership shall be treated as one member and shall be entitled to one joint vote. Any action by or notice to one joint member shall be deemed applicable to the other joint member. Upon notification of the death of a marital partner, the joint membership shall transfer to the survivor with the same effect as though that membership had been originally issued thereto; provided, however, that the estate of the deceased joint member shall not thereby be released from any debt or liability of that deceased member to the Cooperative.

BYLAW 2.4 - TRANSFER OF MEMBERSHIP.

Membership in the cooperative shall not be transferable unless otherwise provided in these Bylaws.

BYLAW 2.5 -TERMINATION OF MEMBERSHIP.

(a) Membership in the Cooperative shall terminate automatically upon death, removal from the area served by the Cooperative, adjudication of bankruptcy, or cessation of existence of the member.

(b) Membership may be terminated by the Board of Directors at any time the Board finds that the member has discontinued use of the Cooperative's service or for any reason is no longer qualified for membership.

(c) Membership may be terminated by affirmative vote of a two-thirds (2/3) majority of the members of the Board of Directors present at a duly convened meeting of the Board or voting on that matter without a meeting pursuant to ORS 62.305, if the Board finds that the member has violated or refused to comply with any applicable provision of the Articles of Incorporation, Bylaws, or rules or regulations of the Cooperative, or any agreement of that member with the Cooperative.

(d) Termination by action of the Board shall take effect upon mailing of notice thereof to the member at the member's address of record with the Cooperative. Any member whose membership is thus terminated may, within thirty (30) days after the mailing to the member of such notice, file with the Secretary of the Cooperative a written request for hearing, in which event the member shall be given an opportunity to be heard before the Board of Directors or such special committee as the Board may designate, and the Board thereafter shall reconsider and affirm or rescind the termination, all within sixty (60) days after the filing of such request for hearing. If the Board affirms the termination, the former member may appeal to the members of the Cooperative by filing a written notice of appeal with the Secretary of the Cooperative within thirty (30) days after the mailing of notice of the Board's action affirming the termination. In the event of such appeal, the matter shall be presented at the first meeting of members which follows such

appeal by more than thirty (30) days, at which time the former member shall have the opportunity to appear and contest the basis for termination, and if such former member is qualified for membership according to the Bylaws such former member may be reinstated by affirmative vote of a majority of the members of the Cooperative voting.

(e) Any member may voluntarily withdraw from membership at any time upon payment in full of all that member's debts and liabilities to the Cooperative, and upon compliance with such other reasonable terms and conditions as the Board of Directors may prescribe.

(f) Upon termination of membership, through voluntary withdrawal or otherwise, the former member's rights and interests as a member shall terminate, but not the member's interest, if any, in any reserve of the Cooperative, or in the capital of the Cooperative as represented by credits to the member's account for capital contributions to the Cooperative, but termination of membership shall not create or accelerate any rights to receive payment or refund of the sums represented by such interests or credits, and all thereof shall continue to be governed by the Cooperative's Bylaws. Termination of membership shall not release the member or the member's estate from any debt or liability thereof to the Cooperative, and any debt or liability to the Cooperative of a former member may at any time be offset by the Cooperative in its discretion against any credits to that member's account with the Cooperative.

PART III

Meetings of Members

BYLAW 3.1 - ANNUAL MEETING.

The annual meeting of the members of the corporation shall be held in the month of April or May of each year at such hours as may be specified by the Board of Directors, and at such place as specified by the Board in any county in which the Cooperative provides service. The purpose of such annual meeting shall be to elect Directors, receive reports of officers, and to transact such other business as may come before the meeting.

BYLAW 3.2 - SPECIAL MEETINGS.

A special meeting of the members of the Cooperative may be called by the Board of Directors, or upon written request signed by any three Directors, by the President or by written petition signed by at least ten percent (10%) of all the members of the Cooperative. Each such call shall be in writing and shall state the time, place within the Cooperative service territory, and purpose of that meeting. Promptly upon receipt of such call the Secretary of the Cooperative shall cause notice of such meeting to be given as hereinafter provided. No business shall be transacted at a special meeting which is not included in the statement of purpose set forth in the call and notice of that meeting.

BYLAW 3.3 - NOTICE OF MEETINGS.

Written or printed notice of each annual or special meeting of the members of the Cooperative shall be given by or under the supervision of the Secretary of the Cooperative to each member not less than seven (7) nor more than thirty (30) days prior to the date of the meeting. Such notice shall be delivered to the member in person or mailed thereto at his post office address as the same appears on the books of the Cooperative, and such mailed notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid. Failure of any member to receive notice of the meeting shall not invalidate any action taken by the members at that meeting. Any member may waive, in writing, and shall waive by attendance in person at the meeting, any notice of the meeting required to be given by these Bylaws unless the sole purpose of attending the meeting was to object to the transaction of any business at the meeting for which there was no prior notice.

BYLAW 3.4 - QUORUM.

At least fifty (50) members present in person shall constitute a quorum for the transaction of business at meetings of the members, except that a quorum for purposes of any action to amend, repeal or alter Bylaws 7.10, 10.1, 10.2 and 10.3, relating to a sale, merger, consolidation, dissolution or conversion of the Cooperative shall be ten percent (10%) of all members of the Cooperative.

BYLAW 3.5 - VOTING RIGHTS.

Each member of the Cooperative shall be entitled to one vote only, and all questions shall be decided by a majority vote of the members voting thereon, except as otherwise required by law, the Articles, or these Bylaws. A jointly held membership shall be entitled to a single vote.

BYLAW 3.6 - VOTING BALLOT PROCEDURES.

Any member of the Cooperative shall be entitled to vote in any election of Directors at a membership meeting either by casting the member's ballot by mail as provided in these Bylaws, or voting in person at the meeting. In addition, the Board of Directors prior to notice of any Meeting of the members of the Cooperative shall direct the Secretary of the Cooperative to prepare and mail to each member, along with the notice of that meeting a ballot, upon the principal questions which are expected to be voted upon at that meeting together with a voting envelope. Any member may cast the member's ballot on any or all of the said questions by mailing such voting envelope, sealed and containing the member's ballot, together with the request over the member's signature that the voting envelope upon receipt by the Secretary be dropped in the ballot box along with the other votes cast at that meeting. Each such mailed voting envelope received by the Secretary prior to the convening of the meeting shall be placed unopened in the ballot box, and all votes so cast shall be counted as if the members so voting were present and voting in person. A member having voted by mail shall not be entitled to vote in person at the meeting. A mailed ballot not received by the Secretary before convening of the meeting shall not be counted. Failure of

any member to receive a ballot or voting envelope for voting by mail shall not invalidate any action which may be taken by the members of the Cooperative at the meeting.

BYLAWS 3.7 - FIRM REPRESENTATIVES.

Any member of the Cooperative not a natural person may act, vote, and be represented at the meeting of the members of the Cooperative, by an officer, manager, Stockholder, partner, associate, or agent of such member who is duly authorized in writing and filed with the Secretary of the Cooperative. A firm representative may serve on the Board of Directors if such person is a resident of the same district as the firm within the Cooperative service area.

BYLAW 3.8 - ORDER OF BUSINESS.

The order of business at each annual meeting of the members of the Cooperative, and so far as feasible at each other meeting of the members, shall be substantially as follows:

1. Report of Secretary on quorum.
2. Reading of the notice of the meeting and proof of service thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of any unapproved minutes of previous meetings of the members, and the taking of necessary action thereon.
4. Presentation and consideration of, and action upon, reports of officers, Directors, and committees.
5. Election of Directors, where applicable.
6. Unfinished business.
7. New business.
8. Adjournment.

PART IV
Board of Directors

BYLAW 4.1 - NUMBER

The Board of Directors shall consist of nine (9) members of the Cooperative or representatives (duly designated under Bylaw 3.7) of members which are not natural persons. The Director positions are designated respectively as position 1 through 9.

BYLAW 4.2 - TERM OF OFFICE.

The term of office of each Director shall be three (3) years, commencing upon adjournment of the membership meeting at which elected and terminating upon adjournment of the membership meeting at which his successor is duly elected.

BYLAW 4.3 - QUALIFICATIONS.

No person shall be eligible for election or service as a member of the Board who is not a member and bona fide resident of the district area served or to be served by the

Cooperative; or is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative. To become or remain a Director, a person must annually sign a conflict of interest certification, or complete a conflict of interest disclosure form, approved by the Board, and while a Director, and during the ten (10) years immediately prior to becoming a Director, not be, or have been, convicted of a felony or pled guilty to a felony. No person who shall have been a full-time employee of the Cooperative shall be eligible for election or service as a member of the Board until two (2) years after termination of employment by the Cooperative. Nothing contained in this Bylaw shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

BYLAW 4.4 - DISTRICTS AND NOMINATION OF DIRECTORS.

(a) The area served by the Cooperative shall be divided into nine districts which shall be as equal as possible as to area and members served. One Director shall represent and be a resident within the district represented by that Director. The Board of Directors may reconstitute districts to more equally apportion areas served by the Cooperative.

(b) The members residing in a district may nominate a candidate for a Director to represent that district by filing a petition with the Secretary at least sixty (60) days before the date of the annual meeting, signed by at least 15 members of the Cooperative residing in the district for which a Director is to be elected. All qualified nominees filing petitions with the Secretary shall be listed on a ballot marked "Ballot for Directors." No nominations may be made from the floor at the meeting.

BYLAW 4.5 - ELECTION OF DIRECTORS.

(a) A ballot marked "Ballot for Directors" and containing the names of all the qualified nominees duly nominated as hereinbefore provided, alphabetically arranged by district and stating the residence of each, shall be mailed with the notice of that annual meeting, together with a statement by the Secretary of the number of Directors to be elected. Such statement shall also state the manner in which members may vote by mail for Directors as provided in these Bylaws.

(b) Each member shall be entitled to vote on candidates regardless of the district in which the member resides, and any member who is absent from the meeting may vote by mail for Directors by marking the ballot with an "X" opposite the name of one candidate for Director to represent each such district for which a Director is to be elected, enclosing the ballot in a sealed envelope bearing his name and address to the Secretary. When such ballot is enclosed and received by mail from an absent member, it shall be accepted and counted as a vote for Directors by ballot of such absent member at such meeting. Each candidate shall be entitled to appoint a representative to be present during the counting of the ballots. In case of a tie, the candidate to be declared the winner of the election shall be determined by a flip of the coin. If marital partners hold a joint membership and are absent from any such meeting, they may vote by mail

by jointly marking and enclosing the ballot herein provided for. Notwithstanding anything contained in this section, failure to comply with any of the provisions of the sections of this Article shall not affect in any manner whatsoever the validity of any election of Directors.

BYLAW 4.6 - VACANCIES.

Any vacancy on the Board of Directors not caused by expiration of term shall be filled for unexpired term by majority vote of the remaining members of the Board of Directors.

BYLAW 4.7 - DISQUALIFICATION.

Termination of a Director's membership in the Cooperative shall automatically terminate membership on the Board of Directors. If a Director is not a member of the Cooperative but is a duly designated representative of a member which is not a natural person, the director's membership on the Board shall automatically terminate upon withdrawal of that designation or termination of the membership of the member the director represents.

BYLAW 4.8 - COMPENSATION OF DIRECTORS.

(a) Each director shall be reimbursed by the Cooperative for all reasonable travel expenses properly incurred in connection with the performance of duties as a director. The Board from time to time may fix a reasonable automobile mileage rate and travel allowance to be paid each director by the Cooperative, and a reasonable per diem remuneration to be paid each director by the Cooperative for the time spent by that director in the proper performance of that director's duties. Except in emergencies, no director shall receive compensation for serving the Cooperative in any capacity other than director, nor shall any close relative of a director receive compensation for serving the Cooperative unless such compensation shall be specifically authorized by vote of the members of the Cooperative.

(b) Board members may participate in the Cooperative group medical insurance plan on the same basis as is available to permanent employees. The Cooperative general liability policies will provide coverage to the Board members while on Cooperative business.

(c) No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the services by such Director or close relative shall have been certified by the Board of Directors as an emergency measure.

BYLAW 4.9 - POWERS AND DUTIES OF DIRECTORS.

The authority and duties of the Board of Directors shall include the following, as well as such other powers and duties as may be vested in the Board by law:

(a) The corporate powers of the Cooperative shall be exercised by or

under the authority of the Board of Directors, and the business and affairs of the Cooperative shall be managed under the direction of the Board of Directors.

(b) The Board shall in its discretion employ a General Manager who shall hold office at the pleasure of the Board and subject to such terms and conditions as may be fixed by the Board.

(c) The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service, United States Department of Agriculture, if such provides financing to the Cooperative. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

(d) The Board shall cause to be kept a complete record of all of its acts and proceedings. The Board shall present a full statement and report at each annual meeting of the members of the Cooperative showing in reasonable detail the condition of the Cooperative's affairs.

(e) The Board, by affirmative vote of at least five Directors, may borrow money or authorize any officer or the General Manager of the Cooperative to borrow money, in the name and on behalf of the Cooperative, for any Cooperative purpose either on open account or secured in any manner by any assets of the Cooperative or any of the Cooperative's reserves, in such amounts and upon such terms and conditions as the Board may deem necessary or advisable.

(f) The Board in its discretion may require the General Manager, Treasurer, and all other officers, agents and employees charged by the Cooperative with responsibility for custody of any of its funds to give adequate fidelity bonds at the Cooperative's cost.

(g) The Board shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business affairs of the Cooperative.

(h) In addition to the foregoing express authority and duties, the Board may exercise such powers and do such lawful acts as it may find to be proper and necessary or expedient for accomplishing any of the lawful purposes of the Cooperative.

BYLAW 4.10 - REMOVAL OF DIRECTORS.

If a written petition for removal of a Director stating the reasons for removal and signed by not fewer than ten percent (10%) of the members of the Cooperative as of the date of that filing is filed with the Secretary of the Cooperative, such proposed removal shall be voted upon at the next annual or special meeting of the members of the Cooperative which follows such filing by more than thirty (30) days. Notice of that meeting shall include notice that the proposed removal will be voted upon at that meeting and shall be accompanied by a copy of the petition filed

and of any written response, not exceeding 1500 words, filed with the Secretary by the Director charged. At the annual or special meeting the petition shall be read and the Director whose removal is sought shall have opportunity to answer. By affirmative vote of the majority of the members voting in person or by mail at that meeting, the members may remove the Director; the resulting vacancy shall be filled by the Board of Directors as provided in Bylaw 4.6.

BYLAW 4.11 - DIRECTOR ABSENCE.

Three consecutive absences from regularly scheduled meetings of the Board of Directors shall be cause for removal of the absent Director from The Board of Directors upon written petition as provided in Bylaw 4.10.

PART V
Meetings of Directors

BYLAW 5.1 - ORGANIZATIONAL MEETING.

An organizational meeting of the Board of Directors shall be held within ten days after each annual meeting of the members of the Cooperative, for the purpose of organizing, electing officers, and transacting such other business as may come before the meeting.

BYLAW 5.2 - REGULAR MEETINGS.

A regular meeting of the Board of Directors shall be held each month, at such time and place within the service area, as the Board of Directors may provide. Such monthly meetings may be held without notice other than the action fixing the time and place thereof.

BYLAW 5.3 - SPECIAL MEETINGS

A special meeting of the Board of Directors shall be held whenever called by the President or by three members of the Board. Such call shall be in writing, signed by those making the same, and filed with the Secretary, and shall state the time, place within the service area, and purpose of such meeting. Any business specified in the call and notice may be transacted at a special meeting.

BYLAW 5.4 - NOTICE.

Notice of each special meeting of the Board of Directors shall be mailed to each Director, at the director's address of record with the Cooperative, not less than five (5) days prior to the time of such meeting, or shall be given by telephone or electronic mail not less than thirty-six (36 hours) prior to the meeting. Such notice shall state the purpose of that meeting and by whom called. Notice of any meeting may be waived in writing, and shall be waived by attendance at that meeting other than for the sole and express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called.

BYLAW 5.5 - QUORUM.

A majority of the number of Directors specified in Bylaw 4.1 of Part IV shall constitute a quorum of the Board at any meeting thereof. In event of lack of a quorum at any duly called meeting, the Directors there present may adjourn that meeting from day to day or time to time to reconvene at the same place, and at the time specified in the order of adjournment, and there may be transacted at such adjournment meeting any business which could have been transacted at the original meeting, without further notice.

BYLAW 5.6 - INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS.

Each person who at any time has served or serves as Director, officer or agent of the Cooperative shall be indemnified by the Cooperative against liabilities incurred as a result of, and expenses (including attorney's fees) reasonably sustained in the defense or in the compromise or settlement of, any civil, criminal, or other action, suit, or proceeding, in which such person may become involved as a party or with which such person may be threatened, by reason of such person's being or having been a Director, officer or agent of the Cooperative, provided, however, that such indemnification shall not apply to any claim, action, suit, or other proceeding in which the Director, officer or agent is adjudged liable for gross negligence or misconduct in the performance of duty, or in which such person shall have entered a plea of guilty or nolo contendere, unless the Cooperative shall receive a written opinion of independent legal counsel that (a) the conduct of the person in connection with such matters was in good faith, for a purpose which such person reasonably believed to be in the best interest of the Cooperative, and, in any criminal action, in addition, that such person had no reasonable cause to believe that his or her conduct was unlawful, and (b) that indemnification pursuant to the provisions of this Bylaw 5.6 may be legally and validly made.

PART VI
Officers

BYLAW 6.1 - ENUMERATED.

The officers of the Cooperative shall be a President, a Vice-President, a Secretary, and a Treasurer. The Board of Directors may appoint one or more Assistant Secretaries or Assistant Treasurers, or Assistant Secretary-Treasurer, and specify the duties and authority thereof. The offices of Secretary and Treasurer may be combined in one person as Secretary-Treasurer.

BYLAW 6.2 - ELECTION AND TERM OF OFFICE.

Each officer shall be elected annually by the Board of Directors at its organizational meeting and shall hold office until the next organizational meeting of the Board of Directors, or until such person's successor shall have been duly elected and qualified; provided, however, that any officer may be removed from office, and such person's successor be elected, by the Board whenever the Board deems such removal to be in

the best interests of the Cooperative.

BYLAW 6.3 - PRESIDENT

The President shall be the principal executive officer of the Cooperative. The President shall preside over meetings of the Cooperative's members and the Board of Directors. The President shall sign for and on behalf of the Cooperative all documents and instruments authorized by the Board of Directors to be executed, except when the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed. The President shall call such special meetings of the Cooperative and of the Board of Directors as deemed advisable, and shall perform such other duties as may properly be required of the office under the Bylaws or by the Board of Directors.

BYLAW 6.4 - VICE-PRESIDENT.

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

BYLAW 6.5 - SECRETARY.

The Secretary shall serve as Secretary of the Cooperative and of the Board of Directors, and shall supervise the keeping of a complete record of all meetings and proceedings. The Secretary shall supervise the maintenance of appropriate membership records. The Secretary shall have custody of the corporate seal and shall sign on behalf of the Cooperative and affix the corporate seal to all papers requiring the Secretary's signature and such seal, and otherwise as may be authorized by the Board of Directors. The Secretary shall serve or cause properly to be served all notices required by law or the Bylaws. The Secretary shall keep all reports required of the Cooperative by law or regulation. The Secretary shall keep on file at the Cooperative's principal office a complete copy of the Bylaws of the Cooperative including all amendments thereto, which copy shall be open to inspection by any member of the Cooperative at all reasonable hours, and at the expense of the Cooperative the Secretary shall supply a copy of the Bylaws and all amendments thereto to each member of the Cooperative. In general, the Secretary shall perform such duties and functions as from time to time shall be required of the office by the cooperative or the Board of Directors.

BYLAW 6.6 - TREASURER.

The Treasurer shall supervise the responsibility for all funds and securities of the Cooperative. The Treasurer shall supervise receipt of and issuance of receipts for moneys due by or paid to the Cooperative from any source whatsoever and supervise deposits of moneys in the name of the Cooperative in such bank or banks as shall be selected by the Cooperative. In general, the Treasurer shall

perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the office by the Board of Directors.

BYLAW 6.7 - COMPENSATION.

The compensation, if any, of any officer, agent or employee of the cooperative, who is also a Director or close relative of a Director of the Cooperative, except in emergencies, shall be determined by the members of the Cooperative as provided elsewhere in these Bylaws, and the powers, duties and compensation of each other officer, agent and employee shall be fixed by or under the direction of the Board of Directors.

BYLAW 6.8 - REPORTS.

The officers of the Cooperative shall submit at each annual meeting of the members appropriate reports covering the business of the Cooperative during the previous fiscal year and showing the financial condition of the Cooperative at the close of that fiscal year.

BYLAW 6.9 - ABSENCE OR DISABILITY.

In case of absence, disability, or disqualification of any officer of the Cooperative for whom a successor is not specified in the Bylaws, the Board of Directors may transfer or delegate the powers and duties of that officer temporarily and during such absence, disability, or disqualification, to any other officer or to any Director.

PART VII

Operating Methods

BYLAW 7.1 - FISCAL YEAR.

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the 31st day of December of the same year.

BYLAW 7.2 - NONPROFIT.

This Cooperative shall be operated on a nonprofit cooperative basis for the mutual benefit of its patrons as consumers of electric energy supplied by or through the Cooperative.

BYLAW 7.3 - RATES AND CHARGES.

The Board of Directors shall fix and maintain such monthly rates and charges for the Cooperative's service as the Board shall determine to be reasonably required in order to maintain a high level of electric service. The Board from time to time may fix a reasonable minimum charge which shall be payable by all patrons regardless of the amount of electric energy consumed. Written notice shall be given to the Administrator of the Rural Utilities Service, United States Department of Agriculture, if such provides financing to the Cooperative, not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

BYLAW 7.4 - LIMITATION OF SERVICE.

In order that the total energy available shall be equitably distributed among all patrons, the Board of Directors may fix a limit upon the amount of electric energy to be supplied to any one patron.

BYLAW 7.5 - DISTRIBUTION OF NET SAVINGS.

Net savings of the Cooperative remaining after payment of all costs and expenses, including but not limited to payment of interest due on system indebtedness, provision for debt amortization charges or sinking fund payments thereon, and after reasonable provision for any contingent liabilities or expenses or other contingencies and reasonable operating reserves, shall be appropriated among and credited to the patrons of the Cooperative in proportion to the dollar amounts of their patronage of the Cooperative during the fiscal year involved. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the members in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

BYLAW 7.6 - CAPITAL RESERVE.

As at the end of each fiscal year the Board of Directors of the Cooperative shall determine what, if any, part of the net savings of the Cooperative during that fiscal year is reasonably required by the Cooperative for working capital,

new construction, replacement of plant, United States Department of Agriculture, Rural Utilities Service rules and regulations, if such provides financing to the Cooperative, loan agreements, or other proper capital purposes of the cooperative, in order for the cooperative to maintain a high level of service to its patrons. The Board in its discretion may include as such a capital purpose a payment upon or retirement of any system indebtedness or other indebtedness of the Cooperative at or before maturity, if the Board finds such payment or retirement to be in the interest of the Cooperative. Any portion of the net savings thus determined by the Board of Directors to be required by the Cooperative shall be retained by the Cooperative and added to the Cooperative's capital reserve. The amount thus retained as to each patron of the Cooperative shall constitute and be credited to that patron on the Cooperative's books as a contribution to the capital of the Cooperative and shall not create or constitute a debt of the Cooperative. The Board of Directors each year shall notify each patron of the amount thus contributed thereby to the Cooperative's capital reserve.

BYLAW 7.7 - ASSIGNMENT OF CAPITAL ACCOUNTS.

(a) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest 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.

(b) Capital credited to the account of each patron shall be assigned for security purposes to the Cooperative to insure payment of unpaid accounts. Upon termination of membership the capital credits in the member's account shall be applied first to any amount due the Cooperative and any balance shall be paid to the consumer/member as set forth herein.

BYLAW 7.8 - DEATH OF A MEMBER.

Notwithstanding any other provision of these Bylaws, the Board of Directors, in its discretion, shall have the right, but not the obligation, at any time upon the death of any patron (or surviving joint member) who was a natural person to retire capital credited to any such patron upon written request by legal representatives of the estate prior to the time such capital would otherwise be retired under the provisions of these Bylaws, upon such terms and conditions as the Board of Directors, and the legal representatives of such deceased patron's estate shall agree upon, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

BYLAW 7.9 - CAPITAL RESERVE FUND.

Subject to other Bylaw provisions, 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 the patrons' accounts may be retired in full or in part. The Board of Directors shall

determine the method, basis, priority and order of retirement, if any, for all amounts thereafter furnished as capital. If capital funds to retire in any single year are not sufficient to retire all such capital credits of the same date, then refunds shall be made prorata thereon. The Board of Directors may, but is not required to, cause forfeiture to the Cooperative pursuant to the ORS 62.425 of any sum not claimed, by the person entitled thereto, within four years after it became refundable under this Bylaw. Any sum so forfeited shall constitute permanent capital of the Cooperative. Any matured indebtedness to the cooperative of the record owner of such capital credits may be deducted by the Cooperative before making any such refund.

BYLAW 7.10 - DISPOSITION OF PROPERTY.

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative; provided further that the Board may, upon the authorization of a majority of those members of the Cooperative, present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

PART VIII
Dissolution

BYLAW 8.1 - ORDER OF DISTRIBUTION.

In the event of dissolution or liquidation of the Cooperative, all assets of the Cooperative or proceeds thereof shall be distributed in the following order of priority:

(1) In payment of all secured liabilities then of all unsecured liabilities, of the Cooperative other than those hereinafter specified.

(2) In payment prorata to the record owners of capital credits, without regard to the dates of entry of such credits, but not to exceed the net amount of such credits.

(3) In payment prorata to the patrons of the Cooperative having in their accounts on the books of the Cooperative net credits (other than capital credits hereinbefore in clause (2) described), and not to exceed the amount of such net credits.

(4) In payment to the patrons of the Cooperative any sums remaining in any allocated contingent reserve or other allocated reserve after satisfaction of the foregoing priorities, prorata as allocated, according to the amount contributed by each patron to each such reserve and not previously refunded.

(5) Members shall have no individual or separate interest in the property or assets of the Cooperative except that in case of dissolution the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative have been paid shall be distributed among the members and former members in proportion which the aggregate patronage of each bears to the total patronage of all members during the seven years next preceding the date of filing the certificate of dissolution.

PART IX
Corporate Seal

BYLAW 9.1 - FORM.

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Oregon."

PART X
Amendments

BYLAW 10.1 - SUPERSEDES INCONSISTENT BYLAW PROVISIONS.

The provisions of this Bylaw Part X shall supersede all other inconsistent provisions of the Bylaws of the Cooperative, and shall govern the interpretation and application of all matters within the scope of this Bylaw.

BYLAW 10.2 - SCOPE.

The provisions of this Bylaw shall apply whenever any of the following transactions are proposed or considered by the Cooperative:

- (a) a sale, lease exchange or other disposition of all, or substantially all, the property and assets of the Cooperative to any person or firm or with a domestic or foreign for-profit business corporation; or
- (b) a voluntary dissolution of the Cooperative; or
- (c) a merger of the Cooperative with or consolidation into a domestic or foreign for-profit business corporation; or
- (d) conversion of the Cooperative into a for-profit business corporation.

BYLAW 10.3 - REQUIREMENTS.

(a) Any action within the scope of Bylaw 10.2 of this Part shall require the affirmative votes of two-thirds of the Directors of the Cooperative.

(b) If the Board of Directors shall resolve to submit to the members for a vote at any annual or special meeting any proposal or recommendation within the scope of Bylaw 10.2 of this Part, no meeting of the members shall be called or held for the purpose of voting on any such proposal or recommendation. The purpose of this waiting period is to permit the Cooperative's membership to become informed about this issue. As soon as practicable after the date the Board adopts any proposal or recommendation referred to herein, the Board shall give written notice to each member of the following:

- (a) The full text and date of the Board's resolution; and
- (b) An objective explanation of the proposed action which is the subject of the resolution.
- (c) No member's vote may be cast by proxy on any matter within the scope of Bylaw 10.2 of this Part.
- (d) An affirmative vote of two-thirds of all members of the Cooperative is required to approve any action within the scope of Bylaw 10.2 of this Part.

BYLAW 10.4 - OTHER BYLAW AMENDMENTS.

Bylaws, except Bylaws 7.10, 10.1, 10.2, and 10.3, may be altered, amended or repealed by majority vote of the members voting at any regular or special meeting, provided the notice of the meeting shall have contained a copy of the proposed alteration, amendment or repeal. Bylaws 7.10, 10.1, 10.2 or 10.3 may be amended only by two-thirds vote of the membership.

BYLAW 10.5 - SEVERABILITY.

In the event any provision, condition or part of this Part shall be finally determined by a court of competent jurisdiction to be invalid, void or voidable, the remaining provisions and conditions shall be and remain in full force and effect.

**PART XI
Miscellaneous**

BYLAW 11.1 - MEMBERSHIP IN OTHER ORGANIZATIONS.

The Cooperative shall not become a member or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may, upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized for the purpose of engaging in or furthering the cause of rural electrification, which assists the Cooperative to attain its stated purposes.

