

BYLAWS OF
OREGON TRAIL
ELECTRIC
COOPERATIVE



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ARTICLE I: MEMBERSHIP

Section 1. Qualifications and Membership. Any individual or entity may become a member in the Cooperative, provided that he, she or it:

- (a) Has the legal capacity to enter into contracts;
- (b) Has entered into a written membership agreement with the Cooperative, unless such requirement is waived by the Board of Directors, hereinafter referred to as the “Board;”
- (c) Receives, purchases, consumes or otherwise uses Cooperative Services that are generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided by the Cooperative. As used in these Bylaws, a “Cooperative Service” is electric power or, as determined by the Board, other goods or services;
- (d) Agrees to comply with the Articles of Incorporation, Bylaws, rules, regulations, policies, schedules, and tariffs of the Cooperative;
- (e) Has paid the membership fee hereinafter specified;
- (f) Pays the Cooperative in accordance with tariff provisions for Cooperative Services provided to the member; and
- (g) Completes or signs any additional or supplemental document, contract, or action required by the Cooperative for the Cooperative Services which the individual or entity is requesting.

An individual or entity may not hold more than one membership in the Cooperative and no membership in the Cooperative shall be transferable except as provided in these Bylaws.

Section 2. Membership Obligations:

- (a) Except as otherwise provided in these Bylaws or by the Board, an individual or entity becomes a member of the Cooperative and consents to being a member upon receiving Cooperative Services from the Cooperative. If a member is unwilling to complete the membership procedure of the Cooperative, as established by the Board, the Board may, at its discretion, refuse, suspend or terminate the individual’s or entity’s membership in the Cooperative.
- (b) The Cooperative’s Articles of Incorporation, Bylaws, tariffs, rules, and regulations are contracts between the Cooperative and each member. By becoming a member, the member acknowledges the following Cooperative principles: (i) every member is a vital and integral part of the Cooperative; (ii) the Cooperative’s successful operation depends upon each member complying with the Articles of Incorporation, Bylaws, rules, regulations, policies, schedules and tariffs; and (iii) Cooperative members are united in an interdependent relationship.
- (c) Except as otherwise provided in these Bylaws, in a policy determination by the Board, or by the Board in advance and in writing, a membership in the Cooperative and the rights and privileges associated with membership may not be sold, purchased, assigned, disposed of, acquired or otherwise transferred.

Section 3. Membership Fee. The membership fee shall be one cent until such time as the Articles of Incorporation are amended.

Section 4. Joint Membership and Conversion of Membership:

- (a) Spouses may jointly become a member and an application for joint membership may be accepted by the Cooperative, provided the husband and wife jointly and severally comply with membership qualification provisions.
- (b) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and rules, regulations, policies, schedules and tariffs adopted by the Board.

- (c) A membership held jointly by spouses is held in joint tenancy with rights of survivorship. Upon the death of either spouse, such membership shall be deemed held solely by the survivor, provided that the estate of the deceased shall not be released from any membership debts or liabilities owed the Cooperative.
- (d) Except for conversion to a membership in a surviving spouse, a membership shall terminate upon the death, withdrawal, or expulsion of a member. Termination of membership in any manner does not release the former member from any membership debts or liabilities owed the Cooperative.

Section 5. Termination of Membership:

- (a) Any member may withdraw from membership upon payment in full of all debts and liabilities of such member and upon compliance with such terms and conditions as the Board may prescribe.
- (b) The Board may expel or involuntarily terminate the membership of any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, rules, regulations, schedules or tariffs of the Cooperative, provided that the member has been given written notice of the noncompliance which may result in expulsion and the noncompliance continues for at least 10 days or more after receipt of the written notice. A membership which has been terminated may be reinstated by vote of the Board pursuant to rules adopted by the Board for conditions of reinstatement.
- (c) A member who has not purchased Cooperative Services from the Cooperative within six months of when service is made available, or who ceases to purchase Cooperative Services from the Cooperative, may be involuntarily terminated.
- (d) Suspension or Termination of Service. Without notice to a member, the Cooperative may suspend or terminate the provision of Cooperative Services to a member upon determining or discovering: (i) that Cooperative equipment has been tampered with, altered, interfered with, damaged or impaired; (ii) that member equipment connected to the Cooperative equipment adversely impacts the Cooperative's ability to safely, reliably and efficiently operate; or (iii) the unsafe or hazardous conditions of Cooperative equipment or member equipment connected to Cooperative equipment.

Section 6. Membership Lists. The Cooperative shall maintain a record of current members in a form permitting the Cooperative to alphabetically list the name and addresses of all members. Pursuant to this Bylaw provision and Board policy regarding member requests for information, a member may inspect and copy the membership list of the Cooperative; provided the member describes the particular purpose for which the membership list will be used and the membership list is directly connected to member's purpose and Cooperative principles as solely determined by the Board. A person may not obtain the membership list for a purpose unrelated to a person's interest as a member in the Cooperative, may not use all or part of the membership list for commercial purposes or to solicit money or property from members, and may not sell or purchase all or part of the membership list.

Section 7. Purchase of Cooperative Electric Power:

- (a) Provision of Electric Power: Except as otherwise provided by law, each member shall purchase from the Cooperative all electric power purchased for use on the premises specified on his or her or its application for membership and shall pay therefore at rates which shall from time to time be fixed by the Board. Production or use of electric power on such premises, regardless of the source thereof, by means of facilities which may be interconnected with facilities of the Cooperative shall be subject to appropriate regulations, policies or tariffs fixed from time to time by the Cooperative. Regardless of the amount of power consumed, each member shall pay a minimum amount as shall be fixed from time to time by the Board. Each member shall also pay all amounts owed to the Cooperative as and when the same become due and payable.
- (b) Delivery of Cooperative Services. The Cooperative shall provide Cooperative Services to members in a reasonable and cost efficient manner and shall strive to do so in a thoughtful, dependable and safe fashion that recognizes each member as an integral part of the Cooperative. The Cooperative also has the reasonable expectation that it will recover its fixed costs of providing Cooperative Services from its Members that cause the

Cooperative to incur such costs, so that the Cooperative or a segment of its Members are not left with stranded investments or costs.

(c) The Cooperative shall protect the proprietary information of its members and, except as required by law or otherwise provided in these Bylaws, will not release, disclose or disseminate personally identifiable, proprietary, or confidential information regarding a member.

(d) **Interruption of Electric Power.** The Cooperative does not ensure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric power to a member. The Cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses caused by the Cooperative providing inadequate, non-continuous, or fluctuating electric power, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. Any responsibility or liability for the delivery of electric power terminates upon delivery and at the point of delivery to the member of electric power. In cases of emergency, or as requested by government or emergency officials or representatives, the Cooperative may interrupt the provision of electric power to members.

Section 8. Non-liability of Members for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no member shall individually be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE II: DISTRICTS AND MEETING OF MEMBER

Section 1. District Boundaries. The territory served by the Cooperative shall be divided into four districts which correspond to the boundaries of the counties of Baker, Grant, Harney, and Union. The Baker district may be further divided into three smaller districts and the Union district may be divided into four small districts, if the Board deems such action to be appropriate. The delineation of the three district boundaries within Baker County and the four district boundaries within Union County may be modified from time to time by the Board to correct inequities in representation. District boundaries may not cross the boundary of a county.

Section 2. Election of Directors. All properly qualified voting members shall be entitled to vote on the election of directors from every district.

Section 3. Annual Membership Meeting. A meeting of the members shall be held each year. Such meeting shall be for the purpose of passing upon reports covering the previous fiscal year and transacting such business as properly comes before the meeting. Failure to hold the annual meeting at the designated time does not affect an action taken by the Cooperative nor work as a forfeiture or dissolution of the Cooperative.

Section 4. Special Meetings. Special meetings of the members may be called by the President, the Board or upon a written request signed by at least 10 percent of all members qualified to vote, and it shall thereupon be the duty of the Secretary to cause notice of such meeting.

Section 5. Notice and Purpose of Members' Meetings. The Board shall select the time and place of the annual and special meetings of the members. Notice of such meeting shall be delivered in writing, by mail, or by electronic transmission to each member not less than 7 or more than 30 days prior to the meeting. The notice shall include:

- (a) Statement of the place, day and hour of the meeting and whether it is an annual or special meeting;
- (b) A ballot and envelope for use in voting by mail if an election is to be held;
- (c) An exact copy of every resolution to come before the membership; and
- (d) Such other matter as may be deemed appropriate by the Board.

If mailed, such notice shall be deemed to be delivered when deposited in the U. S. Postal Service, addressed to the member at his or her address as it appears in the records of the Cooperative, with postage prepaid. An electronic transmittal notice of a member meeting is delivered when electronically sent to a member at the member's electronic mail address shown in the records of the Cooperative. The failure of any member to receive notice shall not invalidate any action which may be taken at such meeting.

Section 6. Resolutions, How Made. The Board or any 250 members qualified to vote may propose an action by the membership by submitting it to the Secretary in writing not less than 60 days prior to the meeting at which the action is proposed.

Section 7. Quorum. A minimum of 250 members qualified to vote shall constitute a quorum for any annual or special meeting, except as otherwise provided in these Bylaws. Ballots received by mail may be included with the members present for determination of a quorum, provided, however, that a quorum for purpose of Article XIV and any amendment of Article XIV shall be 10 percent of all the members of the Cooperative who must be present in person.

Section 8. Agenda, Attendance and Action at Member Meetings. All actions of the members shall be taken at a duly called meeting of the members. Matters of concern to the membership shall be taken up, but any matter not timely filed with the Secretary for inclusion in the meeting notice shall not be voted upon. Except as otherwise provided in these Bylaws, the President shall determine the meeting agenda, program, and order of business and shall preside over the member meeting and may establish rules for conducting the meeting which are fair to all members of the Cooperative.

Section 9. Voting. Each member shall be entitled to one vote and no more on each matter submitted to a vote at an annual or special meeting of the members. Each member qualified to vote shall be entitled to one vote and no more on the election of a director for each director vacancy submitted to a vote at an annual meeting of members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote by ballot of a majority of the members voting thereon at such meeting in person or by mail, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. The qualified candidate for director for each director vacancy receiving the highest number of votes at an annual meeting, even if less than a majority of the votes cast, shall be elected as director. If a husband and wife hold a joint membership, they shall jointly be entitled to one vote and no more upon each matter submitted to a vote at an annual or special meeting of the members.

Section 10. Voting by Mail. Except as otherwise provided in these Bylaws, a member qualified to vote in any annual or special meeting of the members may vote by mail upon any matter, including the election of directors, to be acted upon at any such meeting. Such member may express his or her vote thereon by indicating "Yes" or "No" on each resolution and, in the case of election of a director, indicating a candidate in the space provided therefore. The ballot shall be enclosed by such member in an unmarked envelope and this unmarked envelope shall be placed in a sealed voting envelope bearing the member's name, authenticated by the member's signature, and addressed to the Secretary. Such a mail ballot from any member shall be accepted and counted as a vote of such absent member if received before the meeting. No member voting by mail may vote in person at any annual or special meeting.

Section 11. Accepting and Rejecting Member Voting Documents. For a member ballot or other document allegedly executed by or on behalf of a member relating to voting, the Cooperative may accept or reject such ballot or other signed document if the Cooperative acts in good faith in reasonably determining whether the ballot or other signed document is or is not valid or authorized, or the signature thereon bears or does not bear a

reasonable resemblance to the signature of the member on file with the Cooperative. The Cooperative or a Cooperative member, officer, or designee is not liable to a member for accepting or rejecting a member's ballot or other voting document, as provided in this Section.

ARTICLE III: DIRECTORS

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by or under the authority of a board of nine directors which shall exercise all the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members. The Board shall have the power to make and adopt such rules and regulations, not inconsistent with the law, Articles of Incorporation and Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 2. Composition of Board of Directors. Three directors shall be elected from the district or districts contained within Baker County; one director shall be elected from the district contained within Harney County; one director shall be elected from the district contained within Grant County; and four directors shall be elected from the district or districts contained within Union County.

Section 3. Nominating Committee. The Board shall appoint, from each district having the term of a director expire in the following year, a nominating committee of three persons to nominate a candidate or candidates qualified for director from that committee's district. Appointments shall be made not less than 120 days before the annual meeting. Each person appointed to a district nominating committee shall be a member of the Cooperative with his or her legal place of residence within the district.

Each nominating committee shall submit its nominations to the Secretary of the Cooperative not less than 90 days before the annual meeting in which the director from that district is to be elected. The function and authority of each committee shall terminate upon the completion of the annual meeting.

Section 4. Additional Nominations. Not less than 90 days before the annual meeting in which directors shall be elected, the Secretary of the Cooperative shall cause to be posted at the Cooperative's principle place of business a list of the names of candidates selected by the nominating committee. Additional nominations may be made by petition filed with the Secretary not less than 60 days before the annual meeting. A petition shall contain the name of the candidate and the signatures of at least 50 members qualified to vote, and a request that the name of the candidate be placed on the ballot. All candidates so nominated must meet the director qualifications contained in Section 5 of this Article. Members may not nominate a candidate for director from the floor at the annual meeting.

Section 5. Qualifications and Tenure of Directors. Directors shall be elected by ballot to fill vacancies in office of those directors whose term of office has expired. Each candidate for the position of director, and each director at all times, shall be a member whose legal place of residence is within the district from which he or she is elected and must be at least 18 years of age. Provided, however, that any member who is a corporation, association, partnership, trust, or estate may designate one representative to be nominated, and if elected, to serve as director, provided such individual is at least 18 years of age and resides within the district in which the corporation, association, partnership, trust, or estate conducts business or has established its legal place of residence.

Each director's term of office shall be until the annual meeting of the members in the third year following the director's election and until the director's successor takes office.

No member shall be eligible to be a director of the Cooperative: (i) who is not a legal resident in the area served by the Cooperative; (ii) who is not purchasing Cooperative Services from the Cooperative; (iii) who is or has in the preceding 60 months been a director, officer, agent or member of a collective bargaining organization that is seeking, has or had agreements with the Cooperative regarding the terms and conditions of employment with the Cooperative; (iv) who is or has been an employee of the Cooperative within the past 60 months; (v) who, while serving as a director and during the 60 months immediately before becoming a director, has been convicted of or plead guilty to a felony; or (vi) who is in any way employed by, owns or controls more than 10 percent, or receives more than 10 percent, of the annual gross income from an entity that competes with the Cooperative or provides a good or service similar to a good or service provided by the Cooperative; provided, however, that members owning or operating distributed generation or net metering facilities with a generating capacity of 25 kW or less shall not be deemed as competing with the Cooperative. Nothing contained in this section shall be construed to affect the validity of any act taken at any meeting of the acting Board.

The term of office of three directors shall expire each year.

Section 6. Vacancies. Vacancies, other than those occurring as the result of expiration of term, in the Board shall be filled by a majority vote of the remaining directors. The term of the member thus appointed to the Board shall be the unexpired portion of the term of the director he or she is appointed to fill. The member thus appointed as director to fill a vacancy must be qualified for election as a director from that district.

Section 7. Compensation. A director is not an employee of the Cooperative. Directors shall not receive salary for their services but, by resolution of the Board, may be reasonably compensated for time spent on Cooperative business. If authorized by the Board, directors may be reimbursed for expenses actually and reasonably incurred on Cooperative business. Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity.

Section 8. Removal of Directors by Members. The members may request removal of a director by filing with the Secretary in writing the reasons for removal together with a petition signed by at least 10 ten percent of the members. Within 30 days of receipt of the petition for removal such director shall be informed by the Cooperative in writing of the reasons given in the petition and shall have an opportunity to respond in writing. The question of the removal of such director shall be determined at a special meeting of the members, at a place and time as determined by the Board. The quorum for a special meeting to recall a director shall be 250 members of the Cooperative. Such removal shall be by majority vote of the members personally in attendance at the special meeting. The reasons for removal of the director and the director's response, if any, shall be included in the notice of the meeting. At the meeting of the members and before the vote for removal, one member representing the members seeking removal of a director may speak in favor of the removal. The director whose removal is sought shall then have an opportunity to respond to the reasons asserted for removal. Any vacancy created by such removal of a director by the members shall be filled in accordance with Article III, Section 6 of these Bylaws.

ARTICLE IV: MEETINGS OF THE DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board may be held without notice other than this Bylaw immediately after and at the same place as the annual meeting of the members. If the election of officers is not

held at such meeting, such election shall be held within a reasonable time. A regular meeting of the Board shall be held monthly, unless otherwise determined by the President. Such regular monthly meeting may be held without notice to the members.

Section 2. Special Meetings. Special meetings of the Board may be called by the President or any four directors. The person or persons authorized to call special meetings may fix the time and place for the holding of any special meeting.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the Board shall be given to each director at least 48 hours in advance by oral (including telephone) notice, or by written or electronic notice delivered personally or mailed to his or her last known physical or electronic address. If mailed, such notice shall be deemed delivered when deposited in the U.S. Mail with first class postage prepaid and if transmitted electronically, to the director's electronic mail address shown in the records of the Cooperative. Attendance of a director at any meeting shall constitute waiver of notice of such meeting, unless a director attends a meeting for the purpose of objection to the transaction of any business because the meeting has not been lawfully called. At any time a director may waive notice of a special meeting by delivering written or electronic notice of such waiver to the Cooperative, with such waiver noted in the meeting minutes.

Section 4. Quorum. A majority of the Board shall constitute a quorum. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

Section 5. Conduct of Meetings. The Board may promulgate or approve rules, policies and procedure regarding: (i) the conduct of Board meetings; (ii) attendance at, participation in, or presentation during Board meetings by anyone other than a director; and (iii) the right to access, inspect, or copy minutes, records, or other documents relating to a Board meeting by anyone other than a director.

Section 6. Committees:

(a) Creation of, appointment to, and termination from Committees: The Board may create or terminate Board committees (a "Board Committee") and the President may appoint directors to or remove them from a Board Committee. A Board Committee must consist of two or more directors. The Board may create or terminate a committee of the members (a "Member Committee") and the President may appoint members, including directors, to or remove them from a Member Committee. The President may appoint one or more directors or members, respectively, as alternate members of any Board or Member Committee to replace any absent or disqualified Committee member during the Committee member's absence or disqualification.

(b) Conduct: To the same extent as the Board and directors, the Bylaws addressing Board meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, and Director Quorum and Voting apply to Board Committees and directors serving on Board Committees, and to Member Committees and members serving on Member Committees.

(c) Committee authority: A Member Committee may act as specified by the Board, but may not exercise Board authority and may only recommend action to the Board.

(d) Board Executive Committee. The Board Executive Committee is comprised of the President, Vice-President, Secretary and Treasurer. When impracticable or inconvenient for the Board to timely meet to consider a matter of urgency, and except as otherwise provided in these Bylaws, the Board Executive Committee may exercise all Board authority regarding a Cooperative matter of importance, but shall at the next Board meeting following an exercise of Board authority, report to the Board regarding the Board Executive Committee's exercise of Board authority.

Section 7. Director Conflict of Interest:

- (a) **Conflict of Interest Transaction.** A Conflict of Interest Transaction is a contract or transaction with the Cooperative in which a director has a direct or indirect interest. A director has an indirect interest in a contract or transaction with the Cooperative if at least one party to the contract or transaction is another entity: (i) in which the director has a material or financial interest, or is a general partner; or (ii) of which the director is a director, officer, or trustee.
- (b) **Approval of Conflict of Interest Transaction.** A Conflict of Interest Transaction may be approved and a Board quorum satisfied if the material facts regarding the Conflict of Interest Transaction and the director's interest are: (i) disclosed to the Board by the director(s) having the conflict of interest in the Conflict of Interest Transaction; (ii) the director(s) with the conflict of interest abstains from a discussion of the Board regarding the Conflict of Interest Transaction; (iii) the director(s) with the conflict of interest abstains from voting regarding the Conflict of Interest Transaction; and (iv) a majority of the directors with no interest in the Conflict of Interest Transaction vote in good faith to approve the Conflict of Interest Transaction.
- (c) **Fair Conflict of Interest Transaction.** A Conflict of Interest Transaction that is approved pursuant to this Bylaw, or that is fair to the Cooperative when entered or approved pursuant to this Bylaw, is not, solely by reason of being a Conflict of Interest Transaction: (i) void or voidable; or (ii) the basis for imposing liability on a director interested in the Conflict of Interest Transaction.

ARTICLE V. OFFICERS

Section 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer and such other officers as may be determined from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the Board at the first meeting of the Board held after each annual meeting of the members. If election of officers is not held at such meeting, then such elections shall be held within a reasonable time. Officers shall be elected from the Board except that one or more Assistant Secretaries or Assistant Treasurers, who need not be directors, may be elected. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until a successor shall have been duly elected and shall have qualified. Any vacancy in any office may be filled by the Board for the unexpired portion of the term.

Section 3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Cooperative will be served thereby.

Section 4. The President:

- (a) Shall be the principle executive officer of the Cooperative and shall preside at all meetings of the members and the Board;
- (b) May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed; and
- (c) In general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice-President. In the absence of the President, or in the event of the inability or refusal of the President 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.

Section 6. Secretary: The Secretary shall be responsible, either directly or through others, to:

- (a) Keep the minutes of meetings of the members and of the Board in one or more books provided for the purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be the custodian of the corporate records;
- (d) Have general charge of the books of the Cooperative in which a record of members is kept;
- (e) Keep on file a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall be open to the inspection of any member, and at the expense of the Cooperative forward a copy of the Bylaws and all amendments thereto to each member; and
- (f) Perform the duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

Section 7. Treasurer. Except as otherwise provided by the Board or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

Section 8. Other Officers. The Board may appoint a Manager and create other offices and elect or appoint other officers, who need not be members of the Cooperative. The Manager or other officers shall perform such duties as the Board may from time to time require and shall have such authority as the Board may from time to time vest in the Manager or other officers.

Section 9. Bonds of Officers. At the Cooperatives expense, the Cooperative may purchase a bond covering a director, officer, agent or employee of the Cooperative.

Section 10. Reports. The officers of the Cooperative at each annual meeting of the members shall submit reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI: INDEMNIFICATION AND INSURANCE

Section 1. Non-Derivative Actions. Subject to the provisions of this Article and except for any action by or in the right of the Cooperative, the Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (including all appeals), by reason of that person's status as to the Cooperative as a director or officer or former director or officer of the Cooperative, or by reason of that person's serving as a director, officer, employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise at the request of the Cooperative, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person to be indemnified in connection with the proceeding, only if (i) with respect to actions taken in the person's official capacity, the person acted in good faith and in a manner that person reasonably believed to be in the best interests of the Cooperative; or (ii) with respect to any other actions, the person acted in a manner the person reasonably believed to be at least not opposed to the Cooperative's best interests; or (iii) with respect to any criminal proceeding, the person had no reasonable cause to believe the conduct was unlawful; and (iv) only as authorized by the directors or members of the Cooperative or by court order in the specific case upon a determination that the person to be indemnified has met the applicable standards above and that indemnification is therefore proper in the circumstances. The

termination of any proceeding described in this section shall not, of itself, be determinative that the person did not act in good faith and in a manner which that person reasonably believed to be in or not opposed to the best interests of the Cooperative and, with respect to any criminal proceeding, had reasonable cause to believe that the person's conduct was unlawful.

Section 2. Derivative Actions. Subject to the provisions of this Article, the Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the Cooperative, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person to be indemnified in connection with the proceeding, only if (i) with respect to actions taken in the person's official capacity, the person acted in good faith and in a manner that person reasonably believed to be in the best interests of the Cooperative; or (ii) with respect to any other actions, the person acted in a manner the person reasonably believed to be at least not opposed to the Cooperative's best interests; and (iii) only as authorized by the directors or members of the Cooperative or by court order in the specific case upon a determination that the person to be indemnified has met the applicable standards above and that indemnification is therefore proper in the circumstances; provided, however, that no indemnification shall be made in respect of any claim, issue or matter which such person shall have been adjudged to be liable for negligence or misconduct in the performance of that person's duty to the Cooperative unless the court in which the action or suit was brought shall determine, upon application by the person, that the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper. Any indemnification of a director under this section shall be reported in writing to the members of the Cooperative in or prior to the notice of the next membership meeting.

Section 3. Determination of Right to Indemnification in Certain Cases. Subject to the provisions following, Indemnification under Sections 1 and 2 shall be made upon the determination by any one of the following that the person to be indemnified has met the applicable standard of conduct set forth in Sections 1 and 2 and that Indemnification is therefore proper in the circumstances. The determination shall be made:

- (a) By the Board by a majority vote of a quorum consisting of the directors who were not parties to a proceeding referred to in Sections 1 and 2.
- (b) If a quorum under paragraph (a) of this Section is not obtainable or, even if obtainable, a majority of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion;
- (c) By the members by the vote of a majority of a quorum of members; or
- (d) By the court in which the proceeding referred to in Sections 1 or 2 is or was pending, upon application by the Cooperative or the agent, attorney or other person rendering services in connection with the defense, whether or not the Cooperative opposes the application by the attorney, agent or other person.

Section 4. Indemnification of Person Other than Officers or Directors. In the event any person not included among those referred to in Sections 1 and 2 was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding of a type referred to in Section 1 or 2 by reason of or arising from the fact that the person is or was an employee or agent (including attorneys) of the Cooperative, or is or was serving at the request of the Cooperative as an officer, director, employee or agent (including an attorney) or another cooperative, corporation, partnership, joint venture, trust or other enterprise, the Board of the Cooperative by a majority vote of a quorum (whether or not such quorum consists in whole or in part of directors who were parties to such proceeding) or the members of the Cooperative by a majority vote of a quorum of members, may, but shall not be required to, grant such a person a right of indemnification to the extent described in Sections 1 and 2 as if the person were an officer or director referred to therein, provided that such person meets the applicable standard of conduct set forth in Sections 1 and 2. The Board may designate by resolution in advance of any action, suit or proceeding, those employees or agent (including attorneys) who shall have all rights of indemnification granted to officers and directors.

Section 5. Successful Defense, Exception. Notwithstanding any other provision of Sections 1, 2, 3, or 4, but subject to the provisions of Section 6, to the extent a director, officer or employee or agent (including an attorney) is successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1, 2 or 4, or in defense of any claim, issue or matter therein, the Cooperative shall indemnify that person against expenses (including attorney's fees) actually and reasonably incurred by that person in connection with that proceeding; provided, however, that a director, officer, employee, agent (including attorneys) shall not be indemnified in regard to any proceeding referred to in Sections 1, 2 or 4 charging improper benefit to such person, whether or not the proceeding involves any action by such person in an official capacity, if such person is adjudged to be liable on the basis that such person improperly received personal benefit.

Section 6. Condition Precedent to Indemnification under Sections 1, 2 and 4. Any person who desires to receive the benefits otherwise conferred by Sections 1, 2 or 4 shall promptly notify the Cooperative that the person has been named a defendant in an action, suit or proceeding of a type referred to in Sections 1, 2 or 4, and intends to rely upon the right of indemnification described in Sections 1, 2 or 4. The notice shall be in writing and mailed, by registered or certified mail, to the President of the Board of the Cooperative at the principle office of the Cooperative, or in the event the notice is from the President, to the Board. Failure to give the notice shall entitle the Board of the Cooperative by a majority of a vote of a quorum (consisting of directors who, insofar as indemnity of employees or agents is concerned, may or may not have been parties) to make a determination that such a failure was prejudicial to the Cooperative and that the right of indemnification referred to in Sections 1, 2 and 4 shall be denied in its entirety or reduced in amount.

Section 7. Undertaking. Expenses incurred by a person to be indemnified under this Article in defending an action, suit or proceeding (including all appeals) or threat thereof, may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 3 upon receipt of an undertaking on or on behalf of such person to repay such expenses if that person shall ultimately be determined not to be entitled to indemnification by the Cooperative.

Section 8. Insurance. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against and incurred by that person in any such capacity, or arising out of such status, whether or not the Cooperative would have the power to indemnify that person against such liability under the provisions of this Article or under the Oregon Revised Statutes ("ORS"), Chapter 62.

Section 9. Purpose and Exclusivity. The indemnification referred to in the various Sections of this Article shall be deemed to be in addition to and not in lieu of any other rights to which those indemnified may be entitled under any statute, rule of law or equity, agreement, vote of the members or Board or otherwise. The purpose of this Article is to augment the provision of ORS Chapter 62 relating to indemnification.

ARTICLE VII: FINANCIAL TRANSACTIONS

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or agent to enter into any contracts or execute and deliver any instrument in the name and on the behalf of the Cooperative, and such authority may be general or confined to certain circumstances.

Section 2. Check, Drafts and Documents. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officers, agents or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks or with the National Rural Electric Cooperative Finance Corporation as the Board may select.

Section 4. Change in Rates. Written notice shall be given to the membership 30 days prior to the date upon which any proposed change in rates charged by the Cooperative for electric power becomes effective.

Section 5. Accounting System and Reports. The Board shall establish and maintain a complete accounting system which, subject to applicable laws and rules of any regulatory body, shall conform to such accounting system as from time to time be designated by any regulatory body having jurisdiction. After the close of each fiscal year, the Board shall also cause a full and complete audit to be made by a certified public accountant of the accounts, books and financial condition of the Cooperative at the conclusion of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

ARTICLE VIII: NONPROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. For purposes of this Article VIII, a patron includes a Cooperative member as well as any other person or entity purchasing or using electric power provided by the Cooperative. No interest or dividends shall be paid or be payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Cooperative Services. In the furnishing of Cooperative Service, the Cooperative operations shall be so conducted that all patrons will furnish capital for the Cooperative through their patronage. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all accounts received and receivable from the furnishing of Cooperative Services in excess of operating costs and expenses properly chargeable against the furnishing of Cooperative Services. 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 as capital.

Section 3. Allocation of Patronage. 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, in proportion to the quantity or value of the Cooperative Services used by the patron. 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, as a capital credit, 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 credits so credited to his or her or its account. The term "capital credits" means the amounts allocated to a patron and contributed by the patron to the Cooperative as capital. All capital credits credited to the capital account of any patron shall have the same status as if paid to the patron in cash pursuant to a legal obligation and the patron had then furnished the Cooperative corresponding amounts of capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall be allocated to its

patrons on a patronage basis in any manner allowed by law and any amount so allocated shall be included as part of the capital credits credited to the accounts of patrons, as herein provided. Consistent with law, the allocation of capital credits is within the discretion of the Board and the Board must determine the manner, method, and timing of allocating capital credits. The Cooperative may use or invest unretired capital credits as determined by the Board.

Section 4. Security Interest in Capital Credits. To secure a patron's obligation to pay amounts owed to the Cooperative and in return for the Cooperative providing Cooperative Services to a patron, the Cooperative may require a patron to authenticate an agreement giving the Cooperative a security interest in the patron's capital credits.

Section 5. Assignment of Capital Credits. A patron's capital credits shall be assignable only on the books of the Cooperative pursuant to written instruction from the patron-assignor and only to successors in interest or successors in occupancy in all or in part of such patron-assignor's premises served by the Cooperative, unless the Board, acting under policies of general application, shall determine otherwise. Except as otherwise provided by the Board or these Bylaws, to assign or transfer a patron's capital credits, the patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative.

Section 6. Joint Memberships. Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a joint membership: (i) through the death of a joint member, the Cooperative shall assign and transfer to each surviving joint member an equal portion of capital credits allocated, or to be allocated, to the joint membership; or (ii) other than through the death of a joint member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the joint members, the Cooperative shall assign and transfer to each joint member an equal portion of capital credits allocated, or to be allocated, to the joint membership.

Section 7. General Retirement of Capital Credits. At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all capital credits allocated to patrons and former patrons, in a patron's name as shown in the Cooperative's records. As reasonable and fair, the Cooperative may retire and pay capital credits to classes of similarly situated patrons and former patrons under different manners, methods, and timing, provided the Cooperative retires and pays capital credits to similarly situated patrons and former patrons under the same manner, method, and timing.

Section 8. Special Retirement of Capital Credits. The Board, at its discretion, shall have the power at any time upon the death of any patron, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting upon policies of general application, shall determine; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Board, at its discretion, may specially retire and pay some or all capital credits allocated to former patrons; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative may not specially retire and pay capital credits allocated to an entity patron or former entity patron during or after the entity's reorganization, transfer, merger, or consolidation.

Section 9. Capital Credit Recoupment and Offset. Regardless of a statute of limitation or other time limitation, after retiring capital credits allocated to a patron or former patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the patron or former patron, including any compounded interest and late payment fee, by reducing the net present value amount of retired capital credits paid to the patron or former patron by the amount owed to the Cooperative.

Section 10. Discounted Capital Credit Payments. As determined by the Board, before the time the Cooperative anticipates normally retiring and paying capital credits, the Cooperative may retire some or all capital credits and pay the net present value of the retired capital credits. If the Cooperative retires and pays the net present value of capital credits to a patron or former patron before the time the Cooperative anticipates normally retiring and paying the capital credits, then the amount of capital credits not paid may be equitably allocated in accordance with law.

Section 11. Unclaimed Capital Credits. The Cooperative may retain capital credits retired and paid to a patron or former patron, but not claimed by the patron or former patron, within four years of retirement and payment.

Section 12. Dissolution. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative has 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 patrons. If, at any time prior to dissolution or liquidation, the Board determines 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 part. Any such retirements of capital shall be made according to the method, basis, priority, and order of retirement as determined by the Board.

Section 13. Bylaws a Contract. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws dealing with patronage capital shall constitute and be a contract between the Cooperative and each patrons, and both the Cooperative and 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 or otherwise through an electronic posting.

ARTICLE IX: SPECIAL PROCEDURES

Section 1. Waiver of Notice. Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws.

Section 2. Action without Meeting. Any action required or permitted to be taken at a meeting of the members or directors of the Cooperative may be taken without a meeting if consent in writing setting forth the action so taken is signed by all of the members or directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote at a meeting.

Section 3. Meetings by Telephone. The Board and any committee designated by the Board may hold meetings by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting.

Section 4. Electronic Documents, Action and Meetings. Members and directors of the Cooperative consent and agree that the Cooperative may transmit or send to them electronic documents and communications regarding actions, transactions, business, notices and events involving the Cooperative. An electronic document or communication transmitted or sent to a member or director, delivered to the member or director to the electronic address on file with the Cooperative regarding an action, transaction, business, notice or event with or involving the Cooperative, shall be deemed to satisfy any requirement imposed by these Bylaws and by law

with respect to requiring written notice to or written waiver of notice by the member or the director, effective on the date sent by the Cooperative. Receipt by the Cooperative of an electronic document or communication transmitted or sent by a member or director to the Cooperative shall be deemed to satisfy any requirement by these Bylaws or by law that such document or communication be in writing and is considered sent and received by the Cooperative, effective on the date received by the Cooperative. An electronic document or communication sent to or received from a member or director satisfies any requirement of these Bylaws or by law that the underlying signature, record, notice, communication, comment or other document be in writing.

ARTICLE X: TRANSFER OR ENCUMBRANCE OF PROPERTY

Section 1. Transfer of Property:

- (a) The Cooperative may not sell, exchange, lease or otherwise dispose of all or substantially all of its property (a "Transfer") unless such Transfer 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 Transfer shall have been contained in the notice of the meeting. As used in this section, a Transfer includes the conversion of the Cooperative to another form of business.
- (b) After authorization by the members approving a Transfer, for good cause, the Board may abandon the Transfer without further action or approval of the members.

Section 2. Encumbrance of Property. The Board may, without authorization by the members, authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering 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 there from, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative, and such actions shall not be deemed Transfers pursuant to Section 1 above.

ARTICLE XI: FISCAL YEAR

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

ARTICLE XII: SEAL

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."

ARTICLE XIII: AMENDMENTS

Section 1. Bylaw Amendment. These Bylaws may be amended by the members at any regular or special meeting of the Cooperative.

Section 2. Sponsorship of Bylaw Amendment:

- (a) The Board may sponsor or propose a Bylaw Amendment.

(b) Members may sponsor a Bylaw Amendment not less than 90 days before an annual or special meeting of the Cooperative, providing a petition signed by not fewer than 500 members of the Cooperative, listing those members' printed names and addresses signing the petition. Within 30 days of receipt of such petition the Board shall determine that the proposed Bylaw amendment is lawful, and if so, shall provide notice to members of the proposed Bylaw amendment, as required in Section 3 of this Article. If the petition is deemed unlawful, the Board shall so notify the petitioners, stating the reason for its determination that the proposed Bylaw provision is unlawful.

Section 3. Notice of Bylaw Amendment. Notice of a meeting of members wherein a Bylaw amendment will be considered must state as its purpose, or one of its purposes, that a proposed Bylaw amendment will be considered and shall be accompanied by a copy of the proposed Bylaw amendment. After notice of a proposed Bylaw amendment is provided to members, the proposed Bylaw amendment may not be further revised, amended or changed.

ARTICLE XIV: DISPOSITION OR TRANSFER OF PROPERTY

Section 1. Supersedes Inconsistent Bylaws. The provisions of this Article shall supersede any other inconsistent Bylaw provisions and shall govern the interpretation and application of matters within the scope of Article XIV.

Section 2. Scope: The terms and conditions of Article XIV shall apply whenever the Cooperative, its directors or members consider, propose or adopt the following actions:

- (a) The sale, lease, exchange or other disposition (a "Transfer") of all or substantially all of the property and assets of the Cooperative to or with any person, partnership, unincorporated association, or any domestic or foreign corporation subject to ORS 57 or successor statute; or
- (b) The merger of the Cooperative with or consolidation into an ORS Chapter 57 (or successor statute) domestic business corporation or a foreign business corporation; or
- (c) The voluntary dissolution of the Cooperative; or
- (d) An amendment to the Cooperative's Articles of Incorporation which would convert the Cooperative into an ORS Chapter 57 (or successor statute) domestic business corporation; or
- (e) The amendment or repeal of any of the terms, provisions or conditions of this Article XIV.

Section 3. Requirements:

- (a) If the Cooperative or its directors submit to the members for a vote at any annual or special meeting any resolution or proposal within the scope of Article XIV, each member shall be given a prior written notice containing the full text of the resolution or proposal and an objective explanation of the proposed action. Such notice shall be mailed not less than 120 days prior to the date set for such vote and shall be in addition to the legal notice of meeting.
- (b) Ten percent of the members, present in person, shall constitute a quorum at any meeting of the members to vote on a matter within the scope of Article XIV.
- (c) No member's vote may be cast by proxy upon any matter within the scope of Article XIV.
- (d) An affirmative vote of two-thirds of all members of the Cooperative is required to take any action within the scope of Article XIV.

Section 4. Severability. In the event any provision, condition or part thereof of this Article XIV 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 force and effect.

ARTICLE XV: MISCELLANEOUS

Section 1. Governing Law, Venue and Actions against the Cooperative. These Bylaws shall be governed by and interpreted under the laws of the state of Oregon, with venue for any disputes hereunder established in the 8th Judicial District, Baker County Circuit Court. Any action brought against the Cooperative arising from these Bylaws shall be commenced within two years after the cause of action has accrued.

Section 2. Titles and Headings. Titles and headings of Bylaw articles, sections, and subsections are for convenience and reference, and do not affect the interpretation, construction, or application of a Bylaw article, section, or subsection.

Section 3. Partial Invalidity. When reasonably possible, every Bylaw provision must be interpreted in a manner by which the Bylaw provision is valid. The invalidation of a Bylaw provision by a court or entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and members, does not invalidate the remaining Bylaw provisions.

Section 4. Cumulative Remedies. The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a member asserting a right or remedy provided in these Bylaws does not preclude the Cooperative or member from asserting other rights or remedies provided in these Bylaws.

Section 5. Successors and Assigns. Except as otherwise provided in these Bylaws: (i) the duties, obligations, and liabilities imposed upon, and the rights granted to the Cooperative by these Bylaws are binding upon, and inure to the benefit of the Cooperative's successors and assigns; and (ii) the duties, obligations, and liabilities imposed upon a member by these Bylaws are binding upon the member's successors and assigns. The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative or a member does not relieve the Cooperative or member of the duties, obligations, and liabilities imposed by these Bylaws.

Section 6. Waiver. The failure of the Cooperative to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.