

# BYLAWS

*Effective November 2012*

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## **MISSION STATEMENT**

*Wasco Electric Cooperative, Inc. will  
provide its Members with competitively  
priced, reliable energy and related services.*

## ARTICLE I MEMBERS

Section 1. Qualifications and Obligations. Any person, firm, corporation, or body politic may become and remain a member ("Member") in the Cooperative by:

- (a) paying the membership fee hereinafter specified;
- (b) purchasing from the Cooperative energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the Cooperative's Governing Documents;
- (d) maintaining an active service on the system;

*provided, however,* that no person, firm, corporation, or body politic shall become a Member unless and until he, she or it has been accepted for membership by the Board of Directors. At each regularly scheduled meeting of the Board of Directors, the applications of candidates for membership shall be presented to the Board of Directors for review and acceptance or rejection. No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative. In addition to the rights set forth in Section 5 of this Article, the Board of Directors may suspend a Member's membership rights for a Member's failure to comply with the above requirements.

Two or more persons may jointly become a Member and their application for joint membership may be accepted in accordance with the foregoing provisions of this Section, provided they comply jointly with the provisions of the above subdivisions (a), (b), (c) and (d).

The term "Governing Documents" means the written membership application signed by an applicant or Member and the following documents and actions, all currently existing or as later adopted or amended: (1) all laws regarding or affecting the Cooperative's property, property rights, operations, Members and Patrons, services, equipment, and Member's equipment connected to the Cooperative's facilities; (2) the Articles of Association; (3) these bylaws; (4) the Cooperative's service rules and regulations; (5) the Cooperative's rates or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken or approved by the Board of Directors.

Section 2. Membership Fee. The membership fee shall be \$5.00, the payment of which shall make the Member eligible for one (1) metered account. An additional fee of \$5.00 shall be paid for each additional metered account requested by the Member.

Section 3. Purchase of Electric Energy. Each Member shall purchase from the Cooperative all electric energy used on the Member's premises, other than electric energy generated on the Member's premises and which generation conforms to all local, state and federal laws and regulations, referred to in the application of such Member for membership, and each Member shall pay therefore monthly after electric energy usage is determined for all electric energy used by each account in the Member's name, and according to the policies of the Cooperative, at rates which shall from time to time be fixed by resolution of the Board of Directors.

It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these bylaws. Each Member shall pay to the Cooperative such minimum per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each Member also shall pay all amounts owed by the Member to the Cooperative as and when the same shall become due and payable.

Section 4. Non-liability 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 be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 5. Expulsion of Members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the Members thereof, expel any Member who shall have violated or refused to comply with any of the provisions of the Articles of Association of the Cooperative or these bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any Member so expelled may be reinstated as a Member by a vote of the Members at any annual or special meeting of the Members. The action of the Members with respect to any such reinstatement shall be final.

Section 6. Withdrawal of Membership. Any Member may withdraw from membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 7. Transfer and Termination of Membership. (a) Membership in the Cooperative shall not be transferable, except as hereinafter otherwise provided, to any person, firm, corporation, or body politic, unless such person, firm corporation, or body politic is eligible for membership in the Cooperative, and becomes a Member in the Cooperative pursuant and subject to the provisions of the bylaws of the Cooperative. Upon the death, cessation of existence, expulsion, or withdrawal of a Member the membership of such Member shall thereupon terminate. Termination of membership shall not release the Member from the debts or liabilities of such Member to the Cooperative.

(b) A membership may be transferred by a Member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such Member and compliance by such husband and wife jointly with the provisions of subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Cooperative.

(c) When a membership is held jointly, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effects as though such membership had been originally issued solely to the survivor and the deceased's name shall be removed on the books of the Cooperative as part of said joint membership; *provided, however*, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

## ARTICLE II

### MEETINGS OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the Members shall be held each year on date which the Board of Directors shall designate at least 30 days in advance of the meeting date, at such place in The Dalles, County of Wasco, State of Oregon, or such other place within Wasco Electric Cooperative Inc.'s service area as shall be designated in the notice of the meeting for the purpose of electing directors, voting on proposed measures, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not effect a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the Members may be called by the Board of Directors or upon a written request signed by at least ten percent (10%) of all the Members and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within the County of Wasco in the State of Oregon specified in the notice of the special meetings.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and the purpose for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting.

Section 4. Quorum. As long as the total number of Members does not exceed five hundred (500) at least five percent (5%) of the total number of Members present in person shall constitute a quorum for the transaction of business at all meetings of the Members. In case the total number of Members shall exceed five hundred (500), then at least twenty-five (25) Members present in person shall constitute a quorum for the transaction of business at all meetings of the Members: *provided, however*, that a quorum for purposes of Article IX of the Cooperative's Articles of Association and any amendment of Article IX as provided in Article X of the Cooperative's Articles of Association shall be ten percent of all the Members of the Cooperative. If less than a quorum is present at any meeting, a majority of those Members present may adjourn the meeting from time to time without further notice.

Section 5. Voting. Each Member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Members. At all meetings of the Members at which a quorum is present, all questions shall be decided by a vote of a majority of the Members voting thereon at such meeting in person, by mail, except as otherwise provided by law, the Articles of Association of the Cooperative, or these bylaws. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Members.

Section 6. Voting by Mail. Any Member who is absent from any annual or special meeting

of the Members may vote by mail upon any motion or resolution to be acted upon at any such meeting. The Secretary shall enclose with the notice of such meeting an exact copy of such motion or resolution to be acted upon and such absent Member shall express his or her vote thereon by writing "yes" or "no" on each such motion or resolution in the space provided therefore and enclose each such copy so marked in a sealed envelope bearing the Member's name and addressed to the Secretary. When such vote is received by mail from an absent Member it shall be accepted and counted as a vote of such absent Member at such meeting. Any Member who is absent from any meeting provided for in Section I of Article II to the election of directors may also vote by mail in the election of directors by ballot as hereinafter provided in these bylaws. If a husband and wife hold a joint membership and are absent from any annual or special meeting of the Members they shall jointly be entitled to vote as provided in this Section. The failure of any such absent Member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the Members at any such meeting.

Section 7. Order of Business. The order of business at the annual meeting of the Members, and so far as possible at all other meetings of the Members, shall be essentially as follows;

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment

### ARTICLE III DIRECTORS

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by the board of nine (9) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Association of the Cooperative or by these bylaws conferred upon or reserved to the Members.

Section 2. Director District. (a) Beginning with the annual meeting in 1996, one director will be elected from Districts 1, 2, and 3. The director position in each district currently held by the person with the most years of service will be nominated in 1996. In 1997 the position held by the director next in line with seniority will be nominated. In 1998 the third director position in each district will be nominated.

District 1 Boundary Description:

Director District 1 consists of all the Wasco Electric Cooperative's service area within the

boundary beginning at a point where the Columbia River meets the west edge of Wasco Electric Cooperative's service area. Thence east along the Columbia River to a point where it meets the Deschutes River. Thence south along the Deschutes River to a point where it meets the south boundary of School District 29. Thence west along the south boundary of School District 29 to the west edge of the Cooperative's service area. Thence north along the west edge of the Cooperative's service area to the point of beginning.

Director 2 Boundary Description:

Director District 2 consists of an area beginning at the confluence of the Deschutes and Columbia Rivers. Thence east along the Columbia River to a point where Wasco Electric Cooperative is bordered by Columbia Basin Electric Cooperative. Thence south along a boundary between Wasco Electric Cooperative and Columbia Basin Electric Cooperative to a point where Wasco Electric Cooperative's service area is bordered on the east by Columbia Power Electric Cooperative. Thence south along a boundary between the two cooperatives' service area to a point where it meets the Jefferson - Crook county boundary. Thence west along the county boundary to the southwest corner of section 33, Township 11 South, Range 15 East. Thence north to a point where US highways 97 and 197 meet. Thence northeast on US 97 to the Bakeoven Road. Thence north on the Bakeoven Road to the BPA Maupin Substation in section 26, Township 4 South, Range 14 East. Thence directly north to the Deschutes River. Thence along the Deschutes River to the point of beginning.

Director 3 Boundary Description:

Director District 3 consists of all the Wasco Electric Cooperative's service area bordered on the north by Director District 1 and on the east by Director District 2. The south boundary of this District borders the service area of Central Electric Cooperative and on the west by the Clackamas county line.

(b) Qualifications and Tenure. The persons elected as directors at the first meeting of the Members of the Cooperative shall compose the Board of Directors until the first annual meeting or until their successors shall have been elected and shall have qualified. The Board of Directors elected by the Members, at the annual meeting held in 1949, at their first meeting thereof shall decide by lot or otherwise, as they deem best, who shall constitute the three (3) directors whose terms of office are to end at the following annual meeting (1951), and to end at the next annual meeting (1950), and who shall constitute the three (3) directors whose terms of office are to end at the next succeeding annual meeting (1952). Beginning with the annual meeting held in 1950 and at each annual meeting thereafter, three (3) directors shall be elected by ballot, by and from the Members, to serve for a term of three (3) years and until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of directors. No Member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative (i) who is not a bona fide resident in the area served by the Cooperative, (ii) who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy to the Cooperative, (iii) who is the incumbent of or candidate for an elective public office in connection with which a salary is paid, (iv) who does not have the capacity to enter

into legally binding contracts, (v) who is not an individual, (vi) who has been convicted of, or pleaded guilty to, a felony within five years prior to becoming a director or during the term of director, or (vii) whose membership rights are suspended at the time the member is a candidate for a director position or during the director's term. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director, provided however, that neither one shall be eligible to become or remain a director unless both shall meet the qualifications hereinabove set forth. Nothing in this Section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 3. Nominations. It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than ninety (90) days before the date of a meeting of the Members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) resident Members of the Cooperative who shall be appointed so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors, but any fifteen (15) or more Members may make other nominations in writing over their signatures not less than fifteen (15) days prior to the meeting and the Secretary shall post the same place where the list of nominations made by the committee is posted. A ballot marked "Ballot for Directors" containing the names of the nominees so posted, alphabetically arranged and stating the residence of each shall be mailed with the notice of the meeting. The Secretary shall also mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition. Such statement of the Secretary shall also inform the Members of the manner in which they may vote by mail for directors as provided in this Section. Any Member who is absent from any such meeting may vote by mail for directors by marking on the ballot an "X" opposite the names of the number of candidates equal to the number of directors to be elected and enclosing the ballot in a sealed envelope bearing the Member's name, addressed to the Secretary. When such ballot so enclosed is received by mail from any absent Member it shall be accepted and counted as a vote for directors by ballot of such absent Member at such meeting. If a husband and wife hold a joint membership and are absent from any such meeting they may vote by mail for directors by jointly marking and enclosing the ballot hereinabove provided for. Notwithstanding anything in this Section contained, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any election of directors.

Section 4. Vacancies. Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors. Directors thus appointed shall serve the unexpired portion of the term of the director whose place was vacated and until a successor shall have been elected by the Members and shall have qualified.

Section 5. Compensation. Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, and attendance at meetings of the Oregon State Rural Electrification Association, Regional and National Rural Electric Cooperative Association meetings and attendance at such other meetings that protect and advance rural electrification. Except in emergencies, 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 such compensation shall be specifically authorized by a vote of the Members.

Section 6. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Association of the Cooperative, or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 7. Accounting System and reports. The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, 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 of the United States. The financial records of the Cooperative shall be examined by the Board of Directors at regular meetings of the Board of Directors. 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 the year. Such audit reports shall be available to the Members at the following annual meeting.

Section 8. Change in Rates. Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America 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.

Section 9. Term of Office. (a) The term of office of each director shall be three years, commencing upon adjournment of the membership meeting at which elected and terminating upon adjournment of the membership meeting at which the successor is duly elected and qualified.

(b) No director shall serve more than six consecutive terms. This requirement may be waived by the Members if a director is serving as a director for a state, regional or national rural electric association.

(c) A director who is absent three (3) consecutive meetings without medical authorization shall be automatically removed from the Board of Directors.

(d) Each director shall annually attend a Cooperative sponsored educational meeting for Board of Director training.

Section 10. Removal of Directors. Any Member may bring charges against a director by filing the charges in writing with the Secretary of the Board of Directors. The Secretary shall

immediately notify the director of the filed charges. The director shall have an opportunity at the meeting at which the charges against the director shall be considered, to be heard in person or by counsel and to present evidence. The person or persons bringing the charges against the director shall have the same opportunity. The director may also file with the Secretary a written statement setting forth concisely the director's evidence against the charges made.

If the charges are not accompanied by a petition requesting the removal of the director, the Board of Directors shall take the matter up at its next meeting and take such action as it deems to be for the good of the Cooperative; *provided, however*, the Board of Directors may not remove the director. The Board of Directors may recommend to the Members to vote on the removal of the director in accordance with the voting procedures set forth in these bylaws. The Board of Directors may impose other disciplinary measures against the director in accordance with these bylaws and applicable law.

If the charges are accompanied by a petition requesting the removal of the director, signed by ten percent (10%) of the Members, and are filed with the Secretary at least thirty (30) days prior to any general or special meeting of the Members, the Secretary shall prepare and mail to each Member with the regular notice, a ballot calling for a vote upon the removal of the director. A statement setting forth the charges against the director and, if the accused desires, a statement of defense not to exceed five hundred (500) words filed by the accused shall accompany the notice and ballot. By the affirmative vote of a majority of the total number of Members of the Cooperative, the Members may remove the director, and if removed the Board of Directors shall fill the vacancy as soon as practical, but not later than 90 days from the date of the director's removal, in accordance with these bylaws.

## ARTICLE IV MEETING OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after the annual meeting of the Members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Wasco Electric Cooperative's service area (Wasco, Sherman, Jefferson, Wheeler, or Gilliam Counties) as the board of directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President, or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place in Wasco Electric Cooperative's service area, for the holding of any special meeting of the Board of Directors called by them. Members of the Board of Directors may also meet via telephone conference call.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice delivered personally, mailed to each director at the director's last known principal address, or via electronic transmission. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

## 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 by the Board of Directors from time to time. The offices of Secretary and of 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 of Directors at the first meeting of the Board of Directors held after each annual meeting of the Members. If the election of officers shall not be held at such meeting, then such election shall be held within ten (10) days after the annual election of directors. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Members, or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

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

Section 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President shall:

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Members and of the Board of Directors;
- (b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other

- instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors, 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) perform all duties incident to the office of president, have all other responsibilities and may exercise all other authority as may be prescribed by the Board of Directors.

Section 6. Vice President. In the absence of the President, or in the event of his 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 to him by the Board of Directors.

Section 7. Secretary. The Secretary shall:

- (a) be responsible for preparing minutes of the Board of Directors and Member meetings;
- (b) see that all notices are duly given in accordance with these bylaws, or as required by law;
- (c) affix the Cooperative's seal to any document authorized or approved by the Board of Directors or Members;
- (d) be responsible for authenticating the Cooperative's records;
- (e) assure that a complete copy of the bylaws of the Cooperative containing all amendments thereto will be kept on file and , which copy shall always be made available to any Member, and at the expense of the Cooperative a copy of the bylaws and all amendments thereto will be forwarded to each Member, and
- (f) perform all other duties, have all other responsibilities, and may exercise all other authority prescribed by the Board of Directors.

Section 8. Treasurer. The Treasurer shall:

- (a) be responsible for all funds and securities of the Cooperative;
- (b) approve the manner in which all funds received by the Cooperative are properly receipted, recorded and deposited in financial institutions approved by the Board of Directors;
- (c) perform all other duties, have all other responsibilities, and may exercise all other authority by the Board of Directors;

Section 9. General Manager. The Board of Directors shall appoint a general manager who may be, but who shall not be required to be, a Member of the Cooperative. The general manager shall perform such duties as the Board of Directors require and shall have such authority as the Board of Directors delegates.

Section 10. Bonds of Officers. The Board of Directors may require the Treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or

property, to give bonds in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 11. Compensation. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be approved by the Board of Directors and the power, duties and compensation of any other officers and agents shall be fixed by the Board of Directors. Compensation of the general manager shall be fixed by the Board of Directors.

Section 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the Members 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

### **CONTRACT, CHECKS AND DEPOSITS**

Section 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent, or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. 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 officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

## ARTICLE VII

### **MEMBERSHIP CERTIFICATES**

Section 1. Record of Membership. Record of membership shall be retained with the Cooperative.

## ARTICLE VIII

### **NON-PROFIT OPERATION**

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its Member patrons, former patrons and nonmember patrons ("Patrons"). No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all Patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its Patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each Patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each calendar year the amount of capital, if any, so furnished by each Patron is clearly reflected and credited in an appropriate record to the capital account of each Patron, and the Cooperative shall within a reasonable time after the close of the calendar year notify each Patron of the amount of capital so credited to the Patron's account. All such amounts credited to the capital account of any Patron shall have the same status as though they had been paid to the Patron in cash in pursuance of a legal obligation to do so and the Patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any fiscal year and (b) to the extent not needed for those purposes, allocated to its Patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of Patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to Patrons' accounts may be retired in full or in part. After November 13, 1999, the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

Capital credited to the account of each Patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assign or and only to successors in interest or successors in occupancy in all or a part of such Patron's premises served by the Cooperative unless the Board of Directors, acting under the policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any Patron, who was a natural

person, if the legal representatives of the Patron's estate shall request in writing that the capital credited to any such Patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such Patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such Patron's estate shall agree upon; *provided, however*, that the financial condition of the Cooperative will not be impaired thereby.

The Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Association and bylaws shall constitute and be a contract between the Cooperative and each Patron, and both the Cooperative and each Patrons are bound by such contract, as fully as though the Cooperative and each Patron had individually signed a separate instrument containing such terms and provisions.

Capital credited to the account of each Patron shall be assigned for security purposes to the Cooperative to insure payment of unpaid accounts. Capital credits refunded to Patrons as a general retirement or payment to an estate shall first be applied to any unpaid balance due to the Cooperative. Any balance after clearing the past due balance shall be paid to the Patron.

## ARTICLE IX WAIVER OF NOTICE

Any Member or director may waive, in writing, any notice of meetings required to be given by these bylaws.

## ARTICLE X DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) property which in the judgment of the Board of Directors neither is, nor will be, necessary or useful in operating and maintaining the Cooperative's system and facilities; *provided, however*, that all sales of such property shall not, in any one (1) year exceed in value ten per centum (10%) of all of the property of the Cooperative;
- (b) services of all kinds, including electric energy; and
- (c) personal property acquired for resale,

Unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the Members by the affirmative vote of at least two-thirds (2/3) of the Members voting thereon at such meeting in person or by mail, and the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; *provided, however*, that notwithstanding anything herein contained, the Board of Directors, without

authorization by the Members, shall have full power and authority to borrow money from the National Rural Utilities Cooperative Finance Corporation, the United States of America, Reconstruction Finance Corporation, or any agency or instrumentality thereof, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, the authorized execution and delivery of a mortgage or mortgages, or deed or deeds of trust upon, or the pledging or encumbrance of any or all the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine.

## ARTICLE XI FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of October of each year and end on the thirtieth day of September of the next year.

## ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall not become a member of any other organization without an affirmative vote of the Members at a meeting called as provided in these bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business; *provided, however*, that the Board of Directors shall have full power and authority on behalf of the Cooperative to purchase stock in or to become a member of, any corporation or cooperative organized on a non-profit basis for the purpose of engaging in rural electrification.

## ARTICLE XIII 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 XIV AMENDMENTS

These bylaws may be altered, amended, or repealed by the Members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.