

CANBY TELEPHONE ASSOCIATION

Restated
ARTICLES OF INCORPORATION
(1998)

AND

AMENDED BYLAWS
(May 19, 2005)

Restated
ARTICLES OF INCORPORATION
of
CANBY TELEPHONE ASSOCIATION
(1998)

The following Restated Articles of Incorporation adopted under the provisions of ORS62.570 supersede the theretofore existing Articles of Incorporation and amendments thereto of Canby Telephone Association.

I. Name and Duration

The name of this cooperative is CANBY TELEPHONE ASSOCIATION, and its duration shall be perpetual.

II. Purposes and Powers

The purpose or purposes for which the cooperative is organized are:

1. To engage on a cooperative basis in telecommunications and information services and in the provision of any and all other kinds of communications services and other services which utilize communication facilities within the territory contiguous to Canby, Oregon, and such other territories as the cooperative considers practical.
2. To own, operate, buy, sell and lease telephone and other communication services, facilities and accessories.
3. To engage in any activity in connection with the telephone business and the business of providing communication services.
4. This cooperative shall have all the cooperative powers enumerated in the Oregon Cooperative Corporation Act, and in addition thereto and not in diminution thereof, shall have the following powers:

(a) To make application for; to acquire, own, hold, use and administer; all manner of letters patent, patent rights, copyrights, trademarks, tradenames and any interest therein, and to sell, assign or otherwise dispose of the same.

(b) To make any guarantee respecting stock, dividends, securities, indebtedness, interest, contracts or other obligations created by any individual, partnership, corporation or other entity, to the extent that such guarantee is made in furtherance of the purposes set forth in the Article.

(c) To enter into any lawful arrangement for joint venture, sharing profits, union of interest or cooperative association, with any corporation, association, partnership, individual or other legal entity for the carrying on of any business activity, including research, where the purpose of such activity is similar to the purposes set forth in this Article.

III. Membership

The cooperative is organized without membership stock. The amount of the membership fee is \$1.00. Membership in the cooperative is not transferable.

IV. Basis of Distribution of Assets in the Event of Dissolution or Liquidation

Upon dissolution or liquidation of the cooperative, the following priorities shall exist in the distribution of assets.

1. All debts and liabilities of the cooperative shall have been paid.
2. Holders of credits to member's equity accounts shall be paid the face amount of such credits without regard to priority of issue of such credits. If the amount of funds to be distributed is insufficient to retire all such credits at the face value thereof, retirement shall be made prorata thereon.
3. All membership fees shall be paid.
4. The remaining property and assets of the cooperative shall be distributed among the members and former members in the proportion in which the aggregate patronage of each member and former members bears to the total patronage of all such members and such former members on the date of dissolution unless otherwise provided by law.

Any indebtedness due to the cooperative from the holders of equities in the cooperative may be offset by the cooperative before retirement of such equities.

V. Registered Office and Registered Agent

The address of the registered office of the cooperative is 190 S.E. Second Avenue, Canby, Oregon 97013, and the registered agent is Richard Ares. The mailing address of the cooperative is P.O. Box 880, Canby, Oregon 97013.

VI. Cooperative Operation

The cooperative shall operate on a cooperative basis for the benefit of its members. The net savings of the cooperative belong to such members in proportion to their respective patronage and shall be returned to such members either in the form of cash or credits.

The cooperative, at its sole option, may withhold any and all net savings distributable to a member and apply the same to the indebtedness of such member of the cooperative.

Dated this 17th day of August, 1998.

CANBY TELEPHONE ASSOCIATION

By _____

Chairman of the Board

By _____

Secretary

**AMENDED BYLAWS OF
CANBY TELEPHONE ASSOCIATION
May 19, 2005**

ARTICLE I

Name

1.1 This cooperative shall be known as CANBY TELEPHONE ASSOCIATION (hereinafter referred to as the "Cooperative").

ARTICLE II

Membership

2.1 Requirements for Membership. Any person, as that term is used in the Oregon Cooperative Corporation Act, or agency of federal, state or local government, upon the receipt of retail telecommunications services from the Cooperative at a premise within its established service area and the completion of a membership application in the form prescribed by the Board of Directors.

2.1.1 Such application shall include an agreement

- (a) to purchase telecommunications services from the Cooperative as an end user of such services, in accordance with the rates, terms and conditions specified by the Cooperative; and
- (b) to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board; and
- (c) to make payment of a non-refundable membership fee of \$1.00.

2.1.2 Purchasers of the Cooperative's services at wholesale, or otherwise for resale shall not be eligible for membership or patronage credits with respect to such wholesale services.

2.1.3 Upon acceptance of the application by the Board, membership shall become effective upon the date of commencement of service. Membership eligibility terminates upon disconnection of service; however, the Board may provide for suspension of service during periods of temporary absence of a member.

2.2 Definition and Classifications.

2.2.1 No member may hold more than one membership of each class in the Cooperative. No membership in the Cooperative shall be transferable, except on the books of the Cooperative and as provided for in these Bylaws.

2.2.2 Each time sharing or interval ownership premise is considered as a single member. The corporation, partnership or other entity holding or managing the property will be deemed to hold the membership.

2.2.3 Memberships in the Cooperative are extended only to individual persons (natural or corporate) who meet the requirements of Section 2.1. Memberships formerly issued to husbands and wives, previously referred to as joint memberships, will be allowed to continue. However, from the date of adoption of the amended Bylaws (May 15, 1999), no new joint memberships will be established.

2.2.4 Individual memberships will be freely transferable on the books of the Cooperative between any persons in the same household or corporation upon request in writing. Thus, the term "member" as used in these Bylaws shall refer to an individual, but can, on a grandfathered basis, be deemed to include a husband and wife still holding a joint membership, and any provisions relating to the rights and liabilities of a membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a grandfathered joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either, but not both, may be elected or appointed as an officer or Board member if individually qualified;
- (h) Upon the death of either spouse who is a party to the joint membership, such membership shall be converted to an individual membership. However, the estate of the deceased shall not be released from any debts due the Cooperative.

2.3 Purchase of Services. Each person who applies for membership shall subscribe to one or more services of the Cooperative as soon as service becomes available. The member shall pay for such service monthly in accordance with rates established in tariffs or rate schedules as fixed by the Board. It is expressly understood that amounts in excess of cost received by the Cooperative for all telecommunications services are furnished by members as capital from the moment of receipt, and each member shall be credited with the capital so furnished as provided in Articles XI and XII of these Bylaws. However, the Cooperative is not obligated to furnish such credits for services which are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative. Each member shall pay the above amounts owed by him or her to the Cooperative as and when the same shall become due and payable.

2.4 Termination of Membership.

2.4.1 Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than 2/3 of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the

Board, but only if such member shall have been given notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.

2.4.2 Upon the withdrawal, death, cessation of service or expulsion of a member, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative nor do unpaid bills release members from their obligations under these Bylaws or rules and regulations approved by the Board.

2.4.3 In case of withdrawal or termination of membership in any manner, the Cooperative shall, subject to Section 2.2, repay to the member the amount of any membership fee credited to the member's account; provided, however, that the Cooperative shall deduct, from the amount of the membership fee, the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE III

Rights and Liabilities of the Cooperative and the Members

3.1 Service Obligations. The cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services nor will it always be able to provide every service desired by each individual member.

3.2 Cooperation of the Members in the Extension of Services. The cooperation of members of the Cooperative is imperative to the successful, efficient and economical operation of the Cooperative. Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge telephone and/or communications lines, overhead or underground. Including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across and upon any real property or interest therein owned or leased or controlled by said member at no cost to the furnishing of telecommunications service to said member at no cost to the Cooperative. When requested by the Cooperative, the member does agree to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

3.3 Nonliability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative, and no member shall be liable or responsible for any debts or liabilities of the cooperative.

ARTICLE IV

Meetings of Members

4.1 Annual Meeting. The annual meeting of members shall be held in each calendar year in such place and at such time as the Board of Directors may determine in the best interest of the members. At such meeting, Board members shall be elected, reports for the previous fiscal year shall be presented, and such other business as may come before the meeting shall be transacted. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or

dissolution of the Cooperative, nor affect the validity of any action.

4.2 Special Meetings. Special meetings of the members may be called at any time by the Chairman of the Board or the Board of Directors, and a special meeting shall be called by the Secretary upon request therefore in writing signed by not less than ten percent (10%) of the members of the Cooperative stating the business to be brought before the meeting. Such special meeting shall be held within Clackamas County, Oregon. Calls for special meetings for the members shall specify the time, place and purpose of such meeting, and no business other than that specified in the call shall be considered at such meeting.

4.3 Notices. Written notice of every annual or special meeting of the members stating the time and place, and in the case of a special meeting, the purpose thereof, shall be given to each member at such address of the member as appears on the records of the Cooperative, not less than seven days nor more than thirty (30) days prior to the date fixed for such meeting. The presence of a member at a meeting shall constitute a waiver of notice by that member. The incidental or unintended failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

4.4 Quorum. The members present at any meeting shall constitute a quorum for the transaction of business. At all meetings of the members, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

4.5 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 conducted under the policies established by the Board.

4.6 Voting.

4.6.1 Each member shall be entitled to one vote. All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. Multiple choice issues or determinations shall be decided by a plurality vote.

4.6.2 Voting by proxy shall not be permitted, but a member that is a corporation, association, partnership, state or government agency may designate a representative to cast its vote.

4.6.3 Upon the call of any member for a vote by ballot on any issue, the vote on such matter shall be by ballot. It shall be the duty of the presiding officer to call for a vote by ballot on any matter which he believes will be contested.

4.6.4 The Board of Directors may cause to be submitted by mail ballot any question to be voted at any meeting of the members including the election of directors. In such event the Secretary shall cause to be mailed to each member along with the notice of the meeting, the ballot on each question and a voting envelope. The ballot may be cast only in a sealed envelope which is authenticated by the member's signature. A vote so cast shall be counted as if the member were present and voting in person.

4.7 Sale or Other Disposition of Entire Assets.

4.7.1 The sale, lease, exchange or other disposition of the property and assets of the Cooperative, when made in the usual

and regular course of the business of the Cooperative, may be made on such terms and conditions and for such consideration as shall be authorized by the Board; and in such case no authorization or consent of members is required.

4.7.2 A sale, lease, exchange or other disposition of all, or substantially all, of the property and assets, with or without the good will, of the Cooperative, if not made in the usual and regular course of its business which consists of privileges essential to the operation of providing telecommunications services to its members, may be made upon such terms and for such consideration as shall be authorized by affirmative vote of two-thirds (2/3) of all members. The members may approve the sale, lease, exchange or other disposition, and may fix, or may authorize the Board to fix, any or all of the terms and conditions thereof and the consideration to be received by the Cooperative.

ARTICLE V.

Board of Directors

5.1 Number: The business and affairs of the Cooperative shall be managed by a Board of five members.

5.2 Election and Term of Office. Directors shall be nominated and elected for three-year terms. Terms shall be staggered so that not more than two terms shall expire in one year: At the annual meeting of the Cooperative to be held in 2005, one director shall be nominated and elected for a three-year term, and such director shall be Position #1. At the annual meeting to be held in 2006, two directors shall be elected for a three-year term, one of which shall be Position #2 and one of which shall be Position #3. At the annual meeting to be held in 2007, two directors shall be elected for a three-year term, one of which shall be Position #4 and one of which shall be Position #5. At each annual meeting, directors shall be elected to fill the vacancies in office expiring at such annual meeting and such directors shall be elected for a three-year term. All directors shall serve until successors are elected and assume office, or until their death, resignation or removal.

5.3 Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining members of the Board.

5.4 Qualifications of Directors.

5.4.1 No person shall be eligible to become or remain a member of the Board of Directors Cooperative who:

- (a) Is closely related to an incumbent director or an employee of the Cooperative. As used here, "closely related" means a person who is related to the principal person by consanguinity or affinity, to the second degree or less - that is, a person who is either a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew or niece, by blood or in law, of the principal. However; no incumbent director shall lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a director because of a marriage to which he or she was not a party; or
- (b) Is not a member of the Cooperative or a representative of a member who is other than a natural person; or
- (c) Is not a bona fide resident of the area served by the Cooperative and a resident of the district designated for his position on the Board of Directors; or

- (d) Is an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in selling communication services or communication supplies or maintaining communication facilities; however, the Board may grant exceptions for "de minimis" competing enterprises.

5.4.2 To remain a director, the director must attend two-thirds (2/3) or more of the regular meetings during each twelve-month period beginning with the month of his/her election. Upon establishment of the fact that a director is in violation of any of the provisions of this section, the office shall be deemed vacant.

5.5 Effect of Disqualification.

5.5.1 Termination of membership in the Cooperative by a director who was a member, or by a member of the Cooperative other than a natural person whom the director represents shall automatically create a vacancy in such director's office as such.

5.5.2 Upon establishment of the disqualification of a director by reason of noncompliance with Section 5.4 et seq., the Board of Directors shall remove such director from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

5.6 Compensation of Directors. Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses.

5.7 Removal of Directors. Any director may be removed from office at an annual or special meeting of the members by a majority vote of all members voting at such meeting, provided:

- A. The petition must be signed by at least ten percent (10%) of the membership requesting the removal of the director. The petition shall state the reason(s) for the requested removal;
- B. The petition shall be filed with the Secretary of the Cooperative at least forty-five (45) days prior to the annual or special meeting;
- C. The director whose removal is sought is given fifteen (15) days to respond in writing to answer such reason(s) for removal;
- D. It shall be the duty of the Secretary of the Cooperative to include such statement of reasons for removal and the response of the director whose removal is sought in the meeting notice;
- E. At the meeting of the members at which the charges are to be considered, the Board member shall have an opportunity at the meeting to be heard in person or by counsel to present evidence in respect to the charges, and the person or persons bringing the charges against him shall have the same opportunity;

- F. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members;
- G. No director shall be removed from office unless by a vote of a majority of the members present;
- H. Any vacancy created by such removal may be filled by a vote of the members at such meeting without compliance with the Bylaws provisions with respect to nominations.

ARTICLE VI.

Nominations

6.1 Nominating Committee. A nominating committee of five members shall be appointed by the Board Chair not less than one hundred twenty (120) days before each annual meeting. At least three of such committee shall be other than Board members. It shall be the duty of the nominating committee to file with the Secretary of the Cooperative the nominations for directors at least ninety (90) days prior to the annual meeting.

6.2 Nominations by Petition. Any twenty-five (25) or more members, acting together; may make nominations for directors for such positions by petition. The petitions and instructions for obtaining signatures will be made available at the Cooperative business office. Petitions shall be filed with the Secretary of the Board not less than forty-five (45) days prior to the meeting at which directors are to be elected.

6.3 Nominations from the Floor: There shall be no nominations allowed from the floor.

ARTICLE VII.

Meetings of the Board

7.1 Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members for the purpose of electing officers as hereinafter provided and for completing their organization for the coming year; and may transact such other business as may come before the meeting. Regular meetings of the Board shall also be held at such time and place as designated by the Board. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof. A minimum of at least ten (10) regular meetings shall be held each year.

7.2 Special Meetings. Special meetings may be held at such time and place as the majority of the Board of Directors or the Board Chair determine. Any business may be transacted at such meeting.

7.3 Notices. The meetings of the Board, whether special or regular; may be held on twenty-four (24) hours notice given personally, by mail, telephone or telegraph. Attendance at a meeting shall constitute a waiver of notice thereof. Any notice required to be given to a director of meetings of the Board of Directors may be waived in writing either before or after the time at which such notice should be given and such waiver shall have the same force and effect as though due notice had been given.

7.4 Quorum. At all regular and special meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum; however, no action of the Board shall be taken except upon the affirmation vote of at least three directors.

7.5 Meeting by Conference Telephone or Similar Communications Equipment Permissible. Members of the Board of Directors may hold a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participation in the meeting shall constitute presence in person at the meeting.

7.6 Action Without a Meeting. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting in unanimous consent in writing setting forth the action so taken is signed by all of the directors. Such consent shall have the same force and effect as unanimous vote at a meeting.

ARTICLE VIII.

Powers and Duties of Directors

8.1 General Powers and Management. The Board of Directors shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members. The Board of Directors shall manage the business and conduct the affairs of the Cooperative and shall make the necessary rules and regulations, not inconsistent with the laws or with these Bylaws, for the management of the business and the guidance of the officers, employees and agents of the Cooperative.

8.2 Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid or construction, not inconsistent with law or the Certificate of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative or; cause such to be submitted for any appropriate regulatory approval.

8.3 Bonds. The Board of Directors shall require all officers, agents and employees charged by the Cooperative with responsibility for the custody of any of its funds or property to give bond with sufficient surety for the faithful performance of their official duties, the premium on such bonds to be paid by the Cooperative.

8.4 Accounting Systems and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit by a certified public accountant of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

8.5 Selection of Depository. The Board of Directors shall have power to select one or more institutions to act as depository of the funds of the Cooperative and to determine the manner of receiving, depositing and disbursing the funds of the Cooperative and the form of checks and the person or persons by whom same shall be signed, with the power to change such institutions and the officer or officers, employee or employees, person or persons signing said checks and the form thereof at will.

8.6 Records. It shall be the duty of the Board of Directors to cause to be kept a complete record of all of its acts and the proceedings of its meetings, to cause to be presented at the annual meeting a report reviewing the cooperative's business for the year, and to supervise all officers and see that their duties are properly performed and that the business of the Cooperative is ably managed.

ARTICLE IX.

9.1 Offices to be Filled. The principal officers of this Cooperative shall be a Board Chair; a Board Vice-Chair; President, one or more Vice-Presidents, Secretary and Treasurer. The offices of the Secretary and Treasurer may be combined in one person. At least one officer must be a director of the Cooperative. The other officers may be, but need not be, members of the Board of Directors. Such officers shall be elected by the Board at the first regular meeting of the Board of Directors each year; and their term of office shall be at the pleasure of the Board.

9.2 Board Chair. The Board Chair shall be the chief presiding officer and shall preside or shall designate a presiding chair at all meetings of the Board of Directors and members and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the Bylaws of the Cooperative.

9.3 Board Vice Chair. The Board Vice Chair shall preside or shall designate a presiding Chair at all meetings of the Board of Directors and members in the absence of the Board Chair, and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the Bylaws of the Cooperative.

9.4 President. The President shall be the chief operating and administrative officer of the Cooperative. In the absence of the Board Chair and Vice Chair, the President shall preside or shall designate a presiding Chair at all meetings of the members and all meetings of the Board of Directors. The President shall act as directed by the Board of Directors. The President shall exercise such duties as customarily pertain to the office of President and shall have general and acting supervision over the property, business and affairs of the Cooperative. The President shall be the official representative of the Cooperative at all meetings in which the Cooperative is entitled to representation. The President shall execute, in the name of the Cooperative, all deeds, bonds, contracts and other obligations and instruments authorized by the Board of Directors to be executed, and the President shall have such other specific powers and perform such other duties as may be assigned from time to time by the Board of Directors.

9.5 Vice-President. The duty of the Vice-President shall be to assume the office of the President in his absence, and to perform such other acts and duties as may be prescribed by the Board of Directors.

9.6 Secretary-Treasurer. The Secretary-Treasurer shall:

- A. Keep or cause to be kept a complete record of all meetings of the members and of the Board of Directors;
- B. Keep or cause to be kept membership records of the Cooperative;
- C. Sign on behalf of the Cooperative all papers which he/she is authorized by the Board of Directors to sign;
- D. Serve all notices required to be served by law or these Bylaws;

- E. Keep such records, make such reports and perform such other duties as may be required of him/her from time to time by the Board of Directors.

In the event the Board of Directors determines that the office of Secretary and Treasurer should be held by two persons, then the Secretary shall perform all secretarial duties, and the Treasurer shall perform all financial duties, and each shall perform such other duties as may be required by the Board.

ARTICLE X.

Indemnification

10.1 Indemnification of Director, Officer, Employee or Agent Permitted for Expenses Incurred in Legal Action. The Cooperative shall indemnify directors, officers, employees or agents for expenses incurred in legal actions in accordance with ORS 62.460, et seq., and any amendments thereto.

10.2 Rights of Persons Indemnified. The indemnification provided by this Article shall not be deemed exclusive of any other rights which those seeking indemnification may be entitled under any bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board member, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE XI.

Cooperative Operation

11.1 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 members. No interest or dividends shall be paid or will be payable by the Cooperative on any capital furnished by its members.

11.2 Non-Profit Organizations. The term "net savings" is used in this Article in the same manner as that term is used in the Oregon Cooperative Corporation Act, and net savings shall be determined in accordance with the provisions of such Act.

The net savings of providing telecommunications services as provided in Section 2.4 shall belong to its members in proportion to their respective patronage and shall be returned to such members either in the form of cash or credits to each member's capital account.

11.3 Application of Net Savings to Indebtedness. The Cooperative at its sole option may withhold any and all net savings distributable to a member and apply the same to the indebtedness such member may owe the Cooperative. In such event, however, the Cooperative shall give such member written notice of the amount so applied.

11.4 Allocation of Loss. If there is a net loss from providing telecommunications services in any year, the amount of such loss shall be handled in accordance with one of the two following alternatives as determined by the Board of Directors:

- A. The loss shall be charged against unallocated equities;
- B. The loss shall be allocated to the members in proportion to their respective patronage for such year. The amount of such allocation shall be charged against the credits of such members to the member's equity account, with the most recent of such allocations being first cancelled. In the

event there is not a sufficient credit in a member's equity account to absorb the allocation of loss, the balance of such allocation shall be offset against and cancel future allocations of net savings to such member's account until the balance of such account is reduced to zero.

11.5 Allocation of Non-Operating Income. All non-operating income received by the Cooperative insofar as permitted by law, shall be:

- A. Used to offset any losses incurred during current or any prior fiscal year; and
- B. To the extent not needed for that purpose, retained by the Cooperative in a reserve account for the financing of the construction or acquisition by the Cooperative of additional facilities, except to the extent otherwise determined by the Board.

11.6 Allocation of Extraordinary Items. Extraordinary items of income or expense attributable to the furnishing of telecommunications services during prior periods shall be allocated to members on the basis of their patronage during such prior periods. Such allocation is not required for amounts deemed by the Board of Directors to be immaterial.

ARTICLE XII.

Capital

12.1 Member's Equity Amount. In furnishing of telecommunications services, the Cooperative's operation shall be so conducted that all members will furnish capital for the Cooperative through their patronage. The member's equity account in the Cooperative is part of the capital of the Cooperative and shall consist of that portion of the net savings from telecommunications services provided by the members not returned in cash to members and refunds of federal and state taxes received by the Cooperative on behalf of its members. All amounts received or receivable by the Cooperative from its members in excess of operating and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as equity. The Cooperative shall establish a separate equity account for each of its members and allocate to such member's account the portion of such member's equity to which such member is entitled. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year, the amount of equity, if any, furnished by each member is clearly reflected and credited in an appropriate record to the equity account of each member; and the Cooperative shall notify each member of the amount of the credits to his/her account within a reasonable time after the close of each fiscal year. All such allocations shall be made in such manner as to record the year of such allocation as a series of such credits. All such amounts credited to the equity account of any member shall have the same status as though it had been paid to the member in cash in pursuance of a legal obligation to do so, and the member had then furnished the Cooperative corresponding amounts for equity. No interest shall be payable on such credits.

12.2 Transferability. Credits of a member to member's equity account of the Cooperative may be assigned, but only on the

books of the Cooperative pursuant to written instructions from the assignor and only to:

- A. The heirs or legatees of a deceased member; or
- B. On written request of the member to his/her successor in occupancy in all or a part of such member's premises served by the Cooperative; or
- C. Back to the Cooperative; or
- D. The Board, acting under policies of general application, shall authorize other types of assignments.

The Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt members.

12.3 Retirement of member's Equity Credits. Credits to member's equity account may be retired by the Board of Directors in its discretion and direction as to timing, method and type of retirement. If the Board of Directors at any time determines that retirement of credits to member's equity account should cease for any reason, such process of retirement shall be stopped until the Board of Directors deems it advisable to continue such process. Any indebtedness due from the record holder of such a credit to the Cooperative may be offset by the Cooperative before the retirement of such certificate or any part thereof.

Upon the certification of the management of the Cooperative to the Board of Directors that the cost of redeeming credits of a member in member's equity account up to a certain amount of such credits, but not in excess of \$5.00 exceeds the amount of such credits being redeemed, the Board may exclude from such retirement the credits of any member which would otherwise be retired but which are less than the amount so certified. The amount of credits from inactive accounts of less than \$5.00 shall be thereupon credited to retained capital of the Cooperative.

12.4 Credits Subordinate to Claims of Creditors. All credits to a member's equity account are subordinate in right to the claims of all creditors of the Cooperative.

12.5 Retirement of Member's Equity Credits in the Event of Death. On the death, after the adoption of the amendment to the Bylaws dated May 15, 1999, of an individual who is the original holder of credits to member's equity account, then upon application of the personal representative of the estate of such decedent, the Cooperative shall pay the estate of such decedent the amount of such credits in cash up to a total of \$1,000.00. Any excess amount of such credits to member's equity account over and above the sum of \$1,000.00 shall be transferred to the personal representative or heirs of such deceased holder. The Cooperative shall pay up to \$1,000.00 each successive fiscal year to the personal representative or heirs of such deceased holder unless the Board of Directors at any time, for any reason, determines that retirement should cease or be reduced. The retirement of member's equity credits in excess of \$1,000.00 for each fiscal year may be specifically authorized by special Board decision.

If a partnership is the original holder of credits to member's equity account and a partner dies, the interest of the deceased partner in such credits shall be redeemable at the request of the surviving

partner or partners and of the personal representative of the deceased partner.

Credits held in the name of a husband or wife, or otherwise jointly held, shall be considered for the purpose of this section as if held by the surviving spouse or member. The interest shall be redeemed upon the death of the surviving spouse or member in the same manner as an individual decedent.

The Board of Directors may adopt such rules and regulations not inconsistent with this Bylaws section as may be necessary to carry out the purposes thereof.

12.6 Credits Held by Divorced Members. If credits to member's equity account are held in the name of a husband and wife and such husband and wife are divorced, the Cooperative, unless otherwise notified in writing, shall be entitled to assume for all purposes under this Article XII that the parties to the divorce each had equal interests in such credits to member's equity account.

12.7 Credits Held by Members Indebted to the Cooperative. Any indebtedness owned by a member to the Cooperative and not paid within sixty (60) days may be offset by the Cooperative against a member's equity account.

12.8 Retained Capital in Connection with Furnishing Other Services. In the event that the cooperative should engage in the business of furnishing goods or services other than telecommunications services to members, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be deemed retained capital and used at such time and for such purposes as the Board shall determine.

ARTICLE XIII.

Rights on Dissolution

13.1 Dissolution or Liquidation. Upon dissolution or liquidation of the Cooperative, the following priorities shall exist in the distribution of assets:

- A. All debts and liabilities of the Cooperative shall have been paid;
- B. Holders of credits to member's equity accounts shall be paid the face amount of such credits without regard for priority of issue of such credits. If the amount of funds to be disbursed is insufficient to retire all such credits at the face value thereof, retirement shall be made prorata thereon;
- C. All membership fees shall be repaid;
- D. The remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion in which the aggregate patronage of each member and former members bears to the total patronage of all such members and such former members on the date of dissolution unless otherwise provided by law.

Any indebtedness due to the Cooperative from the holders of equities in the Cooperative may be offset by the

Cooperative before retirement of such equities.

ARTICLE XIV.

Miscellaneous

14.1 Membership in Other Organizations. The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships or joint ventures when the Board finds that the general or long-term interests of its membership will be served by such investments or participation.

14.2 Contacts. Except as otherwise provided in these Bylaws, the Board 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.

14.3 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.

14.4 Seals. The seal of this Cooperative shall be circular in form and contain its name and the words "Canby, OR - Corporate Seal".

ARTICLE XV.

Amendments

15.1 Bylaw Amendments. These Bylaws may be amended at any meeting of the members, by a two-thirds (2/3) vote in the affirmative of those voting, provided that notice of the proposed amendment included in the notice of the meeting, and provided further that Section 4.7 (on sale of assets) cannot be amended without an affirmative vote of at least two-thirds (2/3) of the entire membership.