

**AMENDED AND RESTATED BYLAWS  
OF  
MOLALLA TELEPHONE COMPANY**

**January 22, 2009**

**ARTICLE I  
Definitions**

- 1.1** **ACT** shall mean the Oregon Cooperative Corporation Act.
- 1.2** **BOARD** shall mean the Board of Directors of the Cooperative.
- 1.3** **COOPERATIVE** shall mean Molalla Telephone Company, an Oregon cooperative corporation. The Cooperative may do business under the name "Molalla Communications Company."
- 1.4** **PERSON** shall mean Person as that term is defined in the Oregon Cooperative Corporation Act, but also include limited liability companies, and agencies of federal, state and local governments.
- 1.5** **RULES** shall mean all regulations, resolutions, rules, policy statements or other procedures of general application the Board adopts, as now in effect and as hereinafter duly adopted or amended.
- 1.6** **SECRETARY** shall mean the Secretary of this Cooperative.

**ARTICLE II  
Membership**

**2.1 Eligibility for Membership.** To be eligible for membership, a Person must: (i) receive retail telecommunications services from the Cooperative, as such phrase is defined from time to time by the Board; (ii) reside in the Cooperative's service area, as determined from time to time by the Board; and (iii) provide a continuing or periodic telecommunications revenue stream for the Cooperative.

The Board will establish under a duly adopted Membership Policy the types and amounts of revenue streams or the types and amounts of patronage that give rise to the privileges and obligations of membership (including establishing limited periodic exceptions to the requirement of providing a continuing or periodic revenue stream, if doing so is in the best interests of the Cooperative).

Any person so qualifying for membership shall:

- A. Make application for membership on a form, or in a format, to be adopted for this purpose by the Board;
- B. Agree to purchase telecommunications services from the Cooperative in accordance with the established rates, as well as pay other charges for telecommunications services that the member uses and the Cooperative is obligated by law or contract to collect;
- C. Pay a membership fee of \$1.00; and
- D. Agree to comply with, and be bound by the Cooperative's Articles of Incorporation, Bylaws, and Rules.

The Board shall determine membership. The decision of the Board on admission of members shall be binding and conclusive. The status of all memberships shall be as reflected upon the books of the Cooperative and no membership certificates will be issued.

**2.2 Membership.** No member may hold more than one membership in the Cooperative. A husband and wife may become joint members upon compliance with the requirements of Section 2.1 and upon submission of an application signed by both spouses; provided, however, that any joint membership established by a husband and wife prior to April 2001 may have an application signed by either spouse. With respect to such joint membership:

- A. There shall be but one vote;
- B. Termination of either joint member shall eliminate the joint membership, except that on the death of either husband or wife, the survivor shall continue as a member; however, the estate of the deceased spouse shall not be released from any debts due the Cooperative;
- C. Presence at a meeting or waiver of notice by either joint member shall be considered as presence or waiver by the joint membership;
- D. Notice to either joint member shall constitute notice to both;
- E. Either joint member may be eligible as a member of the Board but not both at the same time; and
- F. Expulsion or withdrawal of a joint member shall terminate the membership in its entirety.

**2.3 Transferability.** Evidence of membership shall be in such form, including but not limited to a receipt for payment of the membership fee, as the Board may determine from time to time. Membership in the Cooperative shall not be transferable.

**2.4 Purchase of Telecommunications Services.** Each member who applies for telecommunications services shall, as soon as service is available, take service from the Cooperative. The members shall pay for such telecommunications services timely at rates in accordance with either established rates or tariffs as fixed by the Board, or, for the telecommunications services rendered by other carriers, at the rates that the Cooperative is obliged to bill and collect by contractual arrangements with other carriers. It is expressly understood that the amounts received by the Cooperative for providing telecommunications services to its members in excess of costs are furnished by members from the moment of receipt as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. However, the Cooperative is not obligated to furnish such credits for telecommunications services that 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 and such other amounts as may be owed by each to the Cooperative as and when the same shall become due and payable.

**2.5 Termination of Membership.** A member may voluntarily terminate membership in the Cooperative by notice to the Cooperative and upon compliance with the Rules, provided that such member has likewise discontinued the member's telecommunications connection. The Board may terminate the membership of a member if:

- A. The member, for a period of 30 days after telecommunications service is available to the member, has not permitted the installation of service;
- B. The member has ceased to purchase telecommunications service from the Cooperative;
- C. The member fails to make payments for telecommunications services or otherwise violates the terms and provisions of the Articles of Incorporation, these Bylaws or the Rules;
- D. The member dies, or is legally dissolved; or
- E. The member no longer satisfies the eligibility requirements of Section 2.1.

Termination by action of the Board shall take effect upon mailing of notice thereof to the member at the member's address of record with the Cooperative.

**2.6 Appeal of Termination Determination.** If a membership is terminated by the Board based on any of the grounds set forth in Section 2.5 (except Section 2.5 D, which grounds cannot be appealed), the member whose membership is thus terminated may within 30 days thereafter file with the Secretary a written request for a hearing, in which event that member shall be given an opportunity to be heard before the Board or such special committee as the Board shall designate, and the Board thereafter shall reconsider and shall affirm or rescind the termination, all within 60 days after the filing of such request for hearing. The Board's determination shall be final and conclusive, and no further appeal to the membership shall be allowed.

**2.7 Rights on Termination.** Upon termination of membership, the rights and interest of the terminating member in the property and assets of the Cooperative shall automatically terminate except for the terminating member's interest in the Cooperative's capital as evidenced by equity credits in the terminating member's equity credit account. Upon termination of membership, membership shall be canceled, and the membership fee shall revert to the Cooperative, it being recognized that the amount of such membership fee will partially offset the expense of termination of service to the terminating member. Termination of membership in any manner shall not release a member or member's estate from any debts due 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 telecommunications services, but it cannot and does not guarantee uninterrupted telecommunications services, nor will it always be able to provide every service desired by each individual member.

**3.2 Cooperation of the Members.** 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 telecommunications service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge telecommunications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property. If access is for the benefit of other members, then the Cooperative and the member providing access across the member's real property will negotiate reasonable compensation for the access.

### **ARTICLE IV Meeting of Members**

**4.1 Annual Meeting.** The annual meeting of members shall be held in Clackamas County, Oregon, at such place and at such time in each calendar year as the Board may determine. At such meeting, the officers shall conduct necessary business and Directors shall be elected.

**4.2 Special Meetings.** Special meetings of the members may be called at any time by the Chairman of the Board. A special meeting shall be called by the Secretary upon the request thereof in writing signed by not less than 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 of 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 in the records of the Cooperative, not less than seven days nor more than 30 days prior to the

date fixed for such meeting. Notice of any meeting may be waived, and the presence of a member at a meeting shall constitute a waiver of notice.

**4.4 Quorum.** The members present at any meeting shall constitute a quorum for the transaction of business.

**4.5 Voting.**

- A. Each member (including a joint husband and wife membership) shall be entitled to one vote.
- B. Voting by proxy shall not be permitted, but a member who is other than a natural person may designate a representative to cast its vote by written notice to the Secretary.
- C. Upon the call of any member for a vote by ballot on any issue, the vote on such matter shall be by ballot. The presiding officer shall call for a vote by ballot on any matter that the presiding officer believes will be contested.
- D. The Board may cause to be submitted by mail ballot any questions to be voted upon 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 such question, and a voting envelope that is to be authenticated by the member's signature. A vote so cast shall be counted as if the member were present and voting in person.

**4.6 Substantial Asset Disposition.** The sale, lease, exchange, or disposition of all or substantially all of the Cooperative's assets, if not made in the ordinary course of its business (pursuant to applicable law), shall require the approval of two-thirds of the Cooperative's membership.

**ARTICLE V  
Board of Directors**

**5.1 Number.** The Board shall consist of five persons.

**5.2 Term of Office.** Directors serving from the following positions have been or shall be elected in the year opposite the position and every three years thereafter:

No.	1	2010
No.	2	2008
No.	3	2008
No.	4	2009
No.	5	2009

At annual meetings held thereafter, Directors shall be elected to fill the vacancies in the offices expiring at such annual meeting and such Directors shall be elected for a three-year term. Directors shall serve until their successors are elected and assume office, or until their death, resignation or removal.

**5.3 Vacancies.** Vacancies on the Board that occur other than by the expiration of a term of office shall be filled by a majority vote of the remaining Directors. Such appointment shall be for the unexpired term of the position.

**5.4 Qualifications of Directors.**

- A. Any person who is a member of the Cooperative or a duly-appointed representative of a member of the Cooperative who is other than a natural person shall be eligible to be elected and remain a

Director of the Cooperative so long as the person is a bona fide resident in the Cooperative's service area and is not disqualified as provided in Section 5.4 B.

- B. Any person meeting one or more of the following criteria shall not be eligible to become or remain a member of the Board:
- (i) A person who is an employee of the Cooperative, a former employee of the Cooperative, or the spouse of either a current or former employee; provided that the Board may, by general rule or in particular circumstances, provide exceptions to this provision for former employees and the spouses of former employees.
  - (ii) A person who in any material way is financially interested in a competing enterprise or business engaged in selling or maintaining telecommunications services, supplies, or facilities. The Board shall determine, by general rule or in particular circumstances, which enterprises or businesses are competitive and which interests are material.
  - (iii) A person who is related to any other Director by the second (or closer) common law degree of consanguinity, or through family affinity by marriage to a relative within the restricted degree of relationship.
  - (iv) A person who is a member, or a representative of a member who is not in good standing. For example, a member who does not have a history of patronizing the Cooperative, or paying the Cooperative timely for telecommunications services, is not a member in good standing. The Board shall determine, by general rule or in particular circumstances, whether a member is in good standing.
  - (v) A Director who fails to attend three consecutive regular or special Director meetings.
  - (vi) A Director for whom the Cooperative cannot readily obtain a fidelity bond.

**5.5 Effect of Disqualification.** The determination of the Board that a Director is disqualified by reason of noncompliance with any of the subparagraphs of Section 5.4 B shall automatically create a vacancy in such Director's office.

**5.6 Regular Meetings.** The Board will hold regular meetings throughout the year in order to fulfill its duties under Article VI. Such regular meetings will be held at the principal executive office of the Cooperative unless otherwise designated; meetings of the Board may be held at any place within or outside of Oregon. Any meeting, regular or special, may be held by conference telephone or similar communications equipment, so long as all Directors participating in the meeting may simultaneously hear each other during the meeting, in which event all participating Directors shall be deemed to be present in person at the meeting.

**5.7 Special Meetings.** Special meetings may be held at such time and place as the Board or the Chairman determine. Any business may be transacted at such meeting.

**5.8 Notices.** The meetings of the Board, whether special or regular, may be held on 24-hour notice given in any of the following ways: personally, or by mail, telephone, facsimile, or any other means reasonably calculated to provide actual notice to each Director. Attendance at a meeting shall constitute a waiver of objections to the Board of notice for the meeting. Any notice required to be given to a Director of meetings of the Board may be waived in writing either before, at, or after the meeting. Such waiver shall have the same force and effect as though due notice had been given.

**5.9 Quorum.** At all regular and special meetings of the Board, three Directors shall constitute a quorum. However, no action of the Board shall be approved except upon the affirmative vote of at least three Directors.

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

**5.11 Compensation of Directors.** Compensation for Directors shall be established at a regular Board meeting not more frequently than once each year. The Board shall report the method and amount of Directors compensation to the members at the annual meeting each year. If authorized by the Board, Directors may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business or may be granted a reasonable per diem allowance by the Board in lieu of detailed accounting for expenses designated by the Board.

**5.12 Removal of Directors.** A Director may be removed from office at an annual or special meeting of the members by a majority vote of all members voting in person at such meeting, in accordance with the following procedure:

- A. Written reasons for the removal of the Director must be included in the notice of such meeting.
- B. The reasons for removal must be presented at the meeting.
- C. The Director whose removal is sought must have an opportunity to answer such reasons at the meeting prior to the vote for removal.

If the Director elects to prove a written answer to the stated reasons, the answer must be included with the meeting notice if the Secretary receives it at least four days prior to the date of delivery of the meeting notice.

**5.13 Election of Directors.** To seek election as a Director, a qualified person desiring to be a candidate must submit to the Secretary an application, signed by the candidate and by not less than 25 other members, stating the person's desire to seek election to a Board Position at the next annual meeting. The application must be made on a form promulgated by the Cooperative, if any, and must include a representation by the candidate that the candidate is qualified to become a Director in accordance with the criteria set forth in Section 5.4. By submitting the application, the candidate authorizing the Cooperative is to verify the candidate's qualifications. The candidate must file the application with the Secretary not later than 45 days prior to the annual meeting at which the election for Board Position(s) will be held. If more than one Board Position will be voted upon, then the candidate receiving the most votes will be deemed to be elected to the lower-numbered Board Position and the candidate receiving the second-most votes will be deemed to be elected to the higher-numbered Board Position.

## **ARTICLE VI Powers and Duties of Directors**

**6.1 Management.** The Board shall manage the business and conduct the affairs of the Cooperative and shall make the necessary Rules, not inconsistent with the law or with these Bylaws, for the management of the business and the guidance of the officers, employees and agents of the Cooperative. In addition to the powers expressly herein enumerated, the Board may exercise such powers and do such lawful acts as it may find to be proper, necessary or advisable for accomplishing any of the purposes of the Cooperative.

**6.2 Board Committees.** The Board, by resolution adopted by a majority of the Directors, or the Chairman with the consent of the Board, may appoint one or more standing or ad hoc committees consisting of two or more Directors, to serve at the pleasure of the Board. Each such standing or ad hoc committee shall only have the authority to make recommendations to the Board. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee, and may appoint one or more employees of the Cooperative to serve on any such committee.

- A. Meetings and action of any committee shall be governed by, and held and taken in accordance with, the provisions of Article V, including those Sections entitled "Regular Meetings," "Special

Meetings,” “Notices,” and “Quorum,” with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board, except that the time of regular meetings of the committee may be determined either by resolution of the Board or by resolution of the committee; special meetings of any such committee may also be called by resolution of the Board. The Board may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any such committee.

- B. The Board shall appoint an Audit Committee in accordance with the provisions of this Section 6.2. The Committee shall be composed of at least two Directors and of the Treasurer & Vice President-Chief Financial Officer, who shall serve as an ex officio member. The Audit Committee’s objective shall be to establish and monitor the Cooperative’s accounting policies, practices and internal control structure. Such policies, practices and structures shall be subject to the approval of the Board.

The Audit Committee shall cause an audit of the Cooperative’s financial statements to be made at least annually by a certified public accounting firm recommended by the Audit Committee. The selection of the accounting firm shall be subject to approval by the Board. The audit shall be performed under the Audit Committee’s supervision and shall be submitted to the Audit Committee for its review and recommendation to the Board for approval or other action.

**6.3 Bonds.** The Board 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.

**6.4 Selection of Depository.** The Board shall have power to select one or more banks to act as depository of the funds of the Cooperative; to determine the manner of receiving, depositing and disbursing the funds of the Cooperative and the form of checks; to select the person or persons by whom the checks shall be signed; and to change such banks and the officer or officers, employee or employees, person or persons signing the checks.

**6.5 Record.** Without limiting any other power herein granted to the Board, the Board shall cause to be kept a complete record of all its acts and the proceedings of its meetings; shall cause a report reviewing the Cooperative’s business for the year to be presented at the annual meeting; and shall supervise all officers and see that their duties are properly performed and that the business of the Cooperative is ably managed.

## **ARTICLE VII Officers, Agents and Employees**

**7.1 Offices to be Filled.** The principal officers of the Cooperative shall be a Chairman of the Board; a Vice-Chairman; a President-Chief Executive Officer; a Secretary; a Treasurer & Vice President-Chief Financial Officer; and, at the discretion of the Board, one or more other Vice Presidents. The offices of Chairman, Vice-Chairman, and Secretary must be filled by Directors; other offices may be filled by persons who are not Directors. The offices of Chairman and President may not be filled by the same person. Except as provided below, all officers shall be elected by the Board at the first regular meeting of the Board following the annual meeting.

**7.2 Chairman of the Board.** The Chairman of the Board (sometimes “Chairman”) shall preside over all meetings of the Board, and shall perform such other duties as may be required of him or her by the Board. The Chairman shall sign as Chairman such documents as the Chairman may be authorized to sign by the Board, shall be the official representative of the Cooperative at all meetings in which the Cooperative is entitled to representation, and shall perform such other duties and acts required of an executive officer or as may be usually required of an executive officer or as may be prescribed by the Board.

**7.3 Vice-Chairman.** The duties of the Vice-Chairman shall be to assume the office of the Chairman in the Chairman's absence, and to perform such other acts and duties as may be prescribed by the Board or the Chairman.

**7.4 President-Chief Executive Officer.** The President-Chief Executive Officer (sometimes "President") may be, but is not be required to be, a member of the Cooperative. The President shall, subject to the control of the Board, have general supervision, direction, and control of the day-to-day business affairs of the Cooperative. This officer shall have the general powers and duties of management usually vested in the office of President-Chief Executive Officer of a cooperative and shall have such other powers and duties as may be prescribed by the Board or the Bylaws and shall perform such duties and shall exercise such authority as the Board may from time to time vest in him or her.

**7.5 Vice President.** As necessary to help the President with the day-to-day operation of the Cooperative, the President may appoint one or more Vice Presidents, subject to the advice and confirmation of the Board. The duties of any Vice President shall be to perform such acts and duties as may be prescribed by the Board or the President.

**7.6 Secretary.** The Secretary shall:

- A. Keep or cause to be kept a complete record of all meetings of the members, the Board, and its committees;
- B. Keep or cause to be kept membership records of the Cooperative;
- C. Sign on behalf of the Cooperative all papers which the Secretary is authorized by the Board to sign;
- D. Serve all notices required to be served by law or these Bylaws; and
- E. Keep such records, make such reports and perform such other duties as may be required of the Secretary from time to time by the Board.

To assist the Secretary in the performance of the Secretary's duties, the Board may appoint an assistant secretary (or similarly titled position), who will not be an officer unless specifically named by the Board. The assistant secretary shall perform such duties as are assigned by the Secretary, the Chairman, the President, or the Board.

**7.7 Treasurer & Vice President-Chief Financial Officer.** The Treasurer shall be appointed by the President, subject to advice and confirmation of the Board. The Treasurer shall also be the Vice President-Chief Financial Officer of the Cooperative. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Cooperative. The books of account shall at all reasonable times be open to inspection by any Director.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Cooperative with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Cooperative as may be ordered by the Board, shall render to the Chairman and Directors, whenever they request it, an account of all of the Treasurer's transactions and of the financial condition of the Cooperative, and shall serve on the Audit Committee, and have other powers and perform such other duties as may be prescribed by the Board, the President, or the Bylaws.

**7.8 Removal of Officers.** Any officer may be removed by the Board whenever in its judgment the best interest of the Cooperative will be served thereby. Removal does not prejudice the rights, if any, of an officer under any contract of employment. Election or appointment shall not of itself create contract rights nor shall contractual right prohibit removal.

**7.9 Others.** The Board may also designate members or nonmembers as agents, attorney and/or auditors of the Cooperative.

## **ARTICLE VIII Indemnification**

**8.1 Indemnification of Directors, Officers, Employees, Agents, and Others.** Without limiting any other right or remedy provided by law, the Cooperative shall indemnify any person who was or is a party, or threatened to be made a party, to any threatened, pending or completed action, suit, or any other proceeding, whether civil, criminal, administrative, or investigative (including an action or suit by or in the right of the Cooperative to procure a judgment in its favor) by reason of the fact that such person (i) is or was a Director, officer, employee, or agent of this Cooperative, or (ii) is or was serving at the request of this Cooperative in such capacity for another cooperative or other entity, or (iii) who as a Director of this Cooperative, is or was serving at the request of this Cooperative as a trustee or fiduciary with respect to an employee benefit plan, against such expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding the amount of indemnification and the right to indemnification will be determined in accordance with the Act in effect at the time such determination is made.

## **ARTICLE IX Cooperative Operation**

**9.1 Interest or Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a cooperative service-at-cost basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

**9.2 At-Cost Operations.** The term “net savings” is used in this Article in the same manner as the term is used in the Act, and net savings shall be determined in accordance with the Act.

The net savings of providing telecommunications services to members computed as at the end of the fiscal year or other accounting period fixed by the Board, shall be timely accounted for and apportioned on a patronage basis among the members involved, and shall be returned to such members either in the form of cash (including providing a credit on members’ statements) or equity credits (hereafter described).

Notwithstanding the preceding paragraph, if the Cooperative engages in the business of furnishing goods or services (other than telecommunications services to members), all amounts received and receivable therefrom that are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be deemed retained capital as an unallocated reserve and used at such time and for such purposes as the Board shall determine, unless the Board otherwise determines to allocate such amount to the members on a patronage basis.

**9.3 Security Interests; Application of Net Savings to Indebtedness.** The Cooperative in its sole option may withhold at any time 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, the Cooperative shall give the member written notice of the amount so applied. The right of set off shall be secured in accordance with ORS 62.235(1), as amended, and any other laws benefiting the Cooperative. Every member agrees to execute such documents as the Cooperative shall reasonably deem necessary to perfect and continue the perfection of the security interest stated in ORS 62.235(1).

**9.4 Allocation of Loss.** If there is a net loss in any year, the amount of such loss shall be handled in accordance with one of, or a combination of, the following two alternatives, as determined by the Board:

- A. The loss shall be charged against any unallocated reserve account; or
- 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 equity credits described in Section 10.1 (“equity credits”) of such members in the member’s equity credit account, as the Board determines appropriate. If there are insufficient equity credits in the 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 equity credit account until the balance of such account is reduced to zero. In making such allocations, the Board may apply interest or discounts, as it determines equitable.

## **ARTICLE X**

### **Capital**

**10.1 Member’s Equity Credit Account.** The member’s equity credit account in the Cooperative is a part of the capital of the Cooperative and shall consist of that portion of the net savings from telecommunication services provided members (or other goods or services if the Board determines that net savings derived therefrom should be allocated to members as described in the third paragraph of Section 9.2) not returned in cash to members and refunds of federal telephone excise taxes received by the Cooperative in behalf of its members. The Cooperative shall establish a separate account for each of its members and allocate to the member’s equity credit account the portion of such member’s equity credits to which the member is entitled. The Cooperative shall notify each member of the amount of the equity credits allocated to the member’s equity credit account within a reasonable time after the close of each fiscal year. Allocations shall be made in such manner as to record the year of allocation as an annual series of credits. No interest shall be payable on equity credits.

**10.2 Transferability.** Equity credits may be assigned only pursuant to signed, written instructions from the assigning member and only to:

- A. The heirs or devisees of a Deceased Member;
- B. The member’s living trust in accordance with a uniform policy adopted by the Board;
- C. On written request of the member to the member’s successor in occupancy in all or part of such member’s premises served by the Cooperative; or
- D. To the Cooperative.

The Board, acting under policies of general application, may authorize other types or forms of assignments. A purported assignment that does not comply with this Section 10.2 will not be recognized on the records of the Cooperative and payments will be made in accordance with such records.

**10.3 Refund of Member Equity Credits.** The Board from time to time shall determine what, if any, portion of the capital of the Cooperative reflected in the member equity credit accounts is not and will not be needed by the Cooperative and is available for refunding of such capital and payment of the equity credits, or any classification of such equity credits. Any such excess to be refunded and paid shall be applied upon the oldest of such equity credits of that class, all such equity credits for the same fiscal year having the same priority, or upon a pro-rata basis upon all of the then-outstanding equity credits without regard to the years credited, or such payments shall be distributed in such manner among the then-outstanding equity credits as the Board finds to be appropriate and equitable to the holders of such equity credits. If the money to be so distributed is not sufficient to pay all equity credits of any one fiscal year or any other selected classification of such equity credits, the sum to be paid shall be prorated among such equity credits. Any indebtedness due from the record holder of an equity credit to the Cooperative may be offset by the Cooperative before the payment of equity credit or any part thereof.

Upon the certification of the President to the Board that the cost of redeeming the equity credits of a member in a member's equity credit account up to a certain amount of such credits, but not in excess of \$5, exceeds the amount of such credits being redeemed, the Board may exclude from such retirement the equity credits of any member that would otherwise be retired but that are less than the amount so certified. The amount of equity credits so excluded shall be accumulated with future credits and paid when the cumulative amount exceeds \$5. If a member ceases to be a member with a cumulative amount owed of \$5 or less, the amount shall be thereupon credited to retained capital of the Cooperative.

**10.4 Early Refund of Member Equity Credits.** Notwithstanding any other provision contained in these Bylaws, and subject to the limitations set forth in this Section 10.4, and after giving effect to an appropriate discount as determined by the Board in its sole discretion, upon application the Board may, but need not, redeem the equity credits of certain members under any of the following circumstances:

- A. A member has been in good standing for more than five years, provided that only such equity credits as are older than five years may be refunded.
- B. A member ceases to be a member, due to hardship.
- C. A member is indebted to the Cooperative.
- D. A member ceases to be a member and is indebted to the Cooperative.
- E. A member dies ("Deceased Member").

The amount paid to qualifying members shall not exceed any annual aggregate limitation established by the Board (the "Annual Aggregate Limitation"). If the Annual Aggregate Limitation is met and as a result qualifying members' equity credits are not refunded, then said members shall be qualified members in the next succeeding calendar year should the Board then authorize early refunds under this Section 10.4.

An equity credit redemption under paragraphs B and C of this Section 10.4 may only be to the extent of the member's indebtedness. The refund may only be applied to the member's account in satisfaction of the member's indebtedness. Any equity credits remaining after satisfying the indebtedness will be refunded in accordance with Section 10.3. This right may, but need not, be used by the Cooperative in conjunction with Section 9.3.

With respect to the death of a spouse of a husband-wife joint membership ("Deceased Joint Member"), the Board may retire the Deceased Joint Member's one-half interest in the equity credits of the husband-wife joint membership in which the Deceased Joint Member was a spouse.

Any amounts refunded under paragraphs A and B of this Section 10.4 shall require the written request of a member who so qualifies. Any amount refunded under paragraph E of this Section 10.4 shall require the written request of (a) the legal representative of the estate of the Deceased Member or Deceased Joint Member (including an Affiant, as defined in ORS 114.505) or the devisees or heirs of the Deceased Member or Deceased Joint Member or (b) the successor trustee of a Deceased Member's living trust to which the member has assigned equity credits in accordance with Section 10.2 B.

With respect to a Deceased Member, the amount of equity credits to be retired shall not exceed the sum specified in the Act. The amount of equity credits in excess of such limitation (the "Excess") shall be transferred on the Cooperative's books to the qualified person or persons signing the written request for payment form and the Excess shall be paid in subsequent calendar years in cash, still subject to the annual statutory limitation and the Cooperative's Annual Aggregate Limitation.

Payment of equity credits hereunder shall be applied to the member's equity credits, in their historical order of priority (with the oldest recorded equity credits being retired first), as reflected on the books of the Cooperative. The provisions of this Section 10.4 shall be administered pursuant to the Cooperative's Equity Credit Refund/Retirement Policy adopted by the Board.

**10.5 Equity Credits Subordinate to Claims of Creditors.** The equity credits allocated to a member's equity credit account are subordinate in right to the claims of all creditors of the Cooperative.

**10.6 Credit Held by Divorced Members.** If equity credits in an equity credit account are held in the name of a husband and wife as joint members, and the husband and wife are divorced, the Cooperative, unless otherwise notified in writing, shall be entitled to assume for all purposes under this Article X that the parties to the divorce each has an equal interest in such equity credits.

**10.7 Forfeiture of Refunds.**

A. Notwithstanding any other provision in these Bylaws to the contrary, any net savings of the Cooperative or any refund or redemption of member equity credits forfeited by the Board in accordance with ORS 62.425 shall, in the discretion of the Board, be credited and administered in accordance with one of, or a combination of, the following two alternatives:

- (i) To the Education and Economic Development Account established pursuant to this Section 10.7; or
- (ii) If the Board determines that the Education and Economic Development Account is adequately endowed; to Retained Capital as an unallocated reserve to be used at such time and for such purposes as the Board shall determine.

B. Any forfeited amounts that the Board decides to credit to the Education and Economic Development Account shall be held and administered by the Board in this separate unallocated account and shall be used by the Board to further education and/or economic development in the Cooperative's service area.

**ARTICLE XI  
Financial Transactions**

**11.1 Contract.** 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.

**11.2 Check, Drafts, Etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness shall be issued in the name of the Cooperative and in such a manner as shall, from time to time be determined by resolution of the Board.

**11.3 Fiscal Year.** Fiscal year of the Cooperative shall begin on the first day of January and shall end on the 31st day of December of each year.

**ARTICLE XII  
Miscellaneous**

**12.1 Books.** At any reasonable time, any member, or the agent or attorney of any member, upon written notice stating the purposes thereof, may examine for any proper purpose, as determined by the Board, any books or records pertinent to the purpose specified in the notice and may make extracts there from. The Cooperative may restrict access to proprietary information as reasonably necessary, including requiring members to sign agreements not to disclose such information, and in no event may any member examine or make extracts of any books and records for the purpose of using such information to compete with the Cooperative.

**12.2 Membership and Other Organizations.** The Cooperative may, upon the authorization of the Board, purchase stock in or become a member of (i) any trade association, corporation, limited liability company, joint venture, entity, or organization organized on a cooperative basis for the purpose of engaging in or furthering the cause of area-wide telecommunications service, or (ii) any other entity for the purpose of acquiring facilities or assuring more adequate telecommunications services to its members.

**ARTICLE XIII**  
**Amendments**

**13.1 Amending Bylaws.** These Bylaws may be amended at any meeting of the members, by a majority vote in the affirmative of those voting, provided that notice of the proposed amendments, or a summary of the changes to be effected thereby, is included in the notice of the meeting.