

**STAYTON COOPERATIVE
TELEPHONE COMPANY**

**RESTATED
ARTICLES OF INCORPORATION
of April 24, 2003**

ARTICLE I

The name of the Cooperative is STAYTON COOPERATIVE TELEPHONE COMPANY. The duration of the Cooperative shall be perpetual.

ARTICLE II

The Members of the Cooperative adopted the Restated Articles of Incorporation herein on April 24, 2003, in the manner prescribed by the Oregon Cooperative Corporation Act, ORS Chapter 62.

ARTICLE III

The purposes for which this Cooperative is organized shall be to provide communications and related services.

The Cooperative may conduct any lawful business for which cooperatives may be organized under the Oregon Cooperative Corporation Act.

ARTICLE IV

This Cooperative shall have no capital stock. This Cooperative shall admit members upon direct payment of a membership fee, not to exceed \$1.00, which the directors shall, from time to time, establish and upon such other conditions as may be prescribed in the bylaws or resolutions of directors.

ARTICLE V

In the event of dissolution or liquidation of the Cooperative, the assets of the Cooperative, after payment of all just debts of the Cooperative and the costs of such dissolution or liquidation, shall be distributed in the manner set forth in the Restated Bylaws.

ARTICLE VI

The Restated Bylaws of the Cooperative may be amended by the members at a special or annual meeting by a majority of the members voting unless otherwise provided by law.

ARTICLE VII

These Restated Articles of Incorporation of April 24, 2003, shall supersede the heretofore existing Restated Articles of Incorporation.

WE, the undersigned, Chair and Secretary of the Cooperative, declare under penalties of perjury that we have examined the forgoing Restated Articles of Incorporation and to the best of our knowledge and belief it is true, correct and complete.

**STAYTON COOPERATIVE
TELEPHONE COMPANY**

**RESTATED
BYLAWS
of
September 15, 2008**

ARTICLE 1 - DEFINITIONS

- 1.1 Cooperative** shall mean Stayton Cooperative Telephone Company, an Oregon cooperative corporation.
- 1.2 Board** shall mean the Board of Directors of the Cooperative corporation.
- 1.3 Rules** shall mean regulations, resolutions, rules, policy statements or other procedures of general application the Board adopts.
- 1.4 Person**, unless the context requires otherwise, includes individuals, corporations, cooperative corporations, associations, firms, partnership, limited liability companies, trusts, estates, and other legal entities.
- 1.5 Network**, unless the context requires otherwise, means the telecommunications network or facilities of this Cooperative.

ARTICLE 2 - MEMBERSHIP

- 2.1 Requirements** Any person, other than a person providing telecommunications service by use of this cooperative's network, may become a member of the Cooperative by:
- a. Completing the required membership application in the form the Board prescribes;
 - b. Purchasing basic local telephone service on terms the Board establishes;
 - c. Complying with and being bound by the Cooperative Restated Articles and the Restated Bylaws and rules the Board establishes;
 - d. Paying a non-refundable membership fee the Board may establish.
- 2.2 Evidence of Membership** Membership in the Cooperative shall be evidenced by entry on the cooperative's books and records of the member's name, address and telephone number and issuance of member number.
- 2.3 Termination of Membership**
- a. The Board may expel a member who fails to comply with applicable state and federal laws, tariffs or the Cooperative Restated Articles, Restated Bylaws or rules.
 - b. Members who cease to purchase basic telephone service from the Cooperative automatically terminate their membership.
- 2.4 Applications/Transfers** The Board may designate a person to accept or reject membership applications and/or transfers.
- 2.5 Extension of Services** The cooperation of members is essential to the successful and economical operation of the Cooperative.

Members shall consent to the cooperative's reasonable use of their real property, without cost to the

cooperative, to construct, operate, maintain, replace or expand telephone and/or communication lines, overhead or underground, for the furnishing of telephone or communication service to said member. This includes all conduit, cables, wires, surface terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein owned, leased or controlled by said member. The member shall, when requested, execute said easement on a form to be furnished by the Cooperative.

ARTICLE 3 - MEMBER MEETINGS

3.1 Annual Meeting The annual meeting of the members shall be held at a date and place within the Cooperative exchange area as determined by the Board which date shall be within 60 days of April 1 and which date and place shall be designated in the notice of the meeting. The incidental or unintended failure of any member to receive a mail ballot or notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members by such ballot or at such meeting.

3.2 Special Meetings Special membership meetings may be called by the Chair or Board. Also, the Secretary shall call such a meeting upon the filing of a petition stating the business to be brought before the meeting signed by not less than 10 percent of the members. Notice of the special meeting shall state the purposes for which the meeting is called and be given pursuant to law.

3.2.5 Notice Not less than seven days nor more than 30 days prior to a special or regular annual members' meeting, a notice containing a statement of the place, date and hour of the meeting shall be mailed to each member. This notice shall contain the names and positions of persons running for director and a statement of issues upon which the Board requests a membership vote. The Board may direct that additional notice be given.

3.3 Director Positions Four Director nomination positions by specific territorial area and three at large positions representing the entire exchange are established as follows:

POSITION NO. 1 and 2 Territorial Area All within the Urban Growth Boundary ("UGB") of Stayton, Oregon, and that territory within the following described area: beginning at the intersection of Hwy 22 and the northwesterly corner of said UGB; then proceeding northwesterly along Hwy 22 to a point where it intersects with the westerly line of the telephone exchange; then proceeding southerly along the westerly telephone exchange line to Shaff Rd; then proceeding easterly along Shaff Rd to the point where it intersects with the westerly UGB line; then proceeding northerly along said westerly UGB line to the point of origin.

POSITION NO. 3 Territorial Area All within the city limits of Sublimity, Oregon and that territory within the following described area: All north of Hwy 22 and north of or west of the following: Following Fern Ridge Rd east of Hwy 22 to the intersection with Boedigheimer Rd; then north along Boedigheimer Rd to Coon Hollow Rd; then easterly along Coon Hollow Rd to Dennison Rd; then north on Dennison Rd to Triumph Rd; then northwesterly along Triumph Rd to the intersection with Carter Rd; then north along Carter Rd to the Silver Falls Hwy; then northeasterly along the Silver Falls Hwy to Union Hill Rd; then northerly along Union Hill Rd to the exchange boundary.

POSITION NO. 4 Territorial Area All areas served and not included in Positions 1, 2 and 3.

POSITION NO. 5 At Large

POSITION NO. 6 At Large

POSITION NO. 7 At Large

3.3.5 Territorial Area Adjustments The Board may periodically adjust the territorial areas to reflect areas that are substantially equal based on general population or the number of members of the Cooperative. The reference to the Urban Growth Boundary of Stayton, Oregon, means the UGB as presently constituted and as subsequently modified by appropriate land use authorities.

3.4 Quorum Two percent or 30 of the members, whichever is less, present at an annual or special meeting shall constitute a quorum. A quorum is not lost if members leave after a quorum is established.

3.5 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 essentially as follows, except as otherwise determined.

- a. Establish a quorum.
- b. Reading of the notice of the meeting.
- c. Approval of minutes of previous meetings.
- d. Presentation of reports of officers, directors and committees.
- e. Voting/voting results.
- f. Unfinished business.
- g. New business.
- h. Adjournment.
- i. All business meeting procedures not covered by these bylaws shall be conducted under Robert's Rules of Order.

3.6 Member/Mail Voting

- a. Each member is entitled to one vote on each issue. A member may vote on any nominated director. Directors shall be elected by position by majority vote except when three or more candidates are running for the same office, the director shall be elected by plurality vote. When two or more candidates for the same office, after a full recount of votes, have an equal and the highest number of votes the Chair shall have the candidates meet to decide by lot who is elected.
- b. Members shall not vote by proxy; but a member that is other than a natural person may designate a representative to cast its vote. In the absence of written notice that some person has been designated to represent a member which is other than a natural person, such member may be represented by any of its principal officers.
- c. The Board may cause to be submitted to members by mail ballot any question to be voted on, including the election of directors. Members voting by mail shall be deemed present for the purposes of these Restated Bylaws.
- d. The Board is authorized to establish an elections committee and determine the authority to be vested in said committee.

ARTICLE 4 - BOARD OF DIRECTORS

4.1 General Powers A Board of seven directors shall exercise all of the powers of the Cooperative except powers which are reserved to the members by law, the Restated Articles of Incorporation or these Restated Bylaws.

4.2 Nominations

- a. Nominations by Petition: Any 15 or more members of a single territorial area, acting together, may make nominations for directors for such position by petition, or, in the case of an at large position, any 15 or more members of the Cooperative, acting together, may make nominations for directors at large by petition, provided such petition is filed with the Secretary of the Cooperative not less than 45 days prior to the meeting at which directors are to be elected.
- b. Nominating Committee: A nominating committee comprised of three members shall submit one or more nominations in a report filed at the Cooperative not less than 45 days before the meeting at which the

Directors' election is to be held. The Board shall approve all committee members.

c. No Floor Nominations: No nominations shall be permitted from the floor in an annual or special meeting.

d. No Write-in: Election by write-in shall not be permitted.

4.3 Overlapping Terms / Implementation Directors shall be nominated from the four territorial area positions and the at large positions as set forth in paragraph 3.3. Regular director elections shall be held in the year opposite the position number and every three years thereafter. To implement the conversion from seven territorial districts to four territorial area positions and three at large positions, the current Directors shall be assigned the following positions with their respective terms to expire as follows:

<u>Positions</u>	<u>Term Expires</u>	<u>Director Assigned to Position</u>
Position No. 1	2011	Arthur Christiansen
Position No. 2	2010	Gerald Kintz
Position No. 3	2009	Thomas Schumacher
Position No. 4	2010	Connie Nielson
Position No. 5	2009	Richard Smith
Position No. 6	2011	Robert Hartmann
Position No. 7	2010	Robert Koenig

4.4 Tenure Directors shall be elected for three (3) year terms. Directors shall serve until successors are elected and assume office or until death, resignation, removal or vacancy otherwise occurs.

4.5 Qualifications Any person may become or remain a director of the Cooperative except a person who:

a. Fails to maintain continuous membership during tenure;

b. Fails to maintain continuous residence in the area from which nominated if that position represents a territorial area or a director serving as a representative of a member which is other than a natural person who fails to maintain continuous residence in the area from which nominated. Provided, a director who changes residence from one area to another area shall continue to serve as director until the next annual election. At that election, a successor shall be elected to serve the remainder, if any, of the unexpired term to which the director was elected. If the term to which the director was elected expires at that annual meeting, the successor shall be elected to a full term.

c. Is an employee of the Cooperative or its affiliated companies or is employed by or has a substantial financial interest in a competing enterprise.

d. Fails to attend two consecutive director's meetings, whether regular or special, without an acceptable excuse. The remaining members of the Board shall be the exclusive judges as to whether or not such excuse shall be accepted.

e. Is closely related to an incumbent director or an employee of the Cooperative or its affiliated companies.

(1) As used here, "closely related" means a person who is either a spouse, child, grandparent, parent, brother, sister, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, stepparent or stepchild of the incumbent director or employee.

(2) Also, as used herein, "employee of the Cooperative or its affiliated companies" includes both current employees and former and retired employees who were employed by the Cooperative within the last three years; and

(3) Further, as used herein, "affiliated company" includes any legal entity in which the Cooperative either directly or indirectly owns more than 10 percent of the ownership interest.

f. A violation of this section shall not invalidate any action taken by the Board.

4.6 Vacancies A vacancy occurring on the Board shall be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, to serve until the next annual meeting at which time the director to be elected shall serve the unexpired portion of the term. Any territorial area position vacancy shall be filled by a member from the same territorial area except, if, after 20 days of publishing notice of the vacancy, no suitable candidate from the same territorial area declares interest in the vacant office, the Board may appoint a member from the exchange at large to fill the vacant office until the next regular election.

4.7 Compensation Directors' compensation shall be established by the members at any regular or special membership meeting.

4.8 Removal

a. Members may remove a director pursuant to law, ORS 62.280(4);

b. The Board may refer to the members for removal at a special or regular meeting a director who fails to continuously meet the qualifications stated in this section, provided that, prior to designating the directorship vacant, the Board gives 10 days' written notice stating the reasons and the director has an opportunity to be heard. The Board may also refer any director to a special or regular meeting of the members for removal for violation of the Restated Articles of Incorporation, Restated Bylaws, or Board policies.

4.9 Insurance The Cooperative is authorized to purchase errors and omissions insurance policies for directors, officers, and managers in such form as the directors deem appropriate.

4.10 Education It is the policy of the Cooperative to keep its directors, officers, counsel, agents, accountants, managers and employees well informed regarding developments in the communications industry. The Board shall establish a written policy to promote this objective and for payment of expenses.

4.11 Regular Meetings A regular annual board meeting shall be held without notice immediately after and at the same place as the annual members' meeting. A regular board meeting shall also be held once each month with notice, at such time, place and date as the Board designates.

4.12 Special Meetings The Chair, President or any three directors may call for special board meetings pursuant to law.

4.13 Conflicts of Interest The Board shall adopt a policy to implement the provisions of ORS 62.284 regarding conflicts of interest.

4.14 Indemnification The Cooperative shall indemnify directors, officers, employees, and agents to the fullest extent permitted by ORS 62.462 et seq. The Board shall adopt a policy to implement this provision. Any indemnification shall be reported in writing to the members of the Cooperative at the next annual membership meeting. The indemnification provided herein 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 5 OFFICERS, AGENTS & EMPLOYEES

5.1 Officers The principal officers of the Cooperative shall be a Chair, Vice-chair, Secretary and Treasurer; the Chair and Vice-chair must be directors. The Board may elect or appoint nonmembers or members as other officers, including a President and a Vice-president, Secretary and Treasurer.

5.2 Officer Appointment The Board shall elect the principal officers annually at the regular annual Board

Meeting.

5.3 Duties of Officers

- a. The Chair, unless otherwise determined by the Board before or during the meeting, shall preside at Member Meetings and Board Meetings. The Chair shall perform such other duties as the Board may determine.
- b. The Vice-chair shall preside at Member Meetings and Board Meetings in the event of the Chair's inability, refusal or absence, unless the Board determines otherwise before or during such meetings.
- c. The Secretary shall be responsible for:
 - (1) Recording the minutes of Member Meetings and Board Meetings.
 - (2) Giving all notices according to these Restated Bylaws or law.
 - (3) Keeping custody of corporate records and the corporate seal.
 - (4) Keeping a register of member names and addresses.
 - (5) Performing such other duties the Board designates.
- d. The Treasurer shall be responsible for:
 - (1) Performing such financial and other duties the Board designates.
- e. The President:
 - (1) Shall be the chief administrative and executive officer of the Cooperative.
 - (2) May also be given the title of Chief Executive Officer (CEO).
 - (3) Shall perform such other duties as the Board may determine.
- f. The Vice-President:
 - (1) Shall, in the absence or inability of the President, perform the duties of the President.
 - (2) Shall perform such other duties as the Board may determine.

5.4 Removal of Officers The Board may remove officers pursuant to law.

5.5 Others The Board may also designate members or non-members as agents, counsel, auditors and general manager.

5.6 Employees The Board may designate itself, the President, a manager or other employee, an agent or a committee to hire, or to dismiss, and to fix compensation for, employees which are necessary and appropriate to the Cooperative's operations.

5.7 Bonds The Board may require any person associated with the Cooperative to carry a personal bond. The Board may pay the premiums from Cooperative funds.

ARTICLE 6 - PATRONAGE

6.1 Allocation The net income or loss of the Cooperative shall be allocated to its members in accordance with the ratio that each member's patronage during the period involved bears to total patronage by all members during that period. Losses shall be charged to the member's prior allocations and if not sufficient, then to future allocations.

6.2 Exclusion

The following services may be excluded from patronage allocations:

- a. Services sold by the Cooperative at wholesale rates or which are otherwise used for resale or the distribution of information, video or other communication services; and
- b. Services which are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative.

6.3 Retirement

- a. If the Board determines that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to member accounts may be retired in full or in part.
- b. Upon dissolution, bankruptcy or the death of any member, the Board may at its discretion retire the patronage account of that member.
- c. The Board may determine the minimum patronage dividends to be retired and also the minimum balances to be maintained by equity account holders.

6.4 Terms and Conditions The Board shall establish terms and conditions relating to patronage, including, but not limited to, exclusions, unclaimed distributions, the method and basis for allocations and the timing, priority and order of retirement.

6.5 Divisions The Board may separate the business operations of the Cooperative into divisions.

ARTICLE 7 - SEAL

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

ARTICLE 8 - FINANCIAL TRANSACTIONS

8.1 Contracts Except as otherwise provided in these Restated 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.

8.2 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, agent or agents, employee or employees of the Cooperative and in such a manner as shall, from time to time, be determined by resolution of the Board.

8.3 Deposits All funds of the Cooperative shall be deposited, from time to time, to the credit of the Cooperative in such banks or institutions as the Board may select.

8.4 Disposition of Property and Assets

a. A sale, lease, exchange or other disposition of all, or substantially all, the property and assets, with or without the good will, of the Stayton Cooperative Telephone Company, if not made in the usual and regular course of its business, may be made upon such terms and for such consideration, which may consist in whole or in part of money or property, real or personal, including shares of any other cooperative, corporation or association, as may be authorized in the following manner:

(1) The Board shall adopt a resolution recommending the sale, lease, exchange, or other disposition and directing the submission thereof to vote at a meeting of members, which may be either an annual or a special meeting.

(2) Written or printed notice shall be given to each member within the time and in the manner provided in ORS 62.255 for the giving of notice of meetings of members, and shall state that the purpose, or one of the purposes, of the meeting is to consider the proposed sale, lease, exchange or other disposition.

(3) At the meeting, the members, without right of proxy, by affirmative vote of two-thirds of the membership of the Cooperative, 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 therefore.

b. After authorization by vote of members, the Board nevertheless, in its discretion, may abandon the sale, lease, exchange or other disposition of assets subject to the rights of third parties under any contracts relating thereto, without further action or approval by members.

8.5 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 be paid;

b. Holders of credits to members' equity accounts shall be paid the face amount of such credits without priority for date 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 discounted on a prorated basis.

c. The remaining property and assets of the Cooperative shall be distributed among the current members in proportion to which the aggregate patronage of each member bears to the total patronage of all such current members on the date of dissolution unless otherwise provided by law.

d. Any indebtedness due to the Cooperative from the holders of patronage allocations in the Cooperative may be offset by using said holders' equities before retirement of such equities.

ARTICLE 9 - REPEALER

9.1 All bylaws in effect prior to these Restated Bylaws are repealed.

ARTICLE 10 - COOPERATIVE AGREEMENT

10.1 Agreement The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Restated Articles of Incorporation and the Restated Bylaws, as the members, from time to time establish, shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions.

10.2 Indebtedness of Members Any indebtedness owed by a member to the Cooperative and not paid within 60 days or prior to the retirement of or transfer of such credit or any part thereof may be offset by the Cooperative against a member's equity account. The Cooperative shall have a continuing perfected security interest in the patronage credits and accounts representing patronage credits to secure payment of any indebtedness, whenever incurred, owed to the Cooperative by the holder of the account. The security interest of the Cooperative shall take priority over all other perfected security interests.

ARTICLE 11 - ACCOUNTING

11.1 Accounting System and Reports The Board shall cause to be established and maintained a complete accounting system according to applicable laws, rules and regulations, which shall conform to such accounting systems as designated by the applicable regulatory bodies. The Board shall also, after the close of each fiscal year, cause to be made a full and complete audit of the financial condition of the Cooperative as of the end of such fiscal year. Financial statements shall be made available to the members prior to the annual meeting.

ARTICLE 12 - NON-LIABILITY: DEBTS OF THE COMPANY

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

ARTICLE 13 - AMENDMENTS

13.1 Unless otherwise provided by law, the Restated Bylaws may be altered, amended, or repealed by the members at a special or annual meeting by a majority of the member votes cast thereon.