



BYLAWS

And

ARTICLES OF INCORPORATION

ORCAS POWER & LIGHT COOPERATIVE

183 Mt. Baker Road

Eastsound, Washington 98245

Established 1937

Articles of Incorporation amended March 19, 1998

Bylaws amended November 21, 2019

STATEMENT OF NONDISCRIMINATION

Orcas Power & Light Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the US Department of Agriculture, and is subject to the provision of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules and regulations of the US Department of Agriculture. This institution is an equal opportunity provider and employer.

The objective of the ORCAS POWER AND LIGHT COOPERATIVE is to serve San Juan County by providing electrical utility service that is efficient, economical and adequate for our members.

*Including amendments adopted by the Board of Directors
November 21, 2019*

ARTICLE I - MEMBERS

Section 1.

Any person residing and/or owning, leasing or possessing real property in San Juan County, Washington or other counties in Washington, and desiring to become an ENERGY MEMBER of the Cooperative and receive electrical energy and service from it by connection to its physical system is eligible for energy membership and may apply therefor. Such applicant may become an energy member upon approval of his/her application, agreeing to purchase energy services from the cooperative, and to be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative, together with any future amendments thereto, and payment of the current fee fixed by the Board of Directors. Energy members may also purchase and receive communications and other services from the cooperative's communications subsidiary where they are available, and the member is connected to the subsidiary's communications system.

Membership in any class may be assigned to another member or reacquired by the Cooperative by following the procedure established by the Board of Directors.

Every member shall be responsible for payment of any and all services received from the cooperative and its communications subsidiary, and failure to pay for any of the services will be grounds for termination of all services received from the cooperative and for termination and/or forfeiture of membership.

No member shall ever become the holder or owner of more than one membership in any class, and memberships held by a member in excess of one shall be redeemed by the Cooperative by repayment of the membership fee.

Section 2. Qualifications and Obligations.

Any person, partnership, corporation or body politic may become an energy member in the Cooperative by:

- a) signing and submitting an application for membership form;
- b) paying the membership fee hereinafter specified or as adopted by the Board of Directors;
- c) agreeing to purchase from the Cooperative electric energy and service as hereinafter specified by the Cooperative; and
- d) agreeing to comply with and be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative and any future amendments thereto; provided, however, that no person, partnership, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors. Each member agrees to grant any necessary access to real property in order to allow the cooperative to provide electric energy and its communications subsidiary to provide communications and other services requested by the member and others, and further agrees to provide written easements recorded in favor of the cooperative and its communications subsidiary, as necessary.

Section 3. Membership Fee.

The membership fee shall be set by the Board of Directors. Upon payment of the membership fee and approval of the membership application by the board, the energy member shall be eligible for services. Fees for providing connections shall be established by the regulations adopted by the cooperative that are applicable at the time the connections are made.

Section 4. Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy for use on the premises specified in his or her application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of cost of service are furnished by energy members as capital, and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative a facility charge, which shall be a minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed, but in no case less than said minimum amount. Energy members may also purchase communications and other services from the Cooperative's communications subsidiary where such services are available, and the member is connected to the subsidiary's communication system. Members purchasing communications or other services shall pay at rates and on terms and conditions which shall from time to time be fixed by the Cooperative's communications subsidiary. Each member shall pay all obligations that may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable. The Cooperative and its communications subsidiary reserve the right to discontinue any or all service, including but not limited to electric service, to any member who has not paid the amounts owed by the member.

Section 5. Non-Liability for Debts of the Cooperative.

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

Section 6. Expulsion of Members.

The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who has violated or refused to comply with any of the provisions of the articles of incorporation, the bylaws, the tariffs or any rules or regulations adopted from time to time by the Board of Directors or any future amendments thereto. Any member so expelled may be reinstated as a member by a vote of the energy members at any annual or special meeting of the energy members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership.

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and its communications subsidiary and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 8. Transfer and Termination of Membership.

- a) Membership in the Cooperative shall not be transferred except as hereinafter otherwise provided; and upon the death, cessation of existence, expulsion or withdrawal of a member, or if a member has received no electrical service for a continuous period of twelve (12) months when it was available to him or her, the membership of such member shall thereupon terminate. Termination of membership shall not release the member or the member's estate from the debts or liabilities of such member to the Cooperative.
- b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by the spouse jointly

with the provisions of subdivisions (b) and (c) of Section 2 of this article. Such transfer shall be made and recorded on the books of the Cooperative.

- c) When a membership is held jointly by a married couple, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to the surviving spouse, as the case may be, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.
- d) One whose membership has been terminated for any reason, but who requires service again, may again become a member by complying with the procedure outlined in Article 1, Section 2. Such a reinstated member, however, shall be required to pay a connection fee equivalent to that required of an existing member, in addition to the membership fee.

Section 9. New Classes of Memberships.

The Board of Directors, by majority vote of a quorum of the board, may adopt, by resolution, additional classes of memberships, together with the rights, responsibilities and duties of such additional classes of members.

ARTICLE II - MEETINGS OF ENERGY MEMBERS

Section 1. Annual Meeting of the Energy Members.

The Annual meeting of the energy members shall be held on the first Saturday of May, or on another date selected by the directors each year, at such place as the directors shall designate, for the purpose of electing directors and transacting such other business as shall come before the meeting. Unless the laws of the State of Washington, the Articles of Incorporation of the Cooperative, or these bylaws provide otherwise, no business requiring a vote of the members shall be acted upon at the Annual meeting unless a clear statement of any resolution and other business to be transacted is provided to members in advance, as well as any properly noticed ballots, all in accordance with notice provisions contained in Article II of these bylaws. If the election of directors is not held at the Annual Meeting, the Board of Directors shall cause the election to be held at a Special meeting of the energy members as soon thereafter as conveniently may be set. Failure to hold the Annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings of the Energy Members.

Special meetings of the energy members may be called by at least three (3) directors or the president, or upon a written request signed by at least 10 percent (10%) of all the energy members entitled to vote, accompanied by a clear written statement of the subject matter of the Special meeting, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as provided in Article II of the bylaws. Any Special meeting where a membership vote is to occur (whether requested by the Board of Directors or by a ten percent (10%) petition of the membership) shall be accompanied by a clear written statement of the matter to be voted upon. The notice provided to the membership shall be consistent with the notice provisions of Article II and ballots shall be provided in advance of the Special meeting. A quorum shall be based upon ballots submitted. The results of the vote shall be ratified at the Special meeting. A Special meeting may be held where no vote is to occur, as long as a clear statement of the subject matter of the meeting is provided to the membership consistent with the notice provisions of Article II. Special meetings of the energy members may be held at any place in the County of San Juan, in the State of Washington, specified in the notice of the special meeting.

Section 3. Notice of System Energy Members' Meetings.

Written notice stating the place, day and hour of an Annual meeting or Special meeting, shall be delivered not less than twenty-one (21) days nor more than fifty (50) days before the date of the Annual or Special

meeting. The meeting notice will be sent either by mail or electronic transmission, and the notice is deemed to be delivered upon it being posted on OPALCO's website. The failure of any energy 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. Each member shall be responsible to provide advance written notice to the Cooperative of any address change. The purpose of the Special meeting shall be clearly stated in all meeting notices.

Section 4. Quorum.

At all meetings of the energy members, whether at an Annual or Special meeting, a quorum shall be met when at least ten percent (10%) of all energy members have cast their ballots. If less than a quorum has cast ballots, at any meeting, a majority of those present in person may adjourn the meeting, provided that the secretary shall notify any absent energy members of the time and place of such reconvened adjourned meeting, pursuant to Article II of the bylaws, in order to obtain a quorum. At any such reconvened meeting, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Voting.

Each energy member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the energy members at which a quorum is present, all questions shall be decided by a vote of a majority of the energy members voting thereon by ballot, provided all proper notices have been provided pursuant to Article II, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these bylaws. If an energy membership is represented by more than one person, they shall jointly be entitled to only one (1) vote and no more upon each matter submitted to a vote at a meeting of the energy members. Issues submitted to the energy membership for vote will be objectively stated and as free from bias as possible. In addition, a Voting Guide may be prepared and distributed by the Cooperative to include statements for and against any matter placed before the membership for a vote, as well as rebuttal statements.

Section 6. Ballot.

All voting shall be conducted by mail or electronic balloting (Ballot), in advance. Any energy member may vote electronically or by written ballot. At an Annual or Special meeting, only motions regarding procedural matters involving the conduct of the meeting will be properly considered, such as approval of the minutes, and may be made from the floor, and shall be acted upon solely by the energy members in attendance at the meeting.

The secretary shall distribute a notice of meeting and ballot to all energy members in advance of the Annual or Special meeting. The ballot must contain any motions or resolutions to be acted upon. Ballots for the election of directors, shall include a list of all candidates for director provided for in Article III, Section 3 of the Bylaws. The Cooperative shall include written instructions for completing all ballots. A member may elect not to vote on a particular matter, without invalidating the rest of the ballot. Any ballot shall be submitted by such date and hour set by the Board of Directors and described in the written instructions., All ballots must be submitted by noon Pacific Time three (3) calendar days before the Annual or Special meeting. (For example, if the Annual meeting is on Saturday, all ballots are to be submitted by noon on the previous Wednesday.)

Only one ballot shall be returned and counted on behalf of a membership. OPALCO staff shall post balloting information on OPALCO's website. The failure of any energy member to receive a copy by mail or electronically, of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. In the event electronic voting procedures are adopted, the Board shall provide advance notice of those procedures in the manner provided for in this Article II, and as provided by law.

Section 7. Order of Business.

The order of business at the annual meeting of the energy members, and, so far as possible, at all other meetings of the energy members, shall be essentially as follows:

1. Call of the roll;
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
3. Report of the Elections and Governance Committee and election of directors;
4. Reading of unapproved minutes of previous meetings of the energy members and the taking of necessary action thereon;
5. Presentation and consideration of, and acting upon, reports of officers, directors and committees;
6. Unfinished business;
7. New business. Any new business raised at the annual or special meeting may be continued until the next member meeting set according to these bylaws;
8. Adjournments.

Section 8. Robert's Rules of Order.

The most recent edition of Robert's Rules of Order shall serve as the governing rules for any official meeting of the energy members, unless inconsistent with the bylaws. The Cooperative is not required and has specifically chosen not to follow the Washington State RCW 42.30 *Open Public Meetings Act*.

ARTICLE III - DIRECTORS

Section 1. General Powers.

The business and affairs of the Cooperative shall be managed by a board of seven (7) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the articles of incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members.

It shall be the duty of the Board of Directors to appoint a standing Elections and Governance Committee (EGC), made up of energy members from each of the residency districts approved for the election of the San Juan County Council in San Juan County, Washington. No current officer or member of the Board of Directors shall be appointed a member of such committee, although former officers and directors may serve. No employee of the Cooperative or its subsidiaries may serve on the Committee, although the Committee may request that staff support be provided to act under the direction of the Committee. At the request of the Board of Directors, the Committee may also be asked to review bylaws, policies and/or cooperative governance procedures on an as-needed basis.

Section 2. Qualifications.

Director Districts. The territory served by the Cooperative shall be divided into four districts, and the directors shall be an energy member who is served by a Cooperative residential service in their name for which such energy member has financial responsibility. For purposes of this Section 2, an energy member shall be a "Resident" of an address in the district where he or she physically resides and is served by an OPALCO residential service for which energy member has financial responsibility.

District No. 1 shall include all territory lying South and West of a line beginning at the boundary between the United States and Canada, Northeast of Stuart Island; thence running in a Southeasterly direction to the East of Stuart and Spieden Islands through San Juan Channel; thence proceeding Southerly between Cattle and Davis Points through Middle Channel. {San Juan, Pearl, Henry, Brown and Spieden islands}

District No. 2 shall include all territory lying East and North of a line beginning on the boundary between the United States and Canada Northeast of Stuart Island and running thence Southeasterly to the East of Stuart

and Spieden Islands and West of Flattop Island to a point West of Jones Island; thence Easterly to the North of Jones Island through Spring Passage and thence Easterly through North Pass and Pole Pass to the South of Orcas Island through Harney Channel; thence Southeasterly to the West of Blakely Island and through Thatcher Pass to the Skagit County line. {Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double and Fawn islands}

District No. 3 shall include all territory lying West of the Skagit County line and North of the Island County line and East of the East boundary of District No.1, with the North boundary thereof commencing at the Skagit County line East of Blakely Island and running thence Westerly through Thatcher Pass; thence Northwesterly to the intersection of Harney Channel and Upright Channel North of Upright Head; thence Southwesterly through Upright Channel to its intersection with San Juan Channel. {Lopez, Decatur, Center and Charles islands}

District No. 4 shall include all territory, which is bounded on the South and West of District No. 1, on the North by District No. 2 and on the Southeast by District No. 3. {Shaw, Crane, Canoe and Bell islands}

For implementation of staggered board terms only:

Beginning with the election year 2019 and continuing through 2021, the Director Candidate with the highest number of votes in the election for Districts 1, 2 and 3 shall serve a three-year term (District position A). The Director Candidate with the second-highest number of votes in the election for Districts 1, 2 and 3 shall serve a two-year term (District position B). Upon completion of the staggered election cycle in years 2019-2021, and beginning in the election year 2022, the Director Candidate with the highest number of votes in the election from each district on the ballot shall serve a term of three years. Thereafter, each director shall serve for a term of three years, or until his successor shall have been elected and qualified, subject to the provisions of these bylaws with respect to the removal of directors. A Director Candidate shall be a part-time or a full-time resident of the OPALCO District he or she is seeking to represent and shall declare a physical residential address served by an OPALCO residential service in their name as the residence in that District. The Director Candidate's selection of his or her residence shall be for the remainder of the term the Director will serve, should he or she be elected by the membership, and the Director shall be ineligible to serve as a Director from a different district until the term has been completed. "Director Candidate" shall mean an energy member seeking to be considered for a director position on the Board of Directors, whether by petition, nomination, or any other means permissible under these bylaws.

The goal of the nominations process is to uphold the mission of the Cooperative and practice good stewardship of member resources in service to the Cooperative by putting forward effective Director Candidates.

Conflicts of Interest. Nominations for directors shall be made each year as hereafter provided from persons residing in the respective districts from which directors are to be elected in that year. To be considered as a Director Candidate, an individual must complete an Independent Director Qualifications form as provided in the Cooperative's Election Policy and be free of any conflicts of interest. In addition to other qualifications, the EGC shall evaluate each Director Candidate to identify potential conflicts of interest with the advice of OPALCO's general counsel, who will determine whether a Director Candidate is disqualified based upon the conflicts of interest set forth below in this section.

The members of the board of Directors, and any Director Candidates shall be free of any of the following conflicts of interest:

1. Cooperative Employment. No energy member or their immediate family member shall be eligible to become or remain a director of the Cooperative who is or has been employed by the Cooperative, a subsidiary or affiliate of the Cooperative;
2. Competing or Supporting Enterprises. No energy member or their immediate family member shall be eligible to become or remain a director of the Cooperative who; (i) is in any way employed by or has

material financial interest in a competing enterprise or business; (ii) is in any way employed by or has a material financial interest in a vendor, consultant or supplier of the Cooperative that is material to the Cooperative (as determined by the Board of Directors); or (iii) is in any way employed by or has a material financial interest in a vendor, consultant or supplier of the Cooperative in which the business performed by or for the Cooperative by such vendor, consultant or supplier is a material part of such vendor, consultant or supplier's business (as determined by the Board of Directors);

3. Public Office. No energy member or their immediate family member who currently holds public office or serves on a governmental appointment or commission whose charter, duties or scope of influence materially intersects with the business of the Cooperative or its subsidiaries or affiliates, if any;
4. Cooperative Disputes. No energy member or their immediate family member, shall be eligible to become or remain a director of the Cooperative who is or has been a party in a mediation, arbitration, lawsuit, unsuccessful Member Service Policy 9 ruling, or other legal action against or by the Cooperative or a subsidiary or affiliate of the Cooperative-

The following are additional qualifications for serving as a Board of Director and being a Director Candidate:

1. Felony Crime. No energy member shall be eligible to become or remain a director of the Cooperative who has been convicted of a felony crime;
2. Age. No energy member shall be eligible to become a director of the Cooperative who is below the age of 18 years at the time the election is held;
3. Good Standing. No energy member shall be eligible to become or remain director of the Cooperative who is not a member in good standing by having met and adhered to the Cooperative's and its subsidiaries' payment policies, in accordance with credit requirements contained in the Cooperative's Tariffs, as amended from time to time, and any other requirements for membership in good standing established by Board resolution;
4. Educational Attainment. No energy member shall be eligible to become a director of the Cooperative who has not earned a high school diploma, or a recognized equivalent;
5. Residency. No energy member shall be eligible to become or remain a director of the Cooperative who is not or is no longer a Resident or the applicable OPALCO director district to which he or she was elected, as defined above;
6. Joint Membership. No energy member shall be eligible to become or remain a director or the Cooperative when another member of a joint membership already serves as a director of the Cooperative.

Director candidates must comply with all other policies regarding qualifications and conflicts of interest which may be established by the Board of Directors from time to time, and complete and sign an Independent Director Qualifications form, consistent with the bylaws and approved by the Board of Directors.

Section 3. Nominations and Election of Directors.

Nominations by EGC: The EGC is responsible for selecting candidates and nominating those candidates to stand for election to serve on the Board of Directors as successors or replacements for then-current board members. The committee, if possible, should nominate at least two (2) candidates for a single open position. The Secretary shall have prepared and posted on the OPALCO website or in the lobby at the principal office of the Cooperative at least eighty (80) calendar days before the meeting a list of EGC candidate nominations for directors.

Nomination by Petition: Any twenty (20) or more energy members may make other nominations of qualified members from the OPALCO district that the Director will be elected from, by petition with their signatures, filed with the General Manager at the principal office of the Cooperative at Eastsound, Washington, not less than fifty-five (55) days prior to the meeting. The secretary shall cause the same to be posted at the place where a

list of nominations made by the committee is posted, including electronic postings on the Cooperative's website. The Cooperative shall post the list of director candidates on its website in order to provide the notice required in this section.

Annual Meeting Ballot: The secretary shall post on OPALCO's website with the notice of the meeting a statement of the number of directors to be elected from each district all nominations, including those made by petition and member-initiated amendments (Article XIV, Section 2), if any. As provided in Article II of the bylaws, the secretary of the Cooperative shall mail to each energy member a printed ballot marked "Ballot for Directors" containing the names of all nominees for the respective districts to be arranged alphabetically, together with a notice of said meeting, containing appropriate information and instructions relative to voting. The ballot shall indicate thereon the number of directors to be elected from each district. In the alternative, the Cooperative may provide ballots to each energy member electronically. All voting by each energy member of the Cooperative entitled to cast a vote for the election of directors shall be completed by a ballot, either provided in the mail or electronically by the Cooperative. Voting shall be conducted by the procedures established in Article II.

Each energy member is entitled to vote for each position for which a director is to be elected, and the candidate receiving the most votes in each position is deemed to be elected as outlined in Article III Section 2.

Section 4. Vacancies.

A vacancy occurring in the Board of Directors shall be filled by the election of an energy member resident of the same district as the director whose office is vacated, by a majority vote of the remaining directors, and a director thus elected shall serve for an unexpired portion of the term or until his or her successor shall have been elected and shall have qualified.

Section 5. Compensation.

From time to time director compensation shall be reviewed by the Elections and Governance Committee, and any recommendations regarding director compensation shall be presented to the Board of Directors. The Board of Directors shall either accept or reject the recommendations of the Committee, except that the Board may approve a reduction in the compensation amounts recommended by the Committee. Directors shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for serving as a director at meetings on behalf of the Cooperative. Close relatives of a director shall not receive compensation for serving the Cooperative, unless such compensation is recommended by the EGC and approved by the Board of Directors.

Section 6. Removal of Directors and Officers.

There are two ways that Directors and Officers may be removed from the Board of Directors; by action of an energy member in good standing; and/or by action of the Board President, or other board member.

1) Removal by Energy Member

- a) Any energy member may seek removal of a director or officer by bringing written charges of malfeasance or misfeasance against an officer or director by filing them in writing with the secretary. Any filing of written charges shall meet the Notice requirements in Article II of the bylaws, together with a petition signed by ten percent (10%) of the energy members, requesting the removal of the officer or director in question. The secretary shall provide a copy of the charges to the director or officer being charged within five (5) business days of their filing with the secretary. To be considered, the removal request must state sufficient facts in writing to support the charge of malfeasance or misfeasance. The Board of Directors, excluding the director or officer subject to the charges, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges.

- b) In the event all members of the Board of Directors are subject to petitions charging malfeasance or misfeasance at the same time, the President shall appoint an independent committee made up of seven (7) energy members from the Districts established in Article III, Section 2 of these Bylaws, reflecting the same District representation as the then current Board of Directors. The independent committee, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges by a majority vote.
- c) A removal request that has been found to be sufficient shall be considered at a Special meeting of the energy members at which a quorum is present. The director or officer against whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity. Following the presentations, all members shall be entitled to vote on the requested removal, based upon the factual allegations in the removal request presented. Voting procedures on the removal petition shall be conducted pursuant to Article II of the bylaws, and notice shall be provided consistent with Article II of the bylaws. The secretary shall arrange for distribution of ballots to the membership after the presentations at the Special meeting of the energy members, and shall include a transcript of the meeting, written materials from the members charging malfeasance or misfeasance in the removal petition, and the written response from the director or officer who is the subject of the petition. Ballots shall be marked "Yes" or "No" on whether the director or officer shall be removed. Voting shall be concluded thirty (30) days after the date ballots were distributed to the membership. Members may complete ballots either by mailing them to the cooperative or returning them electronically to the cooperative, within the thirty (30) day period set for voting. Votes shall be tabulated by an independently hired accountant selected solely for that purpose, who will certify the results to the Board of Directors. A director will be removed, after a quorum has been established, and a majority of members constituting the quorum vote to remove the director or office.
- d) In the event a director or officer is removed, a replacement director shall be appointed pursuant to Article III, Section 4 to complete any of the removed director's or officer's unexpired term. In the event all directors are removed, the membership shall immediately call for an election of replacement directors, for the remainder of the term each prior director was serving.

2) Removal by Board of Directors

- a) The Board of Directors shall develop a policy regarding conduct of its meeting, decorum and respect each director grants to other directors, staff and members. Such policy shall be reviewed and approved by the Board of Directors from time to time. Such a policy will assist the Board of Directors in its conduct of the Cooperative's business and maintain a collegial approach to governance.
- b) A director who is found to be in violation of the board policy adopted pursuant to Section 1 above, as may be amended may, in addition to any other disciplinary action taken in accordance with these policies, be removed as a Director of the Cooperative following completion of the process set forth in this section, and a majority vote by the Directors for removal as provided herein.
- c) In the event that any member of the board of Directors determines that a sitting director violated any of the above referenced policies, and such violations are serious enough to warrant removal of that individual as a Director of the Cooperative for the good of the Cooperative, and in good faith, he/she may make a motion to consider removal. That motion shall specify the grounds for removal and be given at least 30 days' notice prior to a meeting of the board, at which further action by the Board could be taken. At a subsequent meeting of the board held to take any possible action, the director against whom the motion is directed shall be entitled to be present in person, with counsel of his/her choice and at his/her expense, and to present evidence to the Board of Directors to address, rebut or mitigate the specific charges, and/or to set forth facts against his/her removal. The Director or Directors who have made the motion to consider removal of the Director shall have the opportunity to present additional evidence in support of the original motion for removal. Once the Director against whom the motion has been made and the Director who has made the motion have completed their presentations, the President of the Board shall call for a motion to remove the Director. The Director against whom the motion has been made may not vote on the motion to remove the Director. If at least 2/3 (two-thirds) of the remaining

current Directors excluding the Director against whom the motion has been made are in favor of such a motion to remove, then the motion shall be considered approved, the Director's position shall be considered vacant, and the member of the Director's district shall be notified in writing of such removal. Filling the vacant position shall be pursuant to these bylaws.

Section 7. Rules and Regulations.

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

Section 8. Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The board shall also, after the close of each fiscal year, cause to be made an audit of the accounts, books, records and the financial condition of the Cooperative. Said audit is to be conducted by a certified public accounting firm that is acceptable to the Rural Utilities Service.

A summary of such audit report shall be submitted to the members at the following annual meeting. Accounts of the Cooperative may be examined by a committee of the Board of Directors at any time it feels it advantageous to do so.

Section 9. Changes in Rates.

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America within ninety (90) days after board approval of any change in the rates charged by the Cooperative for electric energy.

Section 10. Absences of Directors.

In the event that any director shall miss three (3) consecutive regular meetings without a valid excuse, at the discretion of the remaining directors, the seat of the absent director may be declared vacant and a replacement named by the remaining directors.

ARTICLE IV - MEETINGS OF DIRECTORS

Section 1. Regular Meetings.

A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in San Juan County, Washington, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof. The President may cancel or change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Directors.

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called by the president or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them. Any corporate action to be taken at a special meeting of the directors of the Cooperative, may be taken by conference call or other electronic means. This includes any action required or permitted by the Articles of Incorporation, bylaws, or the laws under which this Cooperative is formed. Further, any director may participate in a special meeting by

conference call or other electronic means of communication by which all directors participating in the meeting may hear one another's responses (or observe, in the case of an email and/or electronic exchange). Any action taken shall be memorialized in the meeting minutes of the subsequent Board meeting.

Section 3. Notice.

Notice of the date, time and location of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written or electronic notice, delivered to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director to his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the director at his or her electronic transmission address as it appears on the records of the Cooperative. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors provided that, if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The directors present at a duly organized meeting may continue to transact business at such meeting and at any adjournment of such meeting, notwithstanding the withdrawal of enough directors from either meeting to leave less than a quorum.

Section 5. Manner of Acting.

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

ARTICLE V - OFFICERS

Section 1. Number.

The officers of the Cooperative shall be a president, vice president, secretary and treasurer, and such other officers as may be determined by the Board of Directors from time to time. The officers of secretary and treasurer may be held by the same person.

Section 2. Election and Term of Office.

The officers shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

Section 3. Removal.

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

Section 4. Vacancies.

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

Section 5. President.

The president:

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

Section 6. Vice President.

In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Secretary.

The secretary shall:

- a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- b) see that all notices are duly given in accordance with these bylaws or as required by law;
- c) be custodian of the corporate records and of the seal of the Cooperative;
- d) keep a register of the post office address of each member, which shall be
- e) furnished to the secretary by such member;
- f) have general charge of the books of the Cooperative in which a record of the members is kept;
- g) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the bylaws and of all amendments thereto to each member; and
- h) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the Board of Directors;
- i) The secretary or the Board of Directors may delegate to another or others any of the duties hereinbefore assigned to this officer.

Section 8. Treasurer.

The treasurer shall:

- a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- b) in general, perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

- c) the treasurer or the Board of Directors may delegate to another or others any of the duties hereinbefore assigned to this officer.

Section 9. Manager.

The Board of Directors may appoint a manager who shall serve at the pleasure of the board and who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

Section 10. Bonds of Officers.

The Board of Directors may require any officer, agent or employee of the Cooperative to give bond in such amount and with such surety as the Board of Directors shall determine, the premium for which will be paid by the Cooperative.

Section 11. Compensation.

The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined by the members, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officer, agents, and employees shall be fixed by the Board of Directors.

Section 12. Reports.

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

Section 13. Indemnification Against Liability.

Each person who, as an officer or director of the Cooperative, is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal or administrative, by reason of the fact that he or she is or was a director or officer of the Cooperative, shall be indemnified and held harmless by the Cooperative to the fullest extent authorized by Washington law as the same exists or may hereafter be amended, against all expense, liability and loss, including but not limited to attorney's fees, judgments, fines, taxes or penalties, or amounts paid in settlement reasonably incurred or suffered by such indemnitees in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's estate, heirs and personal representatives.

The right to indemnification conferred in this article shall be a contract right and shall include the right to be paid by the Cooperative the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer in which service was or is rendered by such indemnitee, including without limitation service to an employee benefit plan, shall be made only upon delivery to the Cooperative of a written undertaking by or on behalf of such indemnitee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision that such indemnitee is not entitled to be indemnified for such expense by virtue of acts or omissions precluding indemnification as set forth in Section 14 hereafter.

Notwithstanding the above, nothing herein shall eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, for conduct violating RCW 23B.08.310, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.

Section 14. Exception.

No person serving as a director or officer shall be indemnified by the Cooperative in any instance in which he shall have been adjudged by final judicial decision to have engaged in intentional misconduct or a knowing violation of law or from or on account of any transaction with respect to which it was determined that such director or officer personally received a benefit in money, property or services to which the director or officer was not legally entitled.

Section 15. Right of Indemnitee to Bring Suit.

If a claim under Section 13 of this Article is not paid in full by the Cooperative pursuant to the Cooperative's determination that indemnification of the director or officer is precluded pursuant to Section 14 of this Article, the indemnitee shall, upon the expiration of sixty (60) days after a written claim has been received by the Cooperative, be entitled to bring suit against the Cooperative to recover the unpaid amount of the claim.

If successful in whole or in part in any such suit, or in a suit brought by the Cooperative to recover advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expenses of prosecuting or defending such suit.

Section 16. Insurance.

The Cooperative may maintain insurance at its expense to protect itself and any director, officer, employee or agent of the Cooperative.

Section 17. Indemnification of Employees and Agents.

The Cooperative may, by action of its Board of Directors, provide indemnification, including advance of expenses to an officer, employee or agent of the Cooperative, to the extent that such indemnification is consistent with the laws of the State of Washington.

ARTICLE VI - BOOKS AND RECORDS

Books of Account, Minutes and Member Register.

The Cooperative shall keep at its principal office the following: current articles of incorporation and bylaws; a record of members, including names, addresses and classes of membership, if any; correct and adequate records of accounts and finances; a record of officers' and directors' names and addresses; minutes of the proceedings of the members, if any, the Board of Directors, and any minutes which may be maintained by a committee of the Board of Directors. Records may be written or electronic, if capable of being converted to writing. The records shall be opened at any reasonable time to inspection by any member of more than three (3) months standing or a representative of more than five percent (5%) of the members. Costs of inspecting or copying shall be borne by such member except for costs for copies of articles of incorporation or bylaws. Any such member must have a purpose for inspection reasonably related to membership interests. Use or sale of members' lists by such member, if obtained by inspection, is prohibited.

ARTICLE VII - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts.

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

Section 2. Checks, Drafts, etc.

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

Section 3. Deposits.

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

ARTICLE VIII - NONPROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 2. Members' Patronage Capital in Connection with Furnishing Electric Energy.

Except as provided in Article I, Section 4, in the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy. All such amounts that represent the annual net margin at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account established for each member, all such amounts that represent the annual net margin.

The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount of capital so credited to his account. Notwithstanding the patronage capital provisions by these bylaws, any member who fails to remain an active member for twelve consecutive months shall forfeit all rights to patronage capital received or receivable. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuant of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

- a) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of energy members. Thereafter, any payments made on account of property rights of members shall be made to all energy members (including former members) in the proportion which the aggregate patronage of each member bears to the total patronage of all such members. If, at any time prior to the dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to energy members' accounts may be retired in full or in part. Each such retirement of capital shall, in the sole discretion and determination of the Board of Directors, be made pursuant to resolution of general application of the Board of Directors in the following manners:
- b) By payment to members in order of priority according to the year in which the capital was furnished and credited, the first received by the Cooperative being the first retired; or

- c) By payment to all members on the basis of the ratio that the unpaid capital credits standing in the name of each member on the books of the Cooperative bears to the total unpaid capital credits of all members as shown on the books of the Cooperative. No active member who fails by this method to get a check for the minimum amount would have that amount deducted from his capital credit account; or
- d) By discounting of estate payments to dissolved corporations or associations when capital credits are to be retired prior to the time such capital credits would otherwise normally be retired; or
- e) By the Board of Directors determining the method, basis, priority and order of retirement.

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

Notwithstanding any other provisions of these bylaws, the Board of Directors, at its sole discretion, shall have the power at any time upon the death of any energy member, or upon the dissolution of any corporation or association, to authorize payment of capital credits to the party or parties in title thereto; if the board authorizes payment of capital credits pursuant to this section, the remittance of those credits shall take place in a manner agreed upon by the board of directors and the representative; if the legal representatives of the estate, the dissolved corporation or the association shall request in writing that the capital credited to any such member, corporation or association be retired prior to the time such capital credit would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member, corporation or association immediately upon such terms and conditions, including such discount as the board shall deem proper, provided, however, that the financial condition of the Cooperative shall not be impaired by the payments herein permitted as determined by the board of directors in its sole discretion.

Section 3. Binding Effect of Articles of Incorporation, Bylaws, Tariffs and Rules of the Cooperative.

All members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation, bylaws, tariffs and rules of the Cooperative and any future amendments thereof, shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and such members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office. As a condition of the membership, each member also agrees to respect and give legal effect to any utility easements for any services offered by the Cooperative and/or its communications subsidiary, and grant any necessary access and easements as necessary to furnish all services offered by the Cooperative and/or its communications subsidiary.

Section 4. Patronage Refunds in Connection with Furnishing Other Services.

All other amounts received by the Cooperative from its operations that represent the annual net margin shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, in the Board's discretion either retained by the Cooperative, or allocated to its members on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

Income received from any subsidiary corporation shall not be allocated or assigned to the patrons or members prior to the dissolution of the Cooperative, unless so determined by the Board of Directors.

Section 5. Transfer of Credits or Refunds to “Education and Promotion Fund” or “Retirement and Replacement Fund”.

In the event total capital credits or membership fee refund due any active or inactive member is less than \$5.00, or the member has forfeited his rights to capital credits, or in the event the Cooperative is unable to make payment to any active or inactive member of capital credits or membership fee refund due such active or inactive member because of inability to locate the active or inactive member, the incapacity of the active or inactive member to receive the same, or any other cause beyond the control of the Cooperative, then, after the lapse of a period of two (2) years from the date prescribed for payment or delivery of such capital credit or membership fee refund, such capital credit or membership fee refund shall be transferred by the Cooperative to either a special fund known as the “Education and Promotion Fund” or to a special fund known as the “Retirement and Replacement Fund,” as the Board of Directors shall by resolution determine. Each member and each member of the Cooperative hereby grants and gives to the Cooperative as a free and voluntary gift of all such moneys, rights, and interests as of said date of transfer. The moneys transferred to the “Education and Promotion Fund” shall be used by the Cooperative for such research and educational purposes as the Cooperative’s Board of Directors may determine to be for the benefit and advance of the industry in cooperation and in the effective use and marketing of electricity. The moneys transferred to the “Retirement and Replacement Fund” shall be used to pay for losses sustained as a result of retirement and replacement.

Section 6. Priority of Cooperative’s Claim for Amounts Due from Member.

Nothing contained in this article shall be construed to deprive the Cooperative of its first lien against any capital credits to satisfy any unpaid bill of the energy member. Only that portion of a capital credit or payment which is not needed to satisfy any unpaid bill shall be paid to the energy member, provided that the financial condition of the Cooperative shall not be impaired by the payments herein permitted as determined by the board of directors in its sole discretion.

ARTICLE IX - WAIVER OF NOTICE

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

ARTICLE X - DISPOSITION OF PROPERTY

Section 1. Sale or Transfer.

The Cooperative may not sell or transfer or otherwise dispose of any of its property other than property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative system and facility; provided, however, that all sales of such property shall not in any one year exceed in value ten (10%) percent of the value of all the property of the Cooperative.

Section 2. Sales or Encumbrance.

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any property except in the normal course of business of the Cooperative in accordance with sound fiscal judgment so as not to impair the financial condition of the Cooperative.

Section 3. Borrowing Authority.

Notwithstanding the limitations set forth in Sections 1 and 2 above, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or from a national financing institution, organized on a Cooperative plan for the purpose of financing its members’ programs, projects and undertakings in which the Cooperative holds membership, and in

connection with such borrowing, to authorize the making and issuance of bonds, notes or other evidence of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine. Nothing in this section is to be construed as a limitation upon the Board of Directors to borrow money from such other entities, institutions or sources as may be permissible under the laws of the State of Washington.

ARTICLE XI - FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XII - MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative may become a member of such other organizations as the Board of Directors determine will be beneficial.

ARTICLE XIII - SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Washington."

ARTICLE XIV - AMENDMENTS

Section 1. Board Initiated Amendments.

The power to make, alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the Board of Directors. Notice of the board's action in making, altering, amending or repealing the bylaws or adopting new bylaws shall be given to the voting members within thirty (30) days of such action.

Section 2. Energy Member Initiated Amendments.

Energy Members may propose changes to the bylaws as follows:

- a) Bylaw Amendments Proposed by Energy Members. Consistent with the Articles of Incorporation and State Law, at least ten percent (10%) of the active Energy Members may propose, in writing, a resolution to make, alter, amend or repeal a bylaw or to adopt new bylaws. Each Energy Member proposed resolution shall be limited to a single subject. Any such proposed resolution must be submitted to the Board of Directors no less than ninety (90) and no greater than one hundred twenty (120) days prior to the date of the next annual meeting of the Energy Members, and consistent with Article II.
- b) Review by Directors. After review by the directors, with the advice of legal counsel, the proposed amendment to the bylaws shall be placed upon the agenda of the annual meeting of the Energy Members, so long as consistent with law or the articles of incorporation, and notice of the proposed amendment shall be provided to the Energy Members in accordance with the notice provisions contained in Article II, Section 3 of the Bylaws.

- c) Voting on Proposed Amendment. Any proposed amendment shall be voted upon at the annual meeting of the Energy Members. Voting shall be in accordance with Article II, Sections 5 and 6 of the Bylaws. Any proposed amendment receiving a simple majority of votes from the Energy Members shall be approved.

ARTICLE XV - GENDER

Whenever masculine, feminine, neuter, singular or plural terms are used in these bylaws, such terms shall be construed to include all persons in whatever form is appropriate to make the bylaws applicable to all members, unless the context of the bylaws clearly indicates otherwise.

AMENDED ARTICLES OF INCORPORATION
OF
ORCAS POWER AND LIGHT COMPANY

FILED
STATE OF WASHINGTON

MAY 28 1998

RALPH MUNRO
SECRETARY OF STATE

PURSUANT to the provisions of the Miscellaneous and Mutual Corporations Act of the State of Washington, Chapter 24.06 RCW and 24.06.525, the undersigned corporation amends its Articles of Incorporation.

ARTICLE I

NAME

The name of this corporation shall be ORCAS POWER AND LIGHT COOPERATIVE.

ARTICLE II

OBJECTS AND PURPOSES

The object or objects and purpose or purposes for which the Corporation is formed are:

(a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members or for such other persons as allowed by law and to transmit, distribute, furnish, sell and dispose of such electric energy to its members or to such other persons as allowed by law, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution

lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;

(b) To acquire, own, hold, use, exercise, and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, energy rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;

(c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;

(d) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage

disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidences of indebtedness and all security therefore;

(e) To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured.

(f) To exercise all powers and rights authorized by law for nonprofit corporations under Chapter 24.06 RCW, whether or not related to the acquisition and/or distribution of electricity or electric energy.

(h) To accept into membership in this corporation persons, firms, partnerships, corporations and associations, municipal corporations, school districts, or any political subdivision of the United States, the State of Washington, or any county thereof, under the terms and provisions set forth in the Bylaws of the corporation.

(i) To accept gifts of any kind of property, either real or personal.

(j) To have and enjoy all the powers and privileges as provided under Chapter 24.06 RCW.

ARTICLE III

REGISTERED OFFICE AND REGISTERED AGENT

The address of the registered office of the corporation shall be Mt. Baker Road, Eastsound, San Juan County, Washington.

The name of the initial registered agent of the corporation at such address shall be W. Douglas Bechtel.

ARTICLE IV

DURATION

The duration of this corporation shall be perpetual.

ARTICLE V

The number of directors constituting the Board of Directors of the corporation shall be seven (7). The names and addresses of the persons who are now serving as the directors of the corporation are as follows:

<u>Name</u>	<u>Address</u>
Roger Crosby	
Leon Fonnesbeck	
Joe Gruber	
Nourdine Jensen	
Ed Marble	
Bob Myhr	
Ed Peterson	

ARTICLE VI

CAPITAL STOCK

The Corporation is formed not for profit and shall have no capital stock.

ARTICLE VII

Section 1. There shall be one class of memberships called "Energy Members", as hereinafter defined, and such other classes of memberships as shall be established by Resolution of the Board of Directors. Any person, firm, partnership, corporation, limited liability company, or political subdivision of the United States, the State of Washington or any county therein may become a member of any class of membership upon meeting the qualifications therefor as hereinafter set forth or as prescribed by the board of Directors, and upon acceptance by this corporation of their application for membership.

"ENERGY MEMBERS." Any person residing and/or owning, leasing or possessing real property in San Juan County, Washington or other counties in Washington, and desiring to become a member of the corporation and receive electrical energy and service from it by connection to its physical system. An applicant may become an ENERGY MEMBER" upon approval of his/her application, agreeing to be bound by the Articles of Incorporation, Bylaws, tariffs and Rules of the corporation, together with any future amendments thereto, and payment of the current fee fixed by the Board of Directors.

Section 2. Each ENERGY MEMBER shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members and at all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members present in person or voting by absentee ballot.

Section 3. The Bylaws of the Corporation may define and fix the duties and responsibilities of the members and prescribe such other terms and conditions upon which members shall be admitted to membership in the Corporation not inconsistent with these Articles of Incorporation or the Act under which the Corporation is organized.

Section 4. The private property of the members of the Corporation shall not be subject to the payment of, and no member shall be individually responsible for, corporate debts to any extent whatever and the Corporation shall not make any assessment against any member of the Corporation without his consent thereto in writing; provided, however, that nothing herein contained shall release a member from his or its debts or liabilities to the Corporation for electric energy used by such member or for

ARTICLE VII

DISTRIBUTION OF SURPLUS

The corporation shall distribute its surplus funds to its members in accordance with the provisions contained in the Bylaws of the Cooperative

ARTICLE VIII

LIQUIDATION OR SALE

In the event the corporation is dissolved or sold, the net assets shall be distributed to the ENERGY MEMBERS", and such other members as the Board shall determine by Resolution, in accordance with the provisions of the Bylaws.

ARTICLE IX

DISSENTERS' RIGHTS

In the event of any merger or consolidation of the corporation with any other entity, any dissenting Energy Member or other members determined by the Board of Directors by the Board of Directors by Resolution shall be entitled to the fair value of his/her membership as provided by law.

ARTICLE XI

BYLAWS

The power to make, alter, amend, or repeal the Bylaws or adopt new Bylaws shall be vested in the Board of Directors; provided, however, the Board of Directors shall provide in said Bylaws a manner in which voting members may also adopt changes or make new Bylaws. Notice of the Board's action in making, altering, amending or repealing the Bylaws or adopting new Bylaws

shall be given to the voting members within 30 days of such action.

ARTICLE XII

DIRECTOR LIABILITY

Directors of the corporation shall not be liable to the corporation or its members for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct, committing a knowing violation of the law, for conduct violating RCW 23B.08.310, or engaging in a transaction with the corporation in which the director receives a personal benefit to which he is not legally entitled. Further, in accordance with RCW 24.06.030 (15), the corporation shall indemnify its officers and directors and former officers and directors as set out in such section.

ARTICLE XIII

PROVISIONS OF THE MISCELLANEOUS AND MUTUAL CORPORATIONS ACT

The corporation accepts the benefits and will be bound by the provisions of the Miscellaneous Mutual Corporations Act, Chapter 24.06 RCW.

ARTICLE XIV


AMENDMENTS TO ARTICLES OF INCORPORATION

These Articles of Incorporation may be amended in the manner now or hereafter provided by law.

These Amended Articles of Incorporation were adopted by resolution of the Board of Directors on March 19, 1998. The Resolution of the board of Directors was approved by the Members of the corporation at a regular/special meeting of the corporation held on May 16, 1998.

The Amended Articles of Incorporation correctly set forth all provisions of the Articles of Incorporation, as amended, and the Amended Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of May, 1998.



Joe Gruber, President