

**Plan of Merger for
Graham County Electric Cooperative, Inc.
and Graham Utilities Cooperative, Inc.**

BACKGROUND:

A. Graham County Electric Cooperative, Inc. ("GCEC") is an Arizona non-profit corporation that is in the business of providing the distribution of electricity to its members/customers. GCEC is allowed by statute (ARS § 10-2057) to own a water utility.

B. Graham County Utilities, Inc. ("GCU") is an Arizona non-profit corporation that is in the business of providing domestic water service to its member/customers and has recently contracted to sell its natural gas utility service.

C. GCEC and GCU have been affiliated corporations since 1989. They have shared the cost of employees and equipment and facilities. GCEC has provided loans to GCU. Many of the Members of GCEC are also Members of GCU.

D. Significant cost savings can be realized by GCEC and GCU merging to form one corporation.

Plan of Merger:

1. GCEC and GCU will merge, and GCEC will be the surviving corporation and will be an Arizona electric cooperative non-profit membership corporation with its headquarters at 9 W Center St, Pima, AZ 85543 and mailing address at Graham County Electric Cooperative, Inc., PO Drawer B Pima AZ 85543.
2. After the merger all of the members of GCEC and GCU will be members of GCEC.
3. Any capital credit obligations of GCU to its members will become the responsibility of GCEC.
4. GCEC will have an Electric Department and a Water Department and will maintain a separate set of financial records for each department in order to be able to provide the financial information to the Arizona Corporation Commission to satisfy its regulatory requirements for electric utilities and for water utilities.
5. Changes to GCEC's Bylaws are set forth in the updated version of new combined GCEC Bylaws. The updated version and the pre-merger GCU and GCEC Cooperative's Bylaws are available at the office in Pima or on our website at www.gce.coop.
6. Any loan obligations of GCU to GCEC will be continue to exist as an internal obligation of the Water Department to the Electric Department and will eventually need to be repaid from margins earned by the Water Department.