

**BY-LAWS  
OF  
GRAHAM COUNTY UTILITIES, INC.**

The aims of Graham County Utilities, Inc. are to provide an adequate, reliable supply of gas and water services to its members, keeping the cost of the gas and water services as low as possible, considering the economy and economical restraints by which the service organization must operate; assure effective, responsive management; promote cooperative principles among its membership; assist members in the efficient uses of water and/or gas; and to help in the economic development of the area served by the corporation.

**ARTICLE I - OFFICES**

The principal office of the corporation in the State of Arizona shall be located in the Town of Pima, County of Graham. The corporation may have such other offices, either within or without the state of incorporation as the Board of Directors may designate or as the business of the corporation may from time to time require.

**ARTICLE II - MEMBERSHIP**

**SECTION 2.01**

**REQUIREMENTS FOR MEMBERSHIP.**

Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Graham County Utilities, Inc., (hereinafter called the "Corporation") upon receipt of water and/or gas service from the Corporation, provided that they or it has first:

- (a) Made a written application for membership;
- (b) Agreed to purchase from the Corporation water and/or gas as hereinafter specified;
- (c) Agreed to comply with and be bound by the most recently adopted Articles of Incorporation, By-Laws of the Corporation and any rules and regulations adopted by the Board;
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Corporation and no membership shall be transferable except as provided in these By-Laws. An individual or entity is only a member of the Corporation if his, her, or its name appears on the records of the Corporation. If both members of a married couple are registered members with respect to a particular account or accounts, they shall only have one vote between them for election purposes and the allocation of patronage capital shall be divided equally with one-half of the patronage capital being allocated to each spouse. Where only one spouse of a married couple is a registered member of the Corporation, the Corporation shall have no duty to recognize the other spouse as a member or make patronage capital allocations to or to pay patronage capital retirement payments to the non-member spouse based on community property or marital property concepts --- it shall be the duty of the member spouse to recognize such community property interest and to share patronage capital retirement payments as the law may require. Each member has a duty to inform the Corporation of a change in the member's address until the member has received payment for all patronage capital allocated to the member. If the member fails to keep the Corporation informed of member's address and a payment of patronage capital is returned undeliverable and is not claimed by the member for a period of two years, the member's right to that patronage capital payment shall lapse pursuant to section 7.05 of these By-Laws. *(As amended March 6, 2013)*

The Corporation shall not have or issue shares of stock. No dividend may be paid and no part of the income or profit of the Corporation may be distributed to its members, directors or officers. The Corporation may pay compensation in a reasonable amount to its members, directors or officers for

services rendered; may confer benefits upon its members in conformity with its purposes, and upon dissolution or final liquidation may make distributions to its members as permitted by law, but no such payment, benefit or distribution may be deemed to be dividend or a distribution of income or profit.

## **SECTION 2.02**

### **MEMBERSHIP CLASSES AND FEES**

There shall be three classes of memberships:

- (a) **Class A Membership** - shall be Graham County Electric Cooperative, Inc., which shall be entitled to one (1) vote and shall pay a one-time membership fee of \$5,000.00. *(As amended September 15, 1990)*
- (b) **Class B Membership** - shall be all currently qualified members of Graham County Electric Cooperative, Inc., who are members of and receiving service from this Corporation. Each Class B Member shall be entitled to one (1) vote and shall pay a one-time membership fee of \$5.00.
- (c) **Class C Membership** - shall be issued to all others who receive service from this Corporation, but who do not qualify as either a Class A or Class B Member. Each Class C Member shall be entitled to one (1) vote and shall pay a one-time membership fee of \$5.00. *(As amended September 15, 1990)*
- (d) Membership fees shall not be refundable except on dissolution of the Corporation, as provided in Article II, Section 9, subparagraph (d).
- (e) The payment of the membership fee shall make the member eligible for one (1) service connection.

## **SECTION 2.03**

### **MEMBERSHIP CERTIFICATES.**

Membership in the Corporation shall be evidenced by a membership certificate in such form and shall contain such provisions as determined by the Board of Directors, not contrary to, or inconsistent with the Articles of Incorporation or these By-Laws.

## **SECTION 2.04**

### **NON-LIABILITY FOR DEBTS OF THE CORPORATION.**

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

## **SECTION 2.05**

### **WITHDRAWAL OF MEMBERSHIP.**

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

## **SECTION 2.06**

### **EXPULSION OF MEMBERS.**

The Board of Directors of the Corporation may, by the affirmative vote of not less than two-thirds (2/3) of the members of the Board, after proper written notice has been given by the Secretary of the Corporation, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Corporation or these By-Laws, or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by a vote of the

members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

## **SECTION 2.07**

### **CONVERSION AND TERMINATION OF MEMBERSHIP.**

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the outstanding membership shall be surrendered to and reissued by the Corporation.
- (b) When a membership is held jointly by husband and wife, 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 has been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Corporation, the certificate may be reissued to and in the name of such survivor.
- (c) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate and the membership certificate of such member shall be surrendered forthwith to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation, nor shall it result in the forfeiture of the member's rights and interest, if any, in the assets of the Corporation upon dissolution or liquidation. *(As amended September 15, 1990)*

## **SECTION 2.08**

### **PURCHASES OF SERVICES.**

Each member shall, as soon as water or gas services shall be available, purchase from the Corporation all water and gas for use on the premises referred to in the application of such member for membership, and shall pay thereafter as billed at rates which shall from time to time be fixed by resolution of the Board of Directors. Each member shall also pay all obligations which may from time to time become due and payable by such a member to the Corporation as and when the same shall become due and payable.

## **SECTION 2.09**

### **PROPERTY INTEREST OF MEMBERS.**

Upon dissolution or liquidation of the Corporation the Board of Directors shall distribute the remaining assets of the Corporation in the process of winding up its affairs which shall be applied and distributed as follows:

- (a) All liabilities and obligations of the Corporation shall be paid and discharged or adequate provision shall be made for such liabilities and obligations.
- (b) Assets held by the Corporation upon condition requiring return, transfer, or conveyance which condition occurs by reason of the dissolution shall be returned, transferred, or conveyed in accordance with such requirements.
- (c) Assets received and held by the Corporation permitting their use only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but not held upon a condition requiring return transfer or conveyance by reason of dissolution, shall be transferred or conveyed to one or more domestic or foreign corporations societies or organizations engaged in activities and having purposes substantially similar to those of the dissolving corporation pursuant to a plan of distribution adopted by the Board of Directors.

- (d) Other assets, if any, shall be distributed to present and former members of the Corporation in proportion to the business done with the Corporation, insofar as practicable. *(As amended September 15, 1990)*
- (e) Any remaining assets may be distributed to such persons societies, organization or domestic or foreign corporations, whether for profit, not for profit, or nonprofit, as may be specified in a plan of distribution adopted by the Board of Directors provided that the assets received and held by the corporations organized for charitable, religious, eleemosynary, benevolent, educational, or similar purpose, shall be transferred or conveyed to one or more domestic or foreign corporations, societies or organizations engaged in activities substantially similar to those of the dissolving corporation.

### **ARTICLE III - MEETING OF MEMBERS**

#### **SECTION 3.01**

##### **ANNUAL MEETING.**

The annual meeting shall be held between February 1 and June 30 of each year at such place in the State of Arizona served by the Corporation and at such time as shall be designated by the Board of Directors in the Notice of Meeting. The meeting will be held for the purpose of electing board members, passing upon reports covering the previous year, and transacting such other business as may come before the meeting. If the meeting shall not be held on the day designated herein, or at any adjournment thereof, the Board of Directors shall cause a special meeting of the members to be held as soon as thereafter as convenient. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

#### **SECTION 3.02**

##### **SPECIAL MEETINGS.**

Special meeting of the members may be called by at least three (3) directors, or upon a written request signed by at least ten per cent (10%) of all members, and it shall thereupon be the duty of the Secretary to cause notice at such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the State of Arizona, specified in the notice of special meeting.

#### **SECTION 3.03**

##### **NOTICE OF MEMBER'S MEETING.**

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered to each member not less than ten (10) nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

#### **SECTION 3.04**

##### **QUORUM.**

If the total number of members shall not exceed one thousand members, a quorum for the transaction of business shall be five percent (5%) of all members, who must be personally present or represented by proxy, or such lesser amount as permitted by Arizona law as the same exists or may hereafter be in effect. If the total number of members shall be more than one thousand members, a quorum for the transaction of business shall be fifty (50) members who must be personally present at such meeting or represented by proxy, or such lesser amount as permitted by Arizona law as the same exists or may hereafter be in effect. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. *(As amended April 22, 1995)*

### **SECTION 3.05**

#### **VOTING.**

Each member shall be entitled to vote the number of votes authorized upon each matter submitted to a vote by mail or at a meeting of the members. (For instance, in an election the members may be asked to vote for three candidates out of a slate of six.) In the event that the Board of Directors shall authorize the members to vote by mail upon any particular matter, the Board of Directors shall prescribe the procedure and requirements for that election or vote. 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 voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Corporation, or these By-Laws. If a husband and wife are both registered members of the Corporation with respect to an account, they shall jointly be considered to be one member for voting purposes and shall have the same number of votes as a single member on any issue. If a single member has one vote on an issue, the married couple who are both members with respect to an account shall have one vote and no more on that issue. *(As amended September 15, 1990 and March 6, 2013)*

### **SECTION 3.06**

#### **PROXY VOTING.**

Proxy voting shall not be permitted except where the desired action by law, the Articles of Incorporation or the By-Laws, requires a vote greater than a majority of a quorum as defined by the By-Laws. Proxies, where permitted, shall be filed with the Secretary before or at the time of the meeting. Each proxy, to be valid, must designate the particular meeting at which it is to be voted and it shall only be voted at such meeting or any adjournment thereof. No persons shall vote as a proxy for more than three (3) members at any meeting of the members and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of member at a meeting of the members shall revoke a proxy theretofore executed, and such member shall be entitled to vote at such meeting in the same manner with the same effect as if he had not executed a proxy.

### **SECTION 3.07**

#### **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:

1. Determination of quorum.
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. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereof.
4. Presentation and consideration of, acting upon, reports of officers, directors, and committees.
5. Unfinished business.
6. New business.
7. Adjournment.

## **ARTICLE IV - DIRECTORS**

### **SECTION 4.01**

#### **GENERAL POWERS.**

The business and affairs of the Corporation shall be managed by a board of nine (9) directors, which shall exercise all the powers of the Corporation except such as are by law or the Articles of Incorporation of the Corporation, or by these By-Laws conferred upon or reserved to the members.

**SECTION 4.02  
QUALIFICATIONS.**

No person shall be eligible to become or remain a director of the Corporation who:

- (a) Is not a living natural person and is not (i) the representative of the Class A member, or (ii) a Class B member, or (iii) the nominee of a Class B member if the Class B member is a small (net worth of \$10,000,000.00 or less) closely-held corporation with two or less stockholders or a small (net worth of \$10,000,000.00 or less) partnership consisting of four or less partners.
- (b) Is in any way employed by or financially interested in (i) an entity or enterprise that competes with the Corporation in the sale of natural gas or water, or (ii) an entity or enterprise that competes with Graham County Electric Cooperative in the sale of electrical energy, or (iii) an entity or enterprise selling natural gas or water to the Corporation, or (iv) an entity or enterprise primarily engaged in the sale of natural gas or plumbing appliances, fixtures or supplies to the members of the Corporation.
- (c) Is a former employee of the Corporation or Graham County Electric Cooperative, Inc. who was terminated by that entity for cause.
- (d) Was employed by the Corporation or Graham County Electric Cooperative, Inc. within five years prior to the election.

Upon the establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office. However, nothing contained in this section shall affect in any manner the validity of any action taken while a “disqualified” person was serving as a member of the Board of Directors. *(As amended April 22, 1995 and December 2, 1999 and March 6, 2013)*

**SECTION 4.03  
TENURE OF OFFICE.**

The persons constituting the initial Board of Directors designated in the Articles of Incorporation shall hold office until the first annual election of directors at the annual meeting in 1990, and will serve until their successors have been elected and shall have qualified. Nine (9) directors shall be elected at the 1990 annual meeting, three of whom will serve a one-year term, three for a two-year term, and three for a three-year term. The nine directors thus elected shall select, by such method as they see fit to adopt, which of them shall serve the one, two, and three-year terms. In each succeeding year thereafter, only three directors shall be elected to fill the existing vacancies and to serve for a three-year term, and they shall be selected from the membership. The *Class C* members shall not be represented by a director, except that the Board of Directors may appoint a *Class C* member as an ex-officio member to the Board with no voting rights. The tenure of this office shall be at the discretion of the Board.

**SECTION 4.04  
VACANCIES.**

Vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors of the unexpired portion of the term. The director elected to fill the vacancy must have met the qualifications of Section 4.02 of this Article.

**SECTION 4.05  
COMPENSATION.**

Directors shall not receive salaries for their services as directors, but, by resolution of the Board of Directors, a fixed fee and expenses of attendance, if any, may be allowed for attendance at meetings on corporate business. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless (i) the payment is a result of a competitive bid process in which the director involved did not participate in the drafting of the bid request or in the bid approval process; or (ii) service by the director or his or her close relative is a result of a situation that is certified by the Board of Directors to have been an emergency measure, or (iii) the hiring of the relative as an employee is approved by the Board of Directors and the position is not as General Manager or Finance Manager. *(As amended September 4, 2013)*

#### **SECTION 4.06**

##### **RULES AND REGULATIONS.**

Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Corporation, or these By-Laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Corporation.

#### **SECTION 4.07**

##### **ACCOUNTING SYSTEM AND REPORTS.**

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, shall be subject to and form to applicable laws, rules and regulations of any regulatory body. The Board of Directors shall also each year cause to be made a full and complete audit of accounts, books and financial condition of the Corporation as of the end of each audit year. Such reports shall be submitted to the members at the following annual meeting. The annual audit shall be performed by a Certified Public Accountant.

#### **SECTION 4.08**

##### **OPERATING AND MANAGEMENT AGREEMENT.**

The Board of Directors shall have the authority to enter into an operating and management agreement with another person and/or company, that can provide the required services more economically and efficiently than the Corporation can perform such services; which shall include, but not be limited to; administration, consumer accounting, construction, and operation and maintenance services.

#### **SECTION 4.09**

##### **NOMINATIONS OF DIRECTORS.**

- (a) Nominations. All persons who desire to serve on the Corporation's Board of Directors must satisfy the qualifications of section 4.02, above, and be nominated by petition, in writing, containing the signatures of at least twenty-five (25) current members who are listed as members on the records of the Corporation. Nominating petitions will be available 60 days prior to the annual meeting of the Corporation and must be obtained in person from the Office Manager, the Finance Manager, or the General Manager of the Corporation by the candidate desiring to run for a position on the board. *(As amended March 6, 2013)*
- (b) At the time the candidate asks for and receives the nominating petition, the candidate must read and sign the Code of Ethics for Candidates for the Board of Directors. Any Candidate caught violating these policies, directly or through his or her employees or agents, shall be disqualified as a Candidate for the Board of Directors. All ballots tainted by violations of this policy will be disqualified. If the violation of these policies is brought to the attention of the Board of Directors after the Candidate is elected, the Board shall have the right to remove that Candidate from the Board. *(As amended March 6, 2013)*
- (c) Nominating petitions must be filed with the Secretary of the Corporation not less than thirty-five (35) days prior to the annual meeting of the members. No member may sign the nominating petition of more than three candidates. *(As amended March 6, 2013)*

**SECTION 4.10**

**TIE VOTE.**

The method for determining the winner of an election for the Board of Directors, in the event of a tie vote by the members, shall be by drawing the winner by lot, using a normal deck of playing cards and each of the two candidates getting the tie votes, drawing a card from the deck of cards. The high card drawn shall be declared the winner of the election. Aces are considered to be the highest card. *(As amended October 6, 2010)*

**ARTICLE V - MEETING OF DIRECTORS**

**SECTION 5.01**

**REGULAR MEETING.**

A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in Graham County, Arizona, 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.

**SECTION 5.02**

**SPECIAL MEETINGS.**

Special meetings of the Board of Directors may be called by the President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place (which shall be in Graham County, Arizona), for the holding of the meeting.

**SECTION 5.03**

**NOTICE.**

Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than three days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

**SECTION 5.04**

**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.

**SECTION 5.05**

**MANNER OF ACTING.**

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

**ARTICLE VI - OFFICERS**

**SECTION 6.01**

**NUMBERS.**

The officers of the Cooperative shall be a President, Vice-President, and Secretary, and such other officers as may be determined to be necessary or desirable by the Board of Directors from time to time. The Vice-President and the Secretary may hold additional offices such as Treasurer if the Board decides that it is desirable. *(As amended September 4, 2013)*



## **SECTION 6.02**

### **ELECTION AND TERM OF OFFICE.**

The officers shall be elected annually at the first meeting of the Board of Directors that occurs after the annual meeting of the members of the Cooperative. The officers shall be nominated by secret ballot by the members of the Board of Directors. After a slate of candidates is nominated, the members of the Board of Directors shall vote for the officer by secret ballot. The winning candidate must receive a majority of the votes. If one candidate does not receive a majority after the first ballot, the members of the Board of Directors shall vote again for the candidates who received the two highest totals. The President shall be nominated and elected first. Then the Vice-President shall be nominated and elected. Then the Secretary shall be elected. Finally, any other officers that the Board of Directors chooses to elect shall be nominated and elected. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members of the Cooperative or until his or her successor shall have been elected and shall have agreed to serve. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term. *(As amended September 4, 2013)*

## **SECTION 6.03**

### **REMOVAL OF OFFICERS AND AGENTS BY DIRECTORS.**

Any office 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 Corporation will be served thereby.

## **SECTION 6.04**

### **PRESIDENT.**

The President shall:

- (a) Be the principal executive officer of the Corporation and, unless otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- (b) Sign, personally or by the use of facsimile signature, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members, and may sign 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 By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and;
- (c) In general, 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 6.05**

### **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. The Vice-President shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.

## **SECTION 6.06**

### **SECRETARY.**

The Secretary with the help of the management of the Cooperative shall:

- (a) Keep the minutes of the meetings of the members and of 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 By-Laws or as required by law;
- (c) See to the safekeeping of all corporate records and of the seal of the Corporation and affix the seal of the Corporation to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws;
- (d) Keep a register of the names and post office addresses of all members;
- (e) Sign personally or by use of facsimile signature, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members;
- (f) Have general charge of the books of the Corporation;
- (g) Keep on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Corporation containing all amendments thereto, which copy shall always be open to inspection of any member, and at the expense of the Corporation, forward a copy of the By-Laws 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.

#### **SECTION 6.07**

##### **MANAGER.**

The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Corporation. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

#### **SECTION 6.08**

##### **BONDS OF OFFICERS.**

Any officer, employee, or agent of the Corporation charged with the responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall, from time to time, determine. *(As amended September 4, 2013)*

#### **SECTION 6.09**

##### **POWERS, DUTIES AND COMPENSATION.**

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors.

#### **SECTION 6.10**

##### **REPORTS.**

The officers of the Corporation shall submit at each annual meeting of the members, reports covering the business of the Corporation for the previous audit-year. Such reports shall set forth the condition of the Corporation at the close of such audit year.

### **ARTICLE VII - NON-PROFIT OPERATION**

#### **SECTION 7.01**

##### **NON-PROFIT CORPORATION.**

The Corporation shall not be for profit or pecuniary gain and shall have no capital stock or shares. Notwithstanding any other provisions of the Articles of Incorporation, the Corporation shall not carry on any activities not permitted to be carried on by a Corporation exempt from Federal income tax under Section 501 (C) (12) of the Internal Revenue Code of 1986, as amended.

## **SECTION 7.02**

### **APPORTIONMENT OF REVENUES.**

The Board of Directors shall apportion the revenues of the Corporation for any fiscal year for following purposes in the order named:

1. To pay or provide for expenses of operation and maintenance of its facilities during such fiscal year;
2. To provide a reasonable reserve for working capital;
3. To pay or provide for the payment of interest due in such fiscal year;
4. To pay or provide for the payment of principal obligations due in such fiscal year;
5. To provide a reserve for the payment of indebtedness of the Corporation in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following year;
6. To finance or to provide a reserve for the financing of the construction or acquisition by the Corporation of additional facilities to the extent determined by the Board of Directors, and;
7. To provide a reserve for contingencies or emergencies in an amount and to the extent deemed necessary by the Board of Directors.

Nothing herein contained shall be construed to prohibit the payment by the Corporation of all or any part of its indebtedness prior to the date the same shall become due.

## **SECTION 7.03**

### **PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING SERVICES.**

In the furnishing of services, the Corporation's operations shall be conducted so that all patrons will, through their patronage, furnish capital for the Corporation. Once all prior years' losses have been recovered all such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the patrons as capital and will be allocated in accordance with the patronage of the Corporation by the respective members paid during such fiscal year. The Board of Directors may, however, exclude from participation any member served under individual contract designed to deliver services at wholesale or for resale. *(As amended February 4, 1999)*

## **SECTION 7.04**

### **INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.**

The Corporation shall at all times be operated on a cooperative, non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons. *(As amended February 4, 1999)*

## **SECTION 7.05**

### **PATRONAGE REFUNDS TO MEMBERS.**

Any capital derived from member patrons remaining after apportionment and subject to the conditions as set forth in Sections 7.02 and 7.03 of this Article may be distributed by the Corporation to its members as patronage refunds to the extent the Board, in its sole discretion, determines such refunds will not impair the Corporation's financial condition. Any refunds declared and not claimed by individual consumers within a period of two (2) years from the date of the refund shall automatically revert to the general fund of the Corporation. *(As amended February 4, 1999)*

## **ARTICLE VIII - DISPOSITION OF PROPERTY**

The Corporation may not sell, mortgage, lease or otherwise dispose or encumber any of its property other than:

- (a) property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Corporation's system and facilities: provided, however that all sales of such property shall not in any one (1) year exceed in value ten percent (10%) of the value of all of the property of the Corporation;
- (b) services of all kinds, including water and gas;
- (c) personal property acquired for resale;

Provided that such sale, mortgage, lease or other disposition or encumbrance may be made if it is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members shall have full power and authority to borrow money from the National Rural Utilities Cooperative Finance Corporation Bank for Cooperatives, any national or state banking association, the United States of America, or any agency or instrumentality thereof, and in connection with such borrowing to authorize the making and issuance of bonds, notes, guarantees, 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 corporation, whether acquired or to be acquired, wherever situated, all upon such terms and conditions as the Board of Directors shall determine.

## **ARTICLE IX - SEAL**

The Corporate seal of the Corporation shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, 1989, Arizona".

## **ARTICLE X - FINANCIAL TRANSACTIONS**

### **SECTION 10.01**

#### **CONTRACTS.**

Except as otherwise provided in these By-Laws, 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 Corporation, and such authority may be general or confined to specific instances.

### **SECTION 10.02**

#### **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 Corporation shall be signed by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

### **SECTION 10.03**

#### **DEPOSITS.**

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

### **SECTION 10.04**

#### **DEBT LIMIT.**

The authorized debt limit of the Corporation shall be the sum of twenty-five Million (\$25,000,000) Dollars.

**SECTION 10.05**

**FISCAL YEAR**

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

**ARTICLE XI - MISCELLANEOUS**

**SECTION 11.01**

**MEMBERSHIP IN OTHER ORGANIZATIONS.**

The Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Corporation may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation organized on a non-profit basis for the purpose of engaging in or furthering the cause of this Corporation and rural development.

**SECTION 11.02**

**WAIVER OF NOTICE.**

Any member or director may waive in writing any notice of a meeting required to be given by these By-Laws.

**ARTICLE XII - AMENDMENTS**

**SECTION 12.01**

**AMENDMENTS.**

As provided in the Articles of Incorporation, the original By-Laws of the Corporation shall be adopted by its Board of Directors. The power to alter, amend or repeal the By-Laws or adopt new By-Laws, shall be vested in the Board of Directors.