

BYLAWS of DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.

As amended April 27, 2015

ARTICLE I MEMBERSHIP

SECTION 1. - Requirements for Membership.

Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Duncan Valley Electric Cooperative, Inc., (hereinafter called the "Cooperative") by:

- (a) Making a written application for membership therein;
- (b) Agreeing to purchase from the Cooperative energy distribution or other services;
- (c) Agreeing to comply with and be bound by the Articles of Incorporation, bylaws of the Cooperative and rules, regulations, rate schedules, policies and terms and conditions of service adopted by the board of directors; and
- (d) No person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he/she or it has been accepted for membership by the board of directors or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

At each meeting of the members all applications received more than ninety days prior to such meeting which have not been accepted or which have been rejected by the board of directors shall be submitted by the Secretary to such meeting and, subject to compliance by the applicant with the requirements herein above set forth, any such application may be accepted by vote of the members. The Secretary shall give each applicant at least ten days written notice of the date of the member's meeting to which his/her application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

SECTION 2. - Joint Membership.

Two or more persons may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include two or more persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of one or all jointly shall be regarded as the presence of one member and shall have the effect of constituting a joint waiver of notice of the meeting;
- (b) The vote of one separately or all jointly shall constitute one joint vote;
- (c) A waiver of notice signed by one or all shall constitute a joint waiver;
- (d) Notice to one shall constitute notice to all;
- (e) Expulsion of one shall terminate the joint membership;
- (f) Withdrawal of one shall terminate the joint membership;
- (g) One, but not all may be elected or appointed as an officer or director, provided that all meet the qualifications for such office.

SECTION 3. - Conversion of membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and the additional persons to comply with the articles of incorporation, bylaws and rules and regulations adopted by the board of directors.
- (b) Upon the death of any one person who is a party to a joint membership, such membership shall be held solely by the survivor (s); provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

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SECTION 4. - Purchase of Energy Distribution and Other Services.

Each member shall, purchase from the Cooperative energy distribution and other services used on the premises specified in his/her application for membership, and shall pay therefore at rates and receive such services upon such terms and conditions which shall from time to time be fixed by the board of directors; provided, however, that the board of directors may limit the amount of energy distribution or other services which the Cooperative shall be required to furnish to any one member. It is expressly understood that the amounts paid for energy distribution and other services in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay all amounts owed by him/her to the Cooperative as and when the same shall become due and payable.

SECTION 5. - Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board of directors may prescribe. The board of directors of the Cooperative may, by the affirmative vote of not less than two thirds of all the directors, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board of directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by a vote of the board of directors or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him/her, has not purchased energy distribution or other services from the Cooperative, or a member who has ceased to purchase energy distribution or other services from the Cooperative, shall be canceled.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. - Property interest of members.

Upon dissolution, after:

- (a) All debts and liabilities of the Cooperative shall have been paid; and
- (b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in proportion to which the aggregate patronage of each bears to the total patronage of all members during the seven years next preceding the date of the filing of the certificate of dissolution.

SECTION 2. - Non-liability for debts of the Cooperative.

The private property of the members shall be exempt from execution or other liability for any debts or liabilities of the Cooperative.

ARTICLE III

MEETING OF MEMBERS

SECTION 1. - Annual Meeting.

The Annual Meeting of the members shall be held during the months of March or April of each year at such place within the area served by the Cooperative, as selected by the board and which shall be designated in the

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notice of the meeting, for the purpose of announcing board members and other election results, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. - Special meetings.

Special meetings of the members may be called by resolution of the board of directors, or upon a written request signed by any three directors, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Such meetings of the members may be held at any place specified in the notice of the special meeting.

SECTION 3. - Notice of Member's meetings.

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, 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 4. - Quorum.

A quorum for the transaction of business at all meetings of the members when the total number of members does not exceed one thousand members shall be five per cent of all members present in person or by ballot, and when the total numbers of members exceeds one thousand members, shall be fifty members present in person or by ballot. 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. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. - Voting.

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members or by mail. 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 or these bylaws.

SECTION 6. - Vote By Mail.

Members shall vote by mail upon any motion or resolution pertaining to a change, modification or amendment to the bylaws of the Cooperative or any other matter as may be referred to the members by the board. The Secretary shall enclose with the notice of such meeting an exact copy of the motion or resolution to be acted upon and the members shall vote on the ballot provided and return it to the Secretary. The failure of any member to receive a copy of any such motion or resolution shall not invalidate any action which shall result from the vote. Such vote shall be in the hands of the Secretary not later than 5:00 p.m. on the day preceding the meeting in order to be counted. An Election Committee and the time and place of their meeting for this purpose shall be established by the Board of Directors. Voting for the election of directors shall be by official mail ballot as provided elsewhere in these bylaws.

SECTION 7. - 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:

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1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. Report of Election Committees on directors' election and other matters, if any.
6. Unfinished business.
7. New business.

ARTICLE IV DIRECTORS

SECTION 1. - General Powers.

The business and affairs of the Cooperative shall be managed by a board of no more than nine (9) directors which shall exercise all of the powers of the Cooperative except as are by law, the Articles of Incorporation or these bylaws conferred upon or reserved to the members.

SECTION 2. - Tenure of Office.

Except for filling vacancies, each director shall be elected for a full three (3) year term. To provide continuity on the board, no more than three (3) directors shall be elected at each annual meeting and no more than one (1) director from each district shall be elected.

Except for filling vacancies, each director shall be elected in conjunction with the annual meeting by and from the members of the district he/she will represent and will serve until the annual meeting at the conclusion of his/her third year in office, or until his/her successor shall have been elected and qualified.

SECTION 3. - Districts.

The territory served or to be served by the Cooperative shall be divided into no more than three (3) districts, which are described as follows:

DISTRICT NO. 1 - ARIZONA

All certified area of Duncan Valley Electric Cooperative, Inc., in Greenlee County, Arizona, north of Apache Creek and Walnut Canyon shall be designated District No. 1.

DISTRICT NO. 2 - ARIZONA

The remaining certified area in Greenlee County, Arizona, south of Apache Creek and Walnut Canyon shall be designated as District No. 2.

DISTRICT NO. 3 - NEW MEXICO

All certified area of Duncan Valley Electric Cooperative, Inc., located in the State of New Mexico shall be designated District No. 3.

The district designated Number One (1) shall have no more than three (3) Directors; District Number Two (2) shall have no more than three (3) Directors; and District Number Three (3) shall have no more than three (3) Directors.

Not less than sixty (60) days before any meeting of the members at which directors are to be elected, the board shall review the composition of the several districts and, if it should find inequalities in representation which could be corrected by a re-delineation of districts or an adjustment in the number of directors from each district, the board shall reconstitute the districts and/or alter the number of directors accordingly.

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SECTION 4. - Qualifications.

No person shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who:

- (a) Is not a member and bona fide resident of the district he/she represents in the area served or to be served by the Cooperative.
- (b) Is in any way employed or financially interested in a competing enterprise or business.
- (c) A member who becomes a director of DVEC must complete an NRECA (National Rural Electric Cooperative Association) approved director education program before the end of their first full elected term.

Upon 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.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 5. - Nomination and Election of Directors.

An election by mail ballot shall be held in each voting district in which a director is to be elected for the purpose of electing the Director in conjunction with the Annual Meeting.

Persons may be nominated by petition, in writing, containing the signatures of at least fifteen (15) members from such district. The nominating petitions must be filed with the Secretary of the Board of Directors not less than twenty five (25) days prior to the annual meeting. No member may sign a petition of more than one person seeking to be nominated by petition. Candidates must be members residing in the district and must possess the qualifications for directors specified in Section 4 of this Article.

The Cooperative, by direction of the Secretary of the Board of Directors, shall cause to be printed separate ballots for each district. Said ballot shall contain the names of all persons duly qualified and nominated by petition, as here in above provided. In addition, there shall be a blank line on the ballot to allow voting members to write in the name of another qualified member whose name is not printed on the ballot and to vote for that member. In the event that no person is nominated in a district, a write-in candidate must receive at least fifteen (15) votes to be elected.

Voting shall be by mail on the official printed ballot. Natural members shall vote only in the district in which they reside. Corporate or entity members shall vote only in districts which they have designated when becoming members. Each member shall be entitled to one vote.

The blank ballots must be mailed with the notice of the annual meeting. Members' marked ballots must be in the hands of the Secretary of the Board of Directors by 5:00 p.m. on the date preceding the annual meeting to be valid and counted. The counting of ballots, by districts, on the day preceding the annual meeting shall be the responsibility of an Election Committee consisting of a chairman and at least two (2) members who shall be appointed by the Board of Directors.

The election results of each district shall be officially canvassed by the Board of Directors at a special meeting held before the annual meeting with the results being reported to and made a part of the minutes of such annual meeting.

A candidate receiving the highest number of votes shall be declared the officially elected director of the district and the declaration shall be conclusive as to the election of the director. Should two or more candidates tie, the tie shall be resolved by the drawing of lots supervised by the Election Committee.

Failure to comply with any provisions of this section shall not affect the validity of the election of any director. The director elected shall take office and assume the duties and responsibilities thereof at the first meeting of the board, whether special or regular, after the annual membership meeting.

Should there be no election of a director from a district by virtue of a failure of any candidate to be nominated or a failure of a write-in candidate to receive at least fifteen (15) write-in votes, the incumbent director from that district shall be declared re-elected for a full term and may serve notwithstanding the provisions of Section 4(c) of this article.

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Should a director move his/her place of residence or change his/her domicile from his/her voting district, resign, die or be otherwise incapable of acting or miss three (3) consecutive board meetings without due cause, a vacancy in his/her office shall be declared by the board and a member from the district to fill the unexpired term shall be elected per provisions of Article IV. Section 7. Vacancies.

SECTION 6. - Removal of Directors by Members.

Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal shall be filled by a mail vote of the members of the district represented by the removed director pursuant to nomination election procedures established by the Bylaws for that purpose.

SECTION 7. - Vacancies.

Subject to the provisions of these bylaws with respect to filling vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by election at the next annual meeting subject to ARTICLE IV. SECTION 5. - Nomination and Election of Directors, for the unexpired portion of the term.

SECTION 8. - Compensation.

Directors shall not receive any salary for their services as directors, except that by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors or while on Cooperative business, for attendance at meetings, conferences, and training programs when authorized by the board. 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 the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by such director or close relative shall have been certified by the Board of Directors as an emergency measure.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 1. - Regular Meeting.

A regular meeting of the Board of Directors shall be held without notice, immediately before, 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 as the Board of Directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. - Special Meeting.

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 for the holding of the meeting.

SECTION 3. - Notice of Directors Meeting.

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 five (5) days previous thereto either personally or by mail 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

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addressed to the director at his/her address as it appears on the records of the Cooperative, with postage prepaid.

SECTION 4. - Quorum.

A majority of the Board of Directors shall constitute a quorum; provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. 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 VI OFFICERS

SECTION 1. - Number.

The officers of the Cooperative shall be a President, Vice-President, Secretary-Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The Offices of the Secretary and of the 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 meeting of the Board of Directors held immediately after the annual meeting of the members. If 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/her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

SECTION 3. - Removal of Officers and Agents by Directors.

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 interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten (10) per centum of the members may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges, and the person or persons bringing charges against him/her shall have the same opportunity. In the event the board does not remove such officer, the question of his/her removal shall be considered and voted upon at the next regular meeting of the members.

SECTION 4. - President.

The President shall:

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- (b) 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 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, 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.

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SECTION 5. - Vice-President.

In the absence of the President, or in the event of his/her inability 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 from time to time as may be assigned to him/her by the Board of Directors.

SECTION 6. - Secretary-Treasurer.

The Secretary-Treasurer shall:

- (a) Keep the minutes of the meetings 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 names and post office addresses of all members;
- (e) Have general charge of the books of the Cooperative;
- (f) Keep on file at all times a complete copy of the Articles of Incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to inspection of any member);
- (g) In general, perform all duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned to him/her by the Board of Directors;
- (h) Have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (i) Be responsible for the receipt of and the issuance for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (j) In general, perform all duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned to him/her by the Board of Directors.

SECTION 7. – Chief Executive Officer.

The Board of Directors may appoint a Chief Executive Officer who may be, but who shall not be required to be, a member of the Cooperative. The Chief Executive Officer shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him/her.

SECTION 8. - Bonds of Officers.

The Treasurer and any other officer or agent of the Cooperative charged with 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 determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 9. - Compensation.

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these bylaws with respect to compensation for directors and close relatives of directors.

SECTION 10. - 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. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

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ARTICLE VII NON-PROFIT OPERATION

SECTION 1. - Interest or Dividends on Capital Prohibited.

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

SECTION 2. - Patronage Capital in Connection With Furnishing Energy Distribution and Other Services.

In furnishing of energy distribution and other services, hereinafter referred to as "cooperative services", the Cooperative's operation shall be so conducted that all patrons 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 patrons for all amounts received and receivable from and directly related to the furnishing of cooperative services in excess of operating costs and expenses properly chargeable against the furnishing of services, hereinafter referred to as "margins". All such margins at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such margins. 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to his/her account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital. Provided further, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric or other services to the Cooperative. Such rules shall:

- (a) Establish a method for determining the power supply or other portion of capital credited to each patron for each applicable year.
- (b) Provide for separate identification on the Cooperative's books of the power supply or other portion of capital credited to the Cooperative's patrons.
- (c) Provide for appropriate notifications to patrons with respect to the power supply or other portion of capital credited to their accounts and
- (d) Preclude a general retirement of the power supply or other portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

If the costs and expenses exceed the amounts received and receivable from and directly related to the furnishing of cooperative services, hereinafter referred to as "loss", then the Board shall have the authority under accepted accounting practices and applicable tax law to prescribe the manner in which such loss shall be handled, including but not limited to, the carrying forward of the loss to offset future margins from the furnishing of cooperative services.

All other amounts received by the Cooperative other than from and directly related to the furnishing of cooperative services in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) Used to offset any losses incurred during the current or any prior fiscal year as may be determined elsewhere pursuant to other provisions of this Article VII,
- (b) Used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and
- (c) To the extent not needed for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of capital credited to the accounts of patrons as herein provided.

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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 right of members. If, at any time prior to 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 patron's accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. This shall apply to all capital credits, past, present or future.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor or as may be otherwise provided for in these bylaws.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, who if the legal representatives of his/her estate shall request in writing that the capital credited to any such patron be retired prior to the time capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

In the event of the death of a party to a joint membership, retirement of capital credits shall be made to the surviving joint tenant. The surviving party to a joint membership shall notify the Cooperative of the death of a party to a joint membership within a reasonable time.

Provided further all persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing address in order that the Cooperative may retire credits and refund deposits and any other amounts to such persons in accordance with the bylaws.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and patrons are bound by such contract, as fully as though each patron 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 patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 3. - Unclaimed Capital Credits.

If a check representing any such retirement or refund shall be mailed to any such person to his/her last known address as shown in the records of the Cooperative and shall be returned unclaimed to the Cooperative and remain unclaimed for one year and eleven months, or if any such check shall remain uncashed, and no claim therefore shall be made by such person for a period of one year and eleven months after the issuance thereof, it is agreed that such person shall thereafter have no right, title or interest in and to any capital credits, deposits or other amounts credited to him/her on the books of the Cooperative and all right, title and interest therein shall be deemed to be assigned to and become the property of the Cooperative.

Unclaimed capital credits may be used by the Cooperative in its research, youth, and educational programs which will be governed by a policy of the Cooperative's Board of Directors.

ARTICLE VIII DISPOSITION OF PROPERTY AND AUTHORIZATION OF COOPERATIVE FINANCING

Unless otherwise permitted by Arizona law as the same exists or may hereafter be in effect, the Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all members of the Cooperative, provided, however, that notwithstanding anything herein contained, the Board of Directors of the Cooperative, without authorization by members thereof, shall have full power and authority to authorize the execution and

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delivery of a mortgage or mortgages or 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, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to any person, association or corporation licensed, chartered or regulated by the United States, a state or any department or agency of either, including without limitation the National Rural Utilities Cooperative Finance Corporation; provided further that the Board of Directors may upon authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative doing business in the state pursuant to the Act under which this Cooperative is incorporated or to the holder or holders of any notes, bonds or other evidences of indebtedness issued to the United States of America or any agency or instrumentality thereof.

ARTICLE IX

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 "Incorporated 1947".

ARTICLE X

FINANCIAL TRANSACTIONS

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, 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.

SECTION 4. - Change in Rates.

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. - Debt Limit.

The authorized debt limit of the Cooperative shall be the sum of Twenty Five Million (\$25,000,000.00) Dollars.

SECTION 6. - Fiscal Year.

The fiscal year of the Cooperative 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.

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ARTICLE XI MISCELLANEOUS

SECTION 1. - Membership in Other Organizations.

The Cooperative 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, the Cooperative may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

SECTION 2. - Waiver of Notice.

Any member or director may waive in writing any notice of a meeting required to be given by these bylaws, either before or after such meeting. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3. - 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 or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. - Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and 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 Utility Service of the United States of America. The Board of Directors shall also, after close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

ARTICLE XII AMENDMENTS

- (a) These bylaws may be altered, amended or repealed by the members at any regular or special meeting provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or appeal.
- (b) The members of the Cooperative may request an amendment to these bylaws by presenting a petition to the Board of Directors signed by at least five (5) percent of the total membership with the proposed amendment attached to the petition. The petition must be submitted a minimum of thirty (30) days before the Annual Meeting of the members so that the requested amendment can be placed in the official notice of the Annual Meeting. The Board of Directors is authorized to adopt policies to implement this provision.