



**BYLAWS**  
***Containing all amendments through April 24, 2014***

The mission of Sulphur Springs Valley Electric Cooperative is to provide an adequate, reliable supply of electric energy and other retail or wholesale services or products to its members, keeping the cost of electric energy as low as possible, considering the economy and economic restraints by which the Cooperative must operate; assure effective, responsive management; promote Cooperative principles among its membership; assist members in the efficient uses of energy; and to help in the economic development of the area served by the Cooperative.

**ARTICLE I**  
**MEMBERSHIP**

**SECTION 1.01. *Eligibility.***

Any natural person, firm, association, corporation, business trust, partnership, limited liability company, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as “person” or “applicant”) shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by that person, to receive electric service, or purchase electric energy, or any other service, product, commodity, equipment, or facility, or other retail or wholesale services from, Sulphur Springs Valley Electric Cooperative, Inc. (hereinafter called the “Cooperative”).

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. Membership shall be deemed to be held jointly by husband and wife unless the Cooperative is advised in writing to the contrary by either of the parties.

**SECTION 1.02. *Application for Membership; Renewal of Prior Application.***

Application for membership, wherein the applicant shall agree to purchase one or any of the following: distribution service, transmission service, any unbundled electric service offering, electric power and energy or other retail or wholesale services or products from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative’s Articles of Incorporation and Bylaws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called “membership obligations”), shall be made in the form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative. An applicant automatically becomes a member of the

Cooperative effective the date the applicant begins using, receiving, or purchasing a Cooperative service or product, unless membership is declined in writing within 30 days of said usage. In any event the applicant must agree to be bound by this section and these bylaws.

Any former member of the Cooperative may, by the act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Arizona legal rate on judgments in effect when such account first became overdue, together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative, renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

Membership lists, including names and addresses are confidential and shall be released only for proper purposes as set forth in Board policy.

***SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction.***

The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative, shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative together with a service security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative, shall be paid by the member for each additional service connection requested.

***SECTION 1.04. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts.***

The Cooperative shall use reasonably diligent efforts to furnish its electric distribution members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof. Each electric distribution member, for so long as such premises are owned or directly occupied or used by the member shall purchase from the Cooperative distribution wire service, and may purchase other retail or wholesale services or products, which has been furnished by the Cooperative pursuant to that membership, and shall pay therefor at the times, and in accordance with the rules, regulations and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02.

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. Each member shall pay all amounts owed to the Cooperative when they become due and payable. The Cooperative may pass on any collection fees over and above the consumer's actual billed charges to the consumer.

**SECTION 1.05. *Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.***

Each member shall cause all premises receiving electric service to become and to remain wired in accordance with the specifications of the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source, for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times.

As part of the consideration for such service, each member shall be the Cooperative's custodian/bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use their best efforts to prevent others from so doing. Each member shall also provide such protective devices to their premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

**SECTION 1.06. *Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs.***

Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement of right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric or other service to the member or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric or other facilities. Each member shall participate in any program approved by the Arizona Corporation Commission that may be established by the Cooperative to enhance load shedding, load management, or to more efficiently utilize or conserve electric energy or to conduct any load research.

**SECTION 1.07. *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 1.08. *Classes of Membership.***

- (a) Class A Membership: Class A Members agree to purchase energy and distribution wire services from the Cooperative.
- (b) Class B Membership: Class B Members are all other members who purchase at least one retail or wholesale service or product from the Cooperative through a special contract and/or do not qualify as a Class A Member.
- (c) No member shall be a member of more than one (1) member class.

**SECTION 1.09. *SSVEC Publication.***

The Cooperative, through action of its Board of Directors, is authorized in the name and behalf of each member of the Cooperative to voluntarily subscribe to the official publication of the Cooperative. The expense of such voluntary subscriptions for all members, at such rate as the Board of Directors may from time to time establish, and which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative. All members shall receive the official publication of the Cooperative, unless they waive their right, in writing or electronically by email to receive the official publication.

**ARTICLE II  
MEMBERSHIP EXPULSION AND TERMINATION**

**SECTION 2.01. *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 of the Board of Directors, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or of these Bylaws, 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 majority 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 2.02. *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 upon compliance with such terms and conditions as the Board of Directors may prescribe or as prescribed within these bylaws.

**SECTION 2.03. *Transfer and Termination of Membership.***

(a) Membership in the Cooperative shall not be transferable except as hereinafter provided; and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership on such member shall thereupon terminate. Termination of membership in any manner shall operate as a release of all right, title and interest of the member in the property and assets of the corporation without, however, impairing the member's rights to accrued margin credits and

provided, further, that such termination of membership shall not release the member from any of the debts and liabilities of such member to the corporation.

(b) Upon the death of either spouse of a joint membership, such a membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall cease and new or separate memberships will be opened for each member. Both individuals, in such instance, shall continue to be liable for the debts due the cooperative.

(c) Except as provided in Section 2.03(b), the death of a natural person shall automatically terminate the membership of that person. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership or LLC, or upon the death, withdrawal or addition of any individual partner or member, such membership shall continue to be held by such remaining and/or new partner, partners or members as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners or members: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

### **ARTICLE III MEETINGS OF MEMBERS**

#### **SECTION 3.01. *Annual Meeting.***

The annual meeting of the members shall be held between April 1 and June 30 of each year at such place in the State of Arizona served by the Cooperative 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 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 thereafter as convenient. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative. Unless otherwise provided in these Bylaws, any action required or permitted to be taken or approved by members may not be approved or taken without an annual member meeting or special member meeting.

#### **SECTION 3.02. *Special Meetings.***

A special meeting of the members may be called by the Board of Directors, by the President, by any three (3) directors, or by petition signed by not less than ten (10%) percent of all members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the certified electric distribution territory of SSVEC as designated by the Arizona Corporation Commission, specified in the notice of special meeting.



### **SECTION 3.03. *Notice of Member Meetings.***

Written notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than ten (10) days nor more than forty-five (45) days prior to the date of the meeting, either personally or by U.S. mail or by electronic means, by or at the direction of the President or the Secretary, or by the persons calling the meeting. No matter or issue requiring an affirmative vote of at least a majority of all the Cooperative's members shall be acted upon at any meeting of the members unless notice of such matter or issue shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon prepaid. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the member at the member's address or electronic address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting. The record date for determining the total membership and the members entitled to notice of, or to vote at, a member meeting is the close of business on three business days prior to the day the Cooperative notifies members of the member meeting.

### **SECTION 3.04. *Quorum.***

No meeting of members shall transact business unless at least one hundred (100) members entitled to vote thereat are present in person or have voted by U.S. mail or electronic means, except that the majority of those members present may adjourn the meeting from time to time without further notice.

### **SECTION 3.05. *Voting.***

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote by mail, or electronically or at a meeting of the members. Proxy voting shall not be allowed. 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 Cooperative, or these Bylaws. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote by mail or at a meeting of the members.

### **SECTION 3.06. *Mail or Electronic Voting.***

Members shall vote by U.S. mail or approved electronic means upon any motion or resolution pertaining to a change, modification or amendment of the Bylaws of the Cooperative. The Secretary shall enclose with the notice of such meeting an exact copy of the motion or resolution to be acted upon and the member 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 shall not invalidate any action which shall result from the vote. Such vote shall be in the hands of the Secretary not later than the published time of the commencement of the credentials and election committee meeting in order to be counted. The credentials and election committee, comprised of three (3) to five (5) members and the time and place of their meeting for this purpose, shall be established by the Board of Directors. The credentials and election committee shall tabulate the member votes and shall consider and decide all questions, issues or disputes regarding the election. The credentials and election committee decision is final.

Voting for the election of Directors shall be by official U.S. mail or electronic ballot as provided elsewhere in these Bylaws. Proxy voting shall not be permitted.

**SECTION 3.07. Order of Business.**

The Board of Directors shall determine the agenda and order of business for all member meetings.

**ARTICLE IV  
DIRECTORS**

**SECTION 4.01. General Powers.**

The business affairs of the Cooperative shall be governed by a board of directors which shall exercise all 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.

**SECTION 4.02. Qualifications and Tenure.**

One director from each voting district shall be elected by and from the Class A members of the respective districts, and said directors shall hold office for a term of three (3) years from the date of the annual meeting. Class B members shall elect one at-large Director for a three year term, per Section 4.03.

Directors shall be nominated and elected so that as nearly as possible an equal number of Directors will be elected each year.

The directors shall hold office until the annual meeting at which time their term expires or until their successors have been elected and shall have qualified. This Article shall in no way affect the term of any director elected pursuant to a superseded provision of these Bylaws.

Director Qualifications:

1. Only natural persons that have the capacity to enter into legally binding contracts shall be eligible to become directors.
2. No member shall be eligible to become or remain a director:
  - a. Who is not a bona-fide resident of the particular district, for at least one year prior to the election, from which the director is elected;
  - b. Who is in any way employed by the Cooperative;
  - c. Who is employed by or has a substantial financial interest in a competing enterprise or business selling electric energy, or electrical supplies, or other services to the Cooperative, or a business primarily engaged in selling electrical appliances, fixtures or supplies to members of the Cooperative;
  - d. Who has been employed by the Cooperative in the five-year period prior to their being elected;

- e. Who is a close relative of an employee or existing Director of the Cooperative.
- f. Who has been convicted of a felony;
- g. Who has had a criminal judgment entered against him/her based on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, or insider trading;
- h. Who is not a member in good standing of the Cooperative;
- i. Who has made a material misrepresentation of fact to the members or other Directors in the process of the Director's election or appointment to the Board of Directors;
- j. Who has interest or controlling interest in another organization that is not in good standing of the Cooperative or the qualifications of this section of the bylaws;
- k. Who is employed by, materially affiliated with, or shares a material financial interest with, any other director;
- l. Who is not a legal citizen of the USA;
- m. Who did not graduate from high school or earned an equivalent degree or certification.

While a director, he/she must:

- 1. be loyal to the Cooperative;
- 2. treat sensitive issues with confidentiality;
- 3. disclose conflicts of interest;
- 4. actively support the objectives of the Cooperative;
- 5. exercise and insist upon sound business principles in the conduct and affairs of the Cooperative;
- 6. uphold the laws and regulations pertaining to Cooperative business activities;
- 7. serve all members of the Cooperative without giving special consideration to any individual or group;
- 8. not communicate false or misleading information to members of the Cooperative or the public;
- 9. not exploit or permit exploitation of the position of director;



10. abide by and support decisions and policies made by the majority of the Board;
11. treat other Board members with dignity and respect;
12. maintain high standards of personal conduct;
13. seek education and training to improve performance as a director;
14. maintain and not violate the confidentiality of all matters discussed by Directors and staff in the conduct of the Cooperative affairs unless these matters become public knowledge;
15. maintain and not violate the confidentiality of the Board room discussions and issues presented therein;
16. act in good faith.

No person shall take or hold office as a director who is the incumbent of, or candidate for, an elective public office in connection with which a salary is paid. When membership is held jointly by a husband and wife, either one, but not both, may be elected a director, provided the individual elected meets the above qualifications. Upon establishment of the fact that a Board member is holding the office in violation of any of the foregoing provisions, the Board of Directors may remove such Board member from the Board in the manner provided by Board policy. Nothing in this Section contained shall, or shall be construed to, affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.

#### **SECTION 4.03. *Voting Districts.***

The electric distribution service territory to be served by the Cooperative shall be divided into at least nine (9) districts but not more than thirteen (13) districts. Each district shall have one elected director, from that district. The Board of Directors shall create districts with consideration for population density and natural geographic boundaries. The Class B Members district shall be entitled to one (1) at-large director when the Class B Membership has reached the average number of members based on the Class A districts. The Board of Directors shall not decrease the size of the Board of Directors without a supermajority vote of *two-thirds* of the Board of Directors. Any increase in the size of the Board of Directors must be approved by the members.

The directors shall review the composition of the districts in years evenly divisible by five and, if it should be found that irregularities have developed which can be corrected by a redefinition of the districts within the limits established by these Bylaws, the Board of Directors shall reconstitute the districts.

#### **SECTION 4.04. *Election of Directors.***

A. General: An election, by mail ballot or electronic means, shall be held in each voting district, in which a director is to be elected, for the purpose of electing the director. Not less than seventy-five (75) days before said election, the Cooperative shall cause a notice of such election to be

delivered to members by US mail or electronically within such district stating the nominating procedures and date of said election.

B. Nominations: At a regular meeting of the Board of Directors in December or January of each year, the Board of Directors shall appoint a separate nominating committee for each voting district and notice of such appointments shall be mailed not less than seventy-five (75) days prior to the annual meeting. The nominating committee shall consist of not less than three (3) nor more than seven (7) members from such district. No employee, officer or director of the Cooperative shall be appointed to a nominating committee.

The nominating committee for each district shall nominate qualified person(s) for the office of director of the Cooperative per the Director Qualifications of Section 4.02 of these bylaws. The nominating committee shall cause a list of the names of all persons nominated to be filed with the Secretary and notice of such list to be posted at all offices of the Cooperative not less than sixty (60) days prior to the annual meeting.

Other persons may be nominated by petition, in writing, containing the signatures of at least fifty (50) members from such district. Nominating petitions shall be available at Cooperative offices not more than seventy-five (75) days prior to the annual meeting. Nominating petitions must be filed with the Secretary of the Board of Directors not less than forty-five (45) days prior to the annual meeting. All nominating petitions that are not filed with the Secretary of the Board of Directors forty-five (45) days prior to the annual meeting expire automatically. No member may sign the petition of more than one person seeking to be nominated by petition. The nominating petition shall contain, on each page, the member petition nominee and the director district for which the nominee will run. Each page shall also contain each members printed name, address, telephone numbers and original dated signatures of each member signing the petition.

Candidates must be members residing in the district and must possess the qualifications for directors as specified in Section 4.02 of this Article.

The Cooperative, by direction of the Secretary of the Board of Directors, shall cause to be produced, separate ballots, by either printing or electronic means for each district. Said ballots shall contain the names of all persons duly qualified and nominated by the nominating committee of such district, and the names of all persons duly qualified and nominated by petition, as hereinabove provided. Candidates shall be listed in alphabetical order by last name. If only one candidate is nominated in a district, either by the Nominating Committee or by petition, no election shall be held in that district, for that year, and the sole candidate nominated shall be deemed elected to the Board of Directors at the annual meeting.

C. Elections: Voting shall be by U.S. mail or electronic means on the official ballot. Natural members shall vote only in the district in which they reside. Business members, whether sole proprietorships, corporations, associations, partnerships, limited liability company, or other business entity, shall vote in the districts which they have designated when becoming members. Each member shall be entitled to one vote.

The counting of ballots, by districts, on the day preceding the annual meeting, shall be the responsibility of the credentials and election committee comprised of three (3) to five (5)

members who shall be appointed by resolution of the Board of Directors from among the membership of districts not having an election. The ballots must be mailed, or made available electronically, not less than twenty-one (21) days prior to the annual meeting. The marked ballots must be in the hands of the Secretary of the Board of Directors by 9:00 A.M. on the day preceding the annual meeting to be valid. The credentials and election committee shall make the final determination on whether a ballot is valid or not, candidate qualifications and all other voting issues that may arise. The decision of the credentials and election committee is final.

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. Should two or more candidates tie in the largest number of votes received for an available term of director from a district, the tie shall be resolved by the method as determined by the credentials and election committee and conducted by the credentials and election committee.

Tenure of the director elected shall be determined in accordance with the provisions of Section 4.02 of this Article.

Failure to comply with any of the provisions of this section shall not affect the validity of the election of any director.

**SECTION 4.05. *Vacancies.***

Vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors elected shall serve for the unexpired term of the director whose office was originally vacated or until their successors shall have been elected and shall have qualified. The director elected to fill the vacancy must have met the qualifications of Section 4.02 of this Article.

**SECTION 4.06. *Compensation.***

Directors as such 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 attendance at meetings on Cooperative 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.

**SECTION 4.07. *Rules, Regulations, Rate Schedules and Contracts.***

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, policies, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, advertising, and donations not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**SECTION 4.08. *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 generally accepted accounting practices and/or as designated as by the appropriate regulatory agency such as Federal Energy Regulatory Commission (FERC). The Board of Directors shall also each year cause to be made a full, complete and independent audit of accounts, books and records reflecting financial operations during, and the financial condition of the Cooperative as of the end of each audit year. Such audit reports shall be available to the members at the following annual meeting. The independent annual audit shall be performed by a certified public accountant.

**SECTION 4.09. *Removal of Directors by Members.***

Any member may bring one or more charges for cause against any one or more director(s) and may request the removal of such director(s) by reason thereof by filing with the Secretary such charges in writing together with a petition signed by not less than twenty-five (25%) percent of the total membership within each of the affected director's respective districts. The petition shall call for a special member meeting, the stated purpose of which shall be to hear and act on such charges, and, shall specify the place, time and date of such meeting which shall be not less than forty (40) days after the filing of such petition or the matter may be specifically noticed for and acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s).

Such affected director(s) shall be informed in writing of the charges after they have been validly filed at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered. The affected directors shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel, or any combination of such, and to present evidence in respect of the charge(s), and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first.

The members of each affected director's district shall vote on such charges relating to their director by mail or electronic ballot which shall be mailed or delivered to the membership in the affected district(s) not less than twenty (20) days after the adjournment of the special member meeting. An credentials and election committee comprised of three (3) to five (5) members from non-affected districts shall be appointed by the Board of Directors for the purposes of counting such mail or electronic ballots and announcing the results of such election(s); which committee shall meet at a time and place established by the Board of Directors. The non-intended failure of any member to receive a mail or electronic ballot shall not invalidate the results of such vote.

Such vote shall be in the hands of the Secretary or such other designee not later than the noticed time of the commencement of the credentials and election committee meeting in order to be counted. The credentials and election committee shall tabulate the member votes and shall consider and decide all questions, issues or disputes regarding the election. The credentials and election committee decision is final.

Any vacancy created by such removal shall be filled in accordance with Article IV, Section 4.05. "For cause" shall be defined as the commission of an act which is unlawful and which affects, interrupts, or interferes with the performance of official duties.

**SECTION 4.10. *Removal of Director by Board of Directors.***

A director may be removed from the Board of Directors by an affirmative vote of at least 2/3's of the total membership of the Board of Directors if such director has continually and repeatedly, after prior written warning from the President or his/her designee, (1) violated established board policies; (2) conducted himself or herself in a manner which is adverse or detrimental to the best interests of the Cooperative; (3) failed and refused to perform the duties and obligations of a director as required by the Bylaws and policies of the Cooperative; or (4) has acted in such a manner as to disrupt, obstruct or otherwise prevent the orderly transaction of business by the Board during any of its business meetings; (5) is unable to fulfill the duties of a director due to incapacity or continued absence, as defined by Board policy.

Written notice of such an intent to remove must be given to the subject director by the Secretary or such other person as designated by the President not less than ten (10) days prior to the date of the scheduled meeting. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at the director's address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. Any vacancy created by such removal shall be filled in accordance with Article IV, Section 4.05.

**ARTICLE V  
MEETINGS OF DIRECTORS**

**SECTION 5.01. *Regular Meetings.***

A regular meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as is convenient at such site designated by the Board of Directors in advance of the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place as the Board of Directors may provide by resolution. Such monthly meetings may be held without notice other than such resolution fixing the time and place thereof. Meetings may be held telephonically or electronically with prior approval of the Board.

**SECTION 5.02. *Special Meetings.***

Special meetings of the Board of Directors may be called by the President or by any three (3) directors and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The President or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in the State of Arizona unless all directors consent to its being held in some other location. Special meetings, upon

proper notice as otherwise provided herein, may also be held via telephone conference call or electronic means without regard to the actual location of the directors at the time of such a telephone conference meeting, if a majority of the directors consent thereto. Special meetings may be conducted by electronic media.

**SECTION 5.03. *Notice.***

Notice of the time, place, and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by notice delivered personally, by phone, by U.S. mail, or by electronic means, to each director at the director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. 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 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 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 6.01. *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.

**SECTION 6.02. *Election and Term of Office.***

The officers named in Section 6.01 shall be elected by secret written ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as may be convenient. Each such officer shall hold office until the meeting of the Board of Directors first held after the next succeeding annual meeting of the members or until a successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of directors and with respect to the removal of officers. Any other officers may be elected by the Board of Directors from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.



**SECTION 6.03. *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 interest of the Cooperative will be served thereby.

**SECTION 6.04. *Vacancies.***

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

**SECTION 6.05. *President.***

The President shall:

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

(b) Sign personally 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;

(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 6.06. *Vice-President.***

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

**SECTION 6.07. *Secretary.***

The Secretary shall:

(a) Keep or cause to be kept the minutes of 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) Keep or cause to be kept all corporate records and the seal of the Cooperative, and cause the seal of the Cooperative to be affixed to any and all documents the execution of which on behalf of the Cooperative under its seal are duly authorized in accordance with the provisions of these Bylaws;

(d) Keep or cause to be kept a register of the name and post office address of each member which shall be furnished to the Cooperative by such member;

(e) Have general charge of the books of the Cooperative in which a record of the members is kept;

(f) Keep or cause to be kept 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 all amendments thereto to each member or make a copy available electronically;

(g) In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors. The Secretary shall be also designated as Assistant Treasurer.

(h) All cooperative records are confidential and not publicly available unless released with Board approval or through Board policy.

#### **SECTION 6.08. *Treasurer.***

The Treasurer shall:

(a) Have or cause to be implemented procedures for the charge and custody of and responsibility for all funds and securities of the Cooperative;

(b) Receive and give or cause to be received and given receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or other associated organizations as shall be selected in accordance with the provisions of these Bylaws;

(c) In general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors. The Treasurer shall be also designated as Assistant Secretary.

#### **SECTION 6.09. *Chief Executive Officer; Executive Vice President.***

The Board of Directors shall appoint a Chief Executive Officer who shall be required to become, a member of the Cooperative, and who also may be designated Executive Vice President. Such person shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the Chief Executive Officer.

#### **SECTION 6.10. *Insurance/Bonds.***

The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to be insured in such sum and in such manner 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 be insured in such amount and in such manner as it shall determine. The costs of all such insurance and/or bonds shall be borne by the Cooperative.

#### **SECTION 6.11. *Powers, Duties, Compensation and Indemnification.***

The powers, duties and compensation of all directors, agents and employees shall be fixed by the Board of Directors. The Cooperative shall indemnify directors, officers, including the Chief

Executive Officer and/or, if so titled, the Executive Vice President, agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts were in the best interests of the Cooperative or were not against the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

**SECTION 6.12. *Reports.***

The officers of the Cooperative shall submit to the members prior to each annual meeting a written report covering the business of the Cooperative for the previous audit year and which reflects the financial condition of the Cooperative at the close of the calendar year.

**SECTION 6.13. *Committees.***

The Board of Directors may create committees of the Board (Board Committees) and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two (2) or more Directors, and serves at the Board's discretion. The Board of Directors may create committees of the Members (Member Committees) and appoint Members, including Directors, to serve on the Member Committees. Each Member Committee serves at the Board's discretion.

**ARTICLE VII  
CONTRACTS, CHECKS AND DEPOSITS**

**SECTION 7.01. *Contracts.***

Except as otherwise provided in these Bylaws the Board of Directors may authorize any officer or officers, agent or agents, employee or employees of the Cooperative 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 7.02. *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 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 7.03. *Deposits.***

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

**ARTICLE VIII  
NON-PROFIT OPERATION**

**SECTION 8.01. *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. Subsidiary corporations may be operated on a profit or non-profit basis.

**SECTION 8.02. *Patronage Capital in Connection with Furnishing Electric Energy.***

In the furnishing of electric energy or other services or products the Cooperative's operations 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 members for all amounts received and receivable from the furnishing of electric energy or other services or products in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. or other services or products. All such amounts in excess of operating costs and expenses 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 credits to a capital account for each member all such amounts in excess of operating costs and expenses. 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 this account. 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 pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital. The Board of Directors shall determine the methods and basis of capital credited for all amounts heretofore and hereafter furnished as capital credits.

Notwithstanding any provision of this Article VIII, the amount to be credited to the capital of members on account of their patronage shall be the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.

Funds and amounts, other than operating margins received by this Cooperative that exceed this Cooperative's costs and expenses may be:

1. allocated as capital credits to members in the same manner as this Cooperative allocates capital credits to members; or
2. used by this Cooperative as permanent, non-allocated capital

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 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 credited to the members' accounts may be retired in full or in part. The Board of Directors shall determine the methods, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. Capital credits of Class B members shall only be paid on the dissolution and liquidation of the Cooperative. The Board of Directors may determine to prepay general or special capital credits by retiring them at their discounted, net present value. Any discounted amounts shall be retained by the Cooperative as permanent equity. At the time the Board of Directors determines that a retirement of capital credits is appropriate and proper, the

Cooperative shall have the right to offset any such capital credited to any member's account if there is any amount owing by such member to the Cooperative, for any reason whatsoever, including bankruptcy, together with interest thereon at the Arizona legal rate on judgments in effect when such amount became due, and the difference remaining, if any, shall be refunded to the member.

PROVIDED, 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 service or supply portion" of capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each member for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's members, (c) provide for appropriate notifications to members with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior fiscal year.

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

**SECTION 8.03. *Right to Assign Patronage Capital.***

Capital credited to the account of each member shall be assignable on the books of the Cooperative in one of the following methods:

(a) By written instruction from the member assignor to a successor in interest only;

(b) A member may assign all or any part of such member's capital credits earned or credited, or expected to be earned or credited in the future, to the Sulphur Springs Valley Electric Cooperative Foundation, an Arizona charitable tax-exempt corporation, for the benefit of the Cooperative's members and their families, which assignment shall be effective as of the date of such assignment or an executed copy thereof is received by the Cooperative, subject in all cases to the Cooperative's prior lien for unpaid charges or services;

(c) In manner set forth in Section 8.04 of this Article.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Arizona legal rate on judgments in effect when such amount became overdue.

**SECTION 8.04. *Assignment of Undeliverable Patronage Capital, Fees and Funds.***

Notwithstanding any other Bylaw provisions or provisions in the membership agreement and application, undeliverable or unclaimed patronage capital and payments of membership fees, deposits or any other funds for which notice of and/or delivery of which cannot be made for failure of a member or former member or the personal representative or distributee of the estate of a former member to claim the same in person or to furnish the Cooperative an effective mailing address for a period of six months after the Cooperative has mailed the same with sufficient postage to the last known address of the member or former member or the personal representative or distributee of the estate of the former member, shall be and shall constitute an irrevocable assignment and contribution to the Cooperative by the member or former member or the personal representative or distributee of the estate of a former member to the Sulphur Springs Valley Electric Cooperative Foundation, an Arizona charitable tax-exempt corporation, of such patronage capital or any payments remaining after the Cooperative's prior claim for charges or services due, if any, has been satisfied in full.

Failure to claim any such patronage capital or any payments within the meaning of this section shall include the failure by such member or former member or the personal representative or distributee of the estate of a former member to cash any check mailed to such person by the Cooperative as payment at the last address furnished by such person to the Cooperative.

The assignment and contribution provided for under this section shall become effective only upon the expiration of six months from the date when such patronage capital and payments of membership fees, deposits or any other funds or notice of such payments was made available to such member or former member or the personal representative or distributee of the estate of a former member at their last known address in the records of the Cooperative. After the further expiration of sixty (60) days following that notice by mail, and the publication in a newspaper of general circulation in the Cooperative's service area of the posting of the names of the unclaimed funds on SSVEC's website, that unless such payment is claimed within the specified sixty (60) day period, such assignment and contribution to the Cooperative shall become effective and absolute. The notice by mail herein provided for shall be notice mailed by the Cooperative to such member or former member or the personal representative or distributee of the estate of a former member at the last known address as set forth in the records of the Cooperative. The notice by publication and the posting of the names of unclaimed funds on SSVEC's website shall be made by one (1) insertion in such newspaper; the publication date or posting occurring at least sixty (60) days before the expiration date specified. Active members may be noticed of unclaimed funds through a message on their monthly bill in lieu of advertising.

**SECTION 8.05. *Charitable Foundation.***

It shall be the duty of the Cooperative to take the necessary steps to establish and maintain the Sulphur Springs Valley Electric Cooperative Foundation, an Arizona tax-exempt charitable corporation, and to obtain approval of the Internal Revenue Service of the United States and other appropriate authorities.

**SECTION 8.06. *Acknowledgment of Articles of Incorporation and 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 the patrons are bound by such



contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

## **ARTICLE IX WAIVER**

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

## **ARTICLE X DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

### **SECTION 10.01. *Disposition and Pledging of Property.***

Not inconsistent with the provisions of A.R.S. Section 10-768 (or as the same may hereafter be amended), the members of the Cooperative may, at a duly held meeting of the members, authorize the sale, lease, lease-sale, exchange, transfer, mortgage, merger, consolidation or other disposition of all or a substantial portion of the Cooperative's property and assets by the affirmative votes of at least a majority of the total membership of the Cooperative. However, the Board of Directors, without authorization by the members, shall have full power and authority — (1) to borrow monies from any source and in such amounts as the Board of Directors may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor, and (3) to sell, lease, lease-sell, exchange, transfer, mortgage or otherwise dispose of less than a substantial portion all of the Cooperative's property and assets. "Substantial portion" as used herein shall mean ten (10%) percent or more of the Cooperative's property and assets at the time of the transaction.

### **SECTION 10.02. *Distribution of Surplus Assets on Dissolution.***

Not inconsistent with A.R.S. Section 10-777B(8), (or as the same may hereafter be amended) upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative, including patronage capital and membership fees, have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors not inconsistently with the provisions of the third paragraph of Section 8.02 of these Bylaws, be distributed without priority but on patronage basis among all persons who have been members of the Cooperative for any period(s) during its existence.

## **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 or own stock in any other organization or corporation, upon the authorization of the Board of Directors, when necessary, convenient or

appropriate to accomplish the purposes for which the Cooperative is organized or to provide service to the membership. The Cooperative may form a subsidiary company(ies), holding company(ies) or other organization to engage in any lawful purpose.

### **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, Arizona.”

### **ARTICLE XIV AMENDMENTS**

These Bylaws may be altered, amended or repealed by a majority of the members voting in accordance with the provisions contained in Article III, Section 3.06.