

BYLAWS



AS AMENDED
09/05

Navopache Electric Cooperative, Inc.

BYLAWS ARTICLE 1 MEMBERSHIP

SECTION 1. Requirements For Membership.

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

(a) filing a written application for membership;

(b) agreeing therein to purchase from the Cooperative all electric energy requirements as hereinafter specified;

(c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors; and

(d) paying the membership fee hereinafter specified; provided, however, no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he 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 held subsequent to the expiration of a period of six months from the date of incorporation of the Cooperative, 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 with the requirements hereinabove set forth, any such application may be accepted by vote of the members. The Secretary shall give each such applicant at least ten (10) days written notice of the date of the member's meeting to which his application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

SECTION 2. Membership Certificates. Membership in the Cooperative may be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors, and, after initial issuance, may be by enrollment on the records of the Cooperative. Such certificates, when issued, shall be signed by the President and the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed by these bylaws, nor until such membership fee has been fully paid for in cash. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe. In the absence of a certificate, existence and status of membership shall be as reflected in the records of the Cooperative.

SECTION 3. Joint Membership. A husband and wife may apply as joint tenants with right of survivorship and not as tenants in common or as community property for a joint membership, and subject to their compliance with the requirements set forth in Section I of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership, and any provisions relating to the rights and liabilities of membership shall apply equally 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 either or both shall be regarded as the presence of one member and of constituting a joint waiver of notice of the meeting;

(b) The vote of either separately or both jointly shall constitute one joint vote;

(c) A waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either shall constitute notice to both;

(e) Expulsion of either shall terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership;

(g) Either, but not both, may be elected or appointed as an officer or director, provided such appointee or electee shall meet the qualifications for such office.

SECTION 4. Conversion of Membership.

(a) A membership may be converted by a husband and wife to a joint membership upon the written request and application of the persons who will hold the membership, which application will constitute agreement to the matters described in Section 1. The name of the membership shall be changed, and the outstanding membership certificate shall be voided and surrendered, at which time of surrender, if requested, a new certificate may be issued and the records of the Cooperative will be changed upon acceptance reflecting joint membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor and, upon notice, the Cooperative records shall so reflect the change in status. Upon such death and said notice, the outstanding joint membership certificate shall be surrendered and may be reissued in such manner as shall indicate the changed membership status; provided, however, the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. Membership and Service Establishment Fees. The membership fee shall be \$5.00. A service establishment fee of \$25.00 shall be charged for each service establishment or as may otherwise from time to time be set by the Board of Directors and confirmed by the regulatory body having jurisdiction.

SECTION 6. (a). Purchase of Electric Energy. Each member agrees to, and shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy requirements purchased for use on the premises at the location in the application, or for multiple services, there indicated and specified in the application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Board and approved by regulatory bodies having jurisdiction; provided, however, that the Board of Directors may limit the amount of electric energy that the Cooperative shall be required to furnish to any one member, but, unless or until so limited, each agrees its obligation to purchase electricity from only the Cooperative, in consideration of the Cooperative's incurrence of debt and willingness to serve, is for the term of the Cooperative's obligations, unless with consent of the Cooperative, irrespective of status as active, delinquent, terminated or cancelled. It is expressly understood that 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.

(b). Choice. Notwithstanding the provisions of (a) are suspended and waived for the period beginning October 1, 1998, said suspension and waiver to be conditioned upon a program of choice approved by the appropriate Arizona jurisdictional regulatory body, and the Cooperative shall no longer supply the electric energy component of electric services except as hereinafter provided, and except as the agent of each member, which member by its act or failure to act shall be deemed thereby to appoint the Cooperative its agent to purchase in the name of member, or to purchase by the Cooperative as the agent on behalf of the member, electric energy;

- (i) From a supplier chosen in writing by the member consistent with applicable law, rules, regulations and the bylaws and policies of the Cooperative; or
- (ii) With a supplier of electric energy with which the Cooperative has contracted as the same from time to time shall be affected by law, rule or regulation and upon the member failing to act to expressly choose, the member is deemed to have instructed the Cooperative to contract for electric energy as the member's provider of last resort pursuant to the Cooperative's standard offer on the member's behalf as its agent.
- (iii) A member no sooner than October 1, 1998, by direct written instruction consistent with law, rule, regulation and the bylaws and policies of the Cooperative may select and contract directly with a supplier for the electric energy component of electric service other than the Cooperative.

(c). Patronage Capital. Members selecting a supplier of the electric energy component of service other than the electric supplier contracted with the Cooperative, in accordance with applicable law, rule and regulation of jurisdictional bodies, shall continue to be entitled to patronage capital as provided in Article VII, Section 2. Patronage capital will be calculated not on the basis of the electrical energy component of service, but on the basis of

usage of other than electric energy provided through the Cooperative; and, in this regard, the provision of Article VII, Section 2 shall for such a member be deemed amended. Records for such members shall be kept consistent with this Section and in compliance with Article VII, Section 2.

(d). Services Other than Electric Energy. Members agree to be bound to receive electrical energy and other electric and system service by means of, through and over the wires and facilities of the Cooperative in consideration of the financing of the existing and to be built electric system and facilities through which services are delivered without regard to the source or supplier of electrical energy.

(e). Consistent Application. The provisions of Section 7 of this Article shall not be otherwise affected by a member selecting electric energy as provided in this Section from a supplier other than the supplier made available to the member by the Cooperative as the member's agent pursuant to applicable law, rules, regulations or contracts. For the purpose hereof, the term "member" shall include any customer.

SECTION 7. 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; such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a majority vote of the Board of Directors or a majority vote of the members at

any annual or special meeting, provided, the cause for which the member was expelled first be purged.

(b) The membership of a member who for a period of one year after electric service is initially available to him, has not purchased or contracted for the purchase of electric energy from the Cooperative, or a member who initiated purchase thereafter, and without Cooperative consent, then ceased to purchase energy from the Cooperative, or a member who has failed to pay promptly for energy received shall be cancelled by resolution of the Board of Directors, but the obligation to purchase electric service requirements shall continue until otherwise cancelled by the Board and appropriate regulatory bodies having jurisdiction.

(c) Upon the withdrawal, death, cessation of, or existence of expulsion of a member, the membership status of such member shall thereupon terminate, be so noted on the records, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination itself of membership in any manner shall not release a member or his estate from any debts due the Cooperative of obligation to purchase electric service requirements from the Cooperative.

(d) In case of withdrawal or termination of membership in any manner, the Cooperative will repay to the member the amount of the membership fee paid by him; provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative and the cost of processing.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members.

Members shall have no individual or separate interest in the property or assets of the Cooperative, except 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 the proportion 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 the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative. Directors and officers shall and are intended to be indemnified under the circumstances and the instances described in A.R.S. §10-1005 (c)(1) or its successor where and when indemnification is permitted, other than in an action by or in the right of the Cooperative.

ARTICLE III MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held on the date which shall be set by the Board of Directors each year, for the purpose of declaring the election results, passing upon reports for the previous fiscal year and transaction of such other business as may come before

the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a Sunday or legal holiday, such meeting shall be held on the next succeeding business day. 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. Special meetings of the members may be held at any place within the certificated area of Navopache Electric Cooperative, Inc.

SECTION 3. Notice of Members' 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 thirty days, nor more than 100 days, before the date of the meeting either personally or by mail by or at the direction of the Secretary, when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage thereupon 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) A special or annual meeting, at which certain action may be taken, must have a sufficient number of the members of the Cooperative entitled to vote present in person which shall constitute a quorum. The actions described in Section 1 of Article VIII may only be taken at an

annual meeting upon a vote by mailed ballot. (b) As long as the total membership does not exceed five hundred (500), ten per centum of the total eligible voting membership, present in person, shall constitute a quorum. (c) In case the total membership shall exceed five hundred (500), then no meeting of members shall transact business unless at least one hundred (100) eligible voting members are present in person, which shall be a quorum, except that a majority of those members present may adjourn the meeting from time to time without further notice until a quorum of eligible voting members can be assembled.

SECTION 5. Voting. Each member shall be entitled to only one vote. All questions, except the election of directors, shall be decided by a vote of a majority of the members voting thereon in person or by, where otherwise specifically designated, mail by secret ballot, which ballot in the instances where designated to be used shall be delivered with or concurrent with the notice of the meeting and returned as the Board may designate as described in Section 6.

SECTION 6. Vote by Mail. There shall be no vote by proxy.

Any member who is absent from an annual meeting or special meeting of the members is entitled and may vote by mail at such meeting 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, or separately an exact copy of the motion or resolution to be acted upon and such absent member shall express his vote thereon by placing a cross (x) in the place provided therefore opposite each such motion or resolution. Such absent member shall enclose each copy so marked in a sealed envelope bearing his name and address it to the Secretary. When such written vote so enclosed is received by mail from any absent member it shall be counted as a vote of such member at such meeting. In case of a joint membership, if all parties or husband and wife are both absent from such meeting, a written vote

received from either of them shall constitute one joint vote. The failure of any absent member to receive a copy of any such motion shall not invalidate any action which may be taken by the members at any such meeting. Such vote, at a special meeting, shall, to be counted, be in the hands of the Secretary not later than the published time, or, in the event of an annual meeting, in the headquarters office of the Cooperative not later than the time marked on the ballot as set by the board, prior to the annual meeting.

Voting for the election of directors shall be by secret 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:

1. Report as to which members are 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 waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. Declaration of Newly Elected Directors.
6. Unfinished Business.
7. New Business.
8. Adjournment.

ARTICLE IV DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of not less than three and no more than nine directors, which shall exercise all of the powers of the Cooperative, except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members.

DISTRICTS. The area to be served by the Cooperative is hereby divided into the following districts as more fully described and set forth on maps approved and adopted by the Board of Directors to reflect comparable divisions of members, to wit:

- District No. 1:** Lakeside, AZ.
- District No. 2:** Pinetop, AZ.
- District No. 3:** McNary, Hawley Lake, Sunrise, Whiteriver, Ft. Apache, Carrizo, Cedar Creek, Cibecue and Forestdale, AZ.
- District No. 4:** St Johns, Concho, Vernon and Hunt, AZ.
- District No. 5:** Greer, Nutrioso, Alpine, Springerville, Eagar and Blue, AZ.
- District No. 6:** Summer Pines, Fairway Park, Linden, Pinedale, Clay Springs & Certificated Areas of Show Low, AZ.
- District No. 7:** Overgaard, and Heber, AZ.
- District No. 8:** Reserve, Luna, Apache Creek, Aragon, Horse Springs, Glenwood and Stevens, N.M.

SECTION 2. Tenure. One director from each of the voting Districts, as more particularly described in Section 1 of the Article, shall be elected by and from the members of the

respective Districts, and said directors shall hold office for a term of four (4) years from the date of the annual meeting following their elections, provided, however, in order to provide in 2005 for the election of a director from a new District and revision of District boundaries, one director shall be elected from each new reapportioned District 2, 5, 6 and 8. In 2007, elections shall be held for directors from each new reapportioned District designated 1, 3, 4 and 7 whose terms are then expiring. The directors shall hold office until the annual meeting at which 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. If an election of directors shall not be held on the day designated herein, or any adjournment thereof, the Board of Directors may cause the election to be held at a subsequent time as soon thereafter as convenient.

SECTION 3. Qualifications. No persons shall be eligible to become or remain as a director or to hold any position of trust in the Cooperative who:

(a) is not a natural person and bona fide member receiving electric service and bona fide resident in area served or to be served by the Cooperative; or

(b) is in any way employed by or financially interested in a competing enterprise or a business selling supplies to the Cooperative or one that is in direct conflict with the Cooperative in business relationship or sales of electric power,

(c) is the incumbent of or candidate for an elective public office which would be or is in conflict with the normal service of a Cooperative Director's duties and a public affairs position that receives compensation or a salary in excess of \$600 per year,

(d) is related to or a relative of any NEC Board of Director or NEC Employee or within the five years immediately preceding the election has been convicted of a felony or an employee of Navopache. "Relative" and "related" is defined as the spouse,

parent, child, sibling, brother, sister, grandparent, step-parent, grandchild or legal ward or guardian of an employee, all marriage-related in-laws and first cousins thereto;

(e) has not been a member of the Cooperative for the preceding twelve (12) months.

(f) beginning with the annual meeting in November, 1949, no more than one director shall be elected from each of the above-named districts and, should any director so elected from any district move his residence from said district, then the remaining members of the Board of Directors shall declare his office vacant and a majority of the Board shall elect a new member for the balance of his term.

Upon establishment of the fact a director is holding office in violation of any of the foregoing provisions, the Board of Directors, or any of them, shall remove such director from office.

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

SECTION 4. Nomination and Election of Directors.

a. Nominations. Not less than 45 days nor more than 80 days before the annual meeting, the Board of Directors shall appoint a separate nominating committee for each voting district for the purpose of electing directors. The committees 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 shall open its meeting by the election of a chairman and secretary.

The nominating committee for each district by a majority vote shall nominate one or more qualified persons for the office of

director to represent the membership located within such district. No person shall be nominated who shall not first have agreed to serve if elected. The nominating committee shall cause a list of the names of all persons nominated to be posted at all offices of the Cooperative within such district at least 30 days before 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 must be filed with the Secretary of the Board of Directors not less than 25 days before the annual meeting. No member may sign the 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 3 of Article IV of these bylaws.

The Cooperative, by direction of the Secretary of the Board of Directors, shall cause to be printed separate ballots 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. In addition, there shall be sufficient blank lines on said ballots equal to the number of directors to be elected from such district, to permit voting members to write in the name or names of other members whose names are not printed on said ballots and to vote for said other member or members.

b. Elections. 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.

Where voting for directors is by mail, not less than 30 days nor more than 100 days before said election, the Cooperative shall cause notice of such election to be delivered to members within such district stating the nominating procedures and date of said election.

Voting for directors and otherwise as prescribed by the Board and permitted by the bylaws and articles shall be by secret printed ballot by mail. Natural members shall vote only in the district in which they reside, corporate members in the district which they have designated when becoming members. Each member, including joint members, shall be entitled to one vote.

The counting of ballots, by districts, on the Friday preceding the annual meeting, shall be made by an Election Board consisting of at least a Chairman and at least two members who shall be appointed by resolution of the Board of Directors from among the members of districts not having an election. The blank ballots must be mailed not less than 14 days prior to the election. The marked ballots must be in the headquarters office of the Cooperative not later than the time on the ballot as set by the Board to be valid.

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 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 available term of director from a district, the director shall be elected by those members in attendance from said district from those candidates who have tied for the available term at the annual meeting.

Tenure of director elected shall be determined in accordance with the provisions of SECTION 2 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 5. 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 per centum of the members residing in that director's district, 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 of that director's district 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 person or persons bringing the charges against the director shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members of that director's district and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, provided, that if election of directors is by voting districts, the director must reside in the same district as the director in respect of whom the vacancy occurs.

SECTION 5.1 Removal of Directors by Board.

Subject to the other provisions of these Bylaws, a Director may also be removed by a two-thirds (2/3) majority vote of directors in any of the following circumstances:

(a) Should a director fail without cause satisfactory in the opinion of the Board, after inquiry and opportunity to be heard, to attend four (4) regular consecutive Board meetings;

(b) Should a director be found after inquiry and opportunity to be heard to have failed (i) to comply with Board adopted rules, or (ii) to have maintained membership in good standing;

(c) For cause as defined by common or other law after inquiry and opportunity to be heard.

Upon establishment of the fact that a Board member is holding the office of director in violation of Article IV – Section 3, the Board shall remove such Board member from office. Nothing contained in this Section shall in any manner whatsoever affect the validity of any action taken at any meeting of the Board of Directors.

SECTION 6. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term of the director in respect of whom the vacancy occurs.

SECTION 7. Compensation. Directors shall not receive any salary for their services as Directors, except that, by resolution of the Board of Directors, expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, and by, resolution of the board, directors may be allowed expenses of attendance of any meeting in behalf of the Cooperative, in the United States of America. 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. Enrollment and coverage in the Cooperative medical insurance program shall not be denied a director and shall not be considered salary or prohibited compensation for the purposes of this Section.

SECTION 8. Retired Board Member-Director Insurance Coverage. If a retired Board member has served at least ten years as a director, the retired director will

be allowed to participate in the Cooperative group medical insurance program on the same basis as a retired employee.

ARTICLE V MEETING OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice immediately after and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in the State of Arizona 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 Meetings. Special meetings of the Board of Directors may be called by the President or by three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place, which shall be in the United States of America, for the holding of the meeting.

SECTION 3. Notice of Special 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 days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon, prepaid. At any special meeting called pursuant to these bylaws, where a quorum of the Board of Directors are present, notice of the

special meeting may be waived in writing by those Board members not present.

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, except for the recommendation or consideration of disposition by sale or lease of all or substantially all of the Cooperative's property. A quorum shall be seven members of the board, absent which, consideration or recommendation shall not be valid or made; and provided, further, that the Secretary shall notify any absent director 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 Secretary and of 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 the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been 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 and best interests 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 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 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 to the charges, and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered and voted upon at the next 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 of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;

(b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors, or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these 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.

SECTION 5. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6. Secretary. The Secretary shall:

(a) keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws.

(d) keep a register of the names and post office addresses of all members;

(e) sign, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members;

(f) have general charge of the books of the Cooperative;

(g) 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 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, and

(h) in general, perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to him by the Board of Directors.

SECTION 7. Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such money in the name of the Cooperative in such bank of banks as shall be selected in accordance with the provisions of these bylaws; and

(c) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

SECTION 9. 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 bonds 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 10. 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 11. 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.

ARTICLE VII NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or be payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection With Furnishing Electric Energy. In furnishing of electric energy, 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 patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. 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 patrons as capital. The Cooperative is obligated to pay by

credits to a capital account for each patron 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 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 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 for capital. All other amounts received by the Cooperative from its operations 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 and

(b) to the extent not needed for that purpose, 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.

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 then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made by the Board which shall determine the manner and method of retiring and refunding Capital Credits and, should they exist, Affiliated Capital Credits.

To secure payment of any amounts owed by a Patron/member to the Cooperative, including any reasonable compounded interest, and late payment fee, determined by the Board, the Cooperative has a security interest in every Patron's Capital Credits and Affiliated Capital Credits.

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, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such 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.

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 capital credits and refund membership fees, deposits and any other amounts to such persons in accordance with the bylaws.

If a check representing any such retirement or refund shall be mailed to any such person to his last known address as shown in the records of the Cooperative and shall be returned unclaimed to the Cooperative and remain unclaimed eighteen

(18) months, or if any such check shall remain uncashed and no claim therefore shall be made by such person for a period of eighteen (18) 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, membership fees, deposits or other amounts credited to him 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.

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. 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.

ARTICLE VIII DISPOSITION OF PROPERTY AND ENCUMBRANCE

SECTION 1. Other than a sale, mortgage, lease or other disposition or encumbrance of all or any substantial portion of its property to (i) another Cooperative corporation qualified as a beneficiary under the Rural Electrification Administration Act or (ii) an entity in 1988 entitled under Section 9 of the 1939 Reclamation Act to preference in the purchase of electricity from Federal projects or (iii) upon default and demand for payment to the holder or holders of any notes, bonds, or other evidences of indebtedness issued to the United States of America or (iv) to any agency or instrumentality of the United States of America, the Cooperative, at a meeting where there is a quorum, may not act to sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property, to an entity, except where the action for such

sale, mortgage, lease or other disposition or encumbrance to such an entity is duly noticed and the action is authorized at an annual meeting by an affirmative vote specifically by mail ballot of not less than two-thirds of all the members of the Cooperative.

SECTION 2. “When amendment of the Articles of Incorporation concerning debt and liability and the limits thereon affects only borrowing from the Rural Utilities Services (“RUS”) of the Department of Agriculture or any successor thereto or National Rural Utilities Cooperative Finance Corporation (“NRUCFC”) or Cooperative Bank (“CoBank”) or any successors thereto which borrowings are subject to the approval of RUS or its successor, the amendment may be made by action of a majority of the Board.”

SECTION 3. A description of any proposed sale, mortgage, lease or other disposition or encumbrance of the Cooperative's property or amendment to the Articles and the method of voting shall be sent as provided in Article XII.

SECTION 4. Notwithstanding the foregoing, in order to secure, and for no other reason, any indebtedness of the Cooperative to (i) the United States of America or (ii) any instrumentality or agency thereof, or to any person, association or corporation, licensed, chartered, or regulated by the United States, or State or any department or agency of either, the Board of Directors of the Cooperative, without authorization by the members thereof, shall have full power and authority to sell, mortgage, lease 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 there from, all upon such terms and conditions as the Board of Directors shall determine. Otherwise, the Board may act or authorize action to sell, mortgage, lease or other-wise dispose of or encumber all or any substantial portion of the Cooperative's property only upon an affirmative vote by mail of the members as described in Section 1.

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 1946, Arizona."

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 evidence 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 extent practical under the rules of practice and administration of applicable other regulatory bodies having jurisdiction to the Administrator of the Rural Utilities Services (RUS) or its successor entity 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, and to the members in accord with law or as otherwise required.

SECTION 5. 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.

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 a majority 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 organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification or in furtherance of the interests of the Cooperative or with the approval of the Administrator of RUS, or purchase stock in or become a member 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. 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 a meeting for the express purpose of objecting to the transaction of any business on the grounds 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 policies, 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 Utilities Services of the United States of America. The books of the Cooperative shall be examined by a committee of the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall annually cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative. Such audit reports shall be submitted to the members at the next following annual meeting.

ARTICLE XII AMENDMENTS

An amendment, alteration or repeal of a bylaw of the Cooperative may be made as follows:

(a) when the amendment, alteration or a repeal does not change Article VIII, it may be enacted as follows: by an affirmative vote of a majority of the Board, and thereafter the amendment will be submitted to the membership for confirmation by an affirmative vote of a majority of the members by ballot by mail at the next annual meeting, at which time the amendment shall be effective, or by an affirmative vote of a majority of the members by ballot by mail at any meeting called for the purpose, in each instance the notice described in (c) having been provided;

(b) “when the amendment, alteration or repeal changes Bylaw Article VIII, it shall be only as follows: by an affirmative vote of not less than two-thirds (2/3) of the members of the Cooperative voting by mail at an annual meeting called for that purpose; except that an amendment when necessary for purposes of approval of incurrence of debt or borrowings from the Rural Utilities Services (“RUS”) of the Department of Agriculture or any successor thereto or National Rural Utilities Cooperative Finance Corporation (“NRUCFC”) or Cooperative Bank (“CoBank”) or any successors thereto which borrowings are subject to RUS approval shall be by an affirmative vote of two-thirds (2/3) of the members present or by mail voting at an annual meeting called for that purpose;”

(c) there shall be no amendment, alteration or repeal of a bylaw unless notice of the meeting at which said action is to occur shall have been given and a copy of the proposed alteration, amendment or repeal shall have been mailed sufficiently in advance of the meeting to the members entitled to vote.

ARTICLE XIII

LOAN REQUIREMENTS

Navopache Electric Cooperative, Inc., shall be permitted to borrow money from sources other than the RUS, whereby capital is available, subject to the approval of the RUS.

As Amended September 2005.
(Printed January 2006)