

**BY-LAWS**  
**OF**  
**ASH FORK DEVELOPMENT ASSOCIATION, INC.**

We, the Board of Directors of ASH FORK DEVELOPMENT ASSOCIATION, INC, a non-profit corporation, organized under, and by virtue, of the laws of the State of Arizona, do hereby adopt the following as the By-Laws of said ASH FORK DEVELOPMENT ASSOCIATION, INC:

**ARTICLE I**

The name of this corporation shall be ASH FORK DEVELOPMENT ASSOCIATION, INC., (the "Corporation") and the principal place of business shall be 518 Lewis Avenue, Ash Fork, Arizona. The Board of Directors shall have the power, at its discretion, to move the location of said office to any other place in the State of Arizona as it may determine.

**ARTICLE II**

The objective of the Corporation is to provide water services to residents of the Ash Fork, Arizona area. Pecuniary profit shall not be considered an object of this Corporation, and no income, thereof, shall inure to the benefit of any member, unless the same is salaried personnel appointed by the Board of Directors as hereinafter contained.

**ARTICLE III**

**MEMBERSHIP**

The Corporation shall have members. Each franchised water user, within the boundaries of any franchise issued by the Arizona Corporation Commission and specifically described in the Certificate of Convenience and Necessity issued by the Arizona Corporation Commission, shall be a member and have one (1) vote per entity.

The term "franchised water user" shall mean all properties to whom water has been supplied for a period of six (6) months, and that record of supply appears on the books of the Corporation thirty (30) days prior to the annual meeting, or any meeting called pursuant to Article IV, Section 6, of these By-Laws.

Members shall not be issued a certificate of membership. Membership in the Corporation is inextricably and irrevocably connected with being a franchised water user and may not be transferred independent of such status.

## ARTICLE IV

### MEMBERSHIP MEETINGS

*Section 1. Time and Location:* Meetings are held on the third Wednesday of each month at a location designated by the Board of Directors. The annual election meeting shall be held on the first Monday in the month of August, at the hour of 8:00 P.M.; thereof, if not a legal holiday, and if a legal holiday, the next business day.

*Section 2. Voting Rights:* Each member shall have one (1) vote. In the event that a property that is a franchised water used is owned by two or more persons, the members' vote by be voted by either owner but shall constitute only one (1) vote.

*Section 3. Proxies:* Members may vote at the annual meeting by proxy, provided such proxy is in writing, and in the hands of the secretary of the Corporation within five (5) days prior to the stated time of the meeting. Proxies shall be valid only for the particular meeting designated therein or any adjournment thereof. Proxies shall be deemed revoked only upon the appearance in person of the member granting a proxy at the meeting for which the proxy was granted, or upon receipt by the secretary a notice of revocation signed by the member who granted the proxy.

*Section 4. Annual Meeting:* Notice of the annual meeting shall be mailed at least ten (10) days, but not more than sixty (60) days, prior to the date of the meeting, and shall be sent to each member at their last known address as that address is reflected on the books of the Corporation. The purpose of the annual meeting is for members to elect Directors for the ensuing year and transact such other business as may properly come before the meeting. The notice for the meeting shall include candidate information when appropriate.

When the Annual Meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each member entitled to vote at the meeting.

*Section 5. Quorum:* At any meeting of members, a quorum shall consist of at least ten (10) members present either in person or by proxy.

*Section 6. Special Meetings:* Special meetings of the members shall be called at any time by the president, or by a majority of the Board of Directors, or by petition of ten (10%) percent of the members of the Corporation, provided that said petition filed by ten (10%) of the members must be filed thirty (30) days prior to the date of said special meeting. Notices of special meetings shall be mailed at least ten (10), but not more than sixty (60), days prior to the date of said special meetings in the manner provided for annual meetings.

*Section 7. Manner of Acting:* A majority of the votes entitled to be cast on a matter to be voted upon by the members present or represented by a proxy at a meeting at which a quorum is present shall be necessary for the adoption thereof, unless a greater proportion is required by statutes or these By-Laws.

## ARTICLE V

### BOARD OF DIRECTORS

*Section 1. Powers:* The corporate powers of this Corporation shall be vested in, and executed by, its Board of Directors, who shall have the power to transact all business of the Corporation as is authorized in the Articles of Incorporation, and by the laws of the State of Arizona; the Board of Directors shall have power to adopt By-Laws by majority vote of total existing Directors, to make and use a corporate seal, and to determine the ownership of voting rights; to borrow monies and incur indebtednesses; and to secure the same by any property of the Corporation; the Board of Directors may, at its discretion, levy dues, charges and/or assessments upon its membership; and in such amounts as are necessary for the acquisition, construction, operation, maintenance, repair and/or betterment of its facilities, and for the payment of lawful obligations of the Corporation provided, however, that the power of the Board, to levy dues, charges or assessments, shall be limited to the amount of funds necessary to operate and maintain the water system of the Corporation, in good condition, and to meet installments on the lawful obligations of the Corporation as they become due, and only in the amount by which the revenues of the Corporation are insufficient for such purposes. Any other dues, charges or assessments, upon the membership, shall be subject to the approval or disapproval of the membership at the special meeting called for said purpose.

*Section 2: Election of Directors:* The Directors shall be elected at the annual meeting of the Corporation by a majority vote, in person or by proxy. At the first annual election of the Corporation, two (2) Directors shall be elected to serve a four-year term; two (2) Directors shall be elected to serve a three-year term; two (2) Directors shall be elected to serve a one-year term. At each subsequent annual election, following the first annual election, two (2) Directors shall be elected for four-year terms each.

*Section 3: Number and Qualifications of Directors:* The Corporation's Board of Directors shall consist of eight (8) Directors. However, as many as ten (10) may be elected at the discretion of the Board and may include one (1) resident from each subdivision of Kaibab Estates and Juniperwood Ranch. In addition, in order to comply with legal counsel's recommendations, all Board Members and nominees will be subject to a criminal background investigation. The Board of Directors shall hold office from the time of their election or appointment until their term of office expires, or until their successors are elected and qualified.

*Section 4: Place of Meetings:* All meetings of the Board of Directors shall be held at the offices and principal place of business of the Corporation. Immediately following each annual meeting, when Directors have been elected, the Board of Directors shall meet for the purpose of organizing, electing officers, and transacting any and all other business. All other meetings of the Board of Directors may be called at the discretion of the president of the Corporation, or by any

three (3) Directors; notices of such meetings will be given in the manner used for the annual meeting of the members.

*Section 5: Quorum and Manner of Acting:* At all meetings of the Board of Directors, a majority of the Directors shall be necessary to constitute a quorum for the transaction of any business. The Board of Directors shall operate by majority vote, shall determine the policies of the Corporation, and shall fix rates; provided, that at all times, such rules, regulations and rate-fixing, shall be in compliance with the orders and rules of the Arizona Corporation Commission. (The president shall not vote except in case of a tie.) The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these By-Laws.

*Section 6: Filling Vacancies on the Board:* In the event of the death, resignation or removal of a Director, vacancies shall be filled by a majority vote of the remaining Directors. Each Director shall hold office until his or her successor has been elected and qualified. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

*Section 7: Fees and Compensations:* Directors shall not receive any stated salaries for their services. The Board of Directors shall have the power to fix, and determine, the salary of the agents and employees of the Corporation; except that officers and members shall be entitled to no salary, but shall be entitled to only expenses incurred in the conduct of their office, in such manner as may be determined by the Board.

*Section 8. Informal Action by Directors:* Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

*Section 9. Resignation:* Any Director may resign at any time by giving written notice of such resignation to the Board of Directors.

*Section 10. Board Attendance:* All Board members are expected to attend all regularly scheduled Board meetings in person or by electronic means. Proxies will not be permitted for voting at any Board of Directors meeting.

*Section 11. Removal:* The Board of Directors may replace any elected or appointed Director at a regular or special meeting if the Director was physically or electronically unable to attend three (3) consecutive, unexcused meetings during the fiscal year. However, the Director shall be notified of the planned action at least five (5) days in advance of the meeting so that he or she can be represented at the meeting.

## ARTICLE VI

### OFFICERS

*Section 1. Number, Election and Term:* The officers of this Corporation shall be a president, vice-president, secretary and treasurer. The officers of the Corporation shall be elected annually. Immediately following the election, the officers shall continue their terms of one (1) year or until their successors have been duly elected.

*Section 2. Subordinates:* The Board of Directors may appoint such other subordinate officers and agents, as necessary, provide compensation for the same, and act on their behalf in special situations involving knowledge of the physical plant or financial aspects of the association. The Board of Directors may delegate, to any such officer or agent, the power to appoint, and regulate the duties and authority of such subordinate officer or agent.

*Section 3. Removal:* Any subordinate officer or agent may be removed with or without cause, by a majority vote of the existing Board of Directors at any regular or special meeting, thereof; or by any superior officer upon whom such power or removal may have been conferred by the Board of Directors.

*Section 4. Salary:* The amount of salary, the manner and the time of its payment, shall be fixed and determined by the Board of Directors. It may be altered, as necessary, but no subordinate officer shall be prevented from receiving his/her salary because he is also a Director of the Corporation, except that neither the president, vice-president, secretary nor treasurer, shall receive compensation for the performance of their duties.

*Section 5. President:* The president shall be the chief executive and his/her powers and duties are:

- (a) To preside at all meetings of the members and the Board of Directors.
- (b) To supervise and control, subject to the direction of the Board of Directors, the business of the Corporation and all the officers, agents, and employees thereof.
- (c) To affix the signature of the Corporation to all deeds, conveyances, mortgages, leases, promissory notes, bonds, contracts, obligations, and other papers and instruments in writing that may require the same. The secretary shall sign all deeds, mortgages, and instruments in writing effecting real estate with the president.
- (d) To perform such other duties as may, from time to time, be assigned to him by the Board of Directors.
- (e) To generally supervise and facilitate all business affairs of the Corporation.
- (f) To perform all other duties incident to the position.

*Section 6. Vice-President:* In case of the absence or disability of the president, the vice-president shall take the place of and perform the duties of the president.

*Section 7. Secretary:* It shall be the duty of the secretary to attend Directors' meetings, to keep the minutes of the proceedings thereof, be the custodian of the Corporation's records and seal, keeping a registry of the Corporation's members, and to record the same in the minute book of the Corporation. It shall be his/her duty to see that the minutes of each meeting are signed by him and by the presiding officer. Jointly, with the president or vice-president, he/she shall sign all deeds, mortgages, and instruments in writing effecting real estate. The secretary shall also perform all other duties incident to the position or assigned to him by the Board of Directors.

*Section. Treasurer:* The treasurer along with any person, officer, Director, or member having access to the funds of the Corporation shall be required to carry a fiduciary bond. The treasurer, subject to the order of the Board of Directors, shall have the care and custody of the money, funds, valuable papers, and documents of the Corporation; with the exclusion of his/her own bond, which shall be in the custody of the president. He/she shall have, and exercise, under the supervision of the Board of Directors, all of the powers and duties commonly incident to his office; and deposit all funds of the Corporation and all securities, notes, and other evidence of indebtedness belonging to the Corporation in such bank(s), trust company(s) or with such firm(s) doing a banking business, as the Directors shall designate. He shall have charge of the accounting system of the Corporation. He shall furnish to the Board of Directors, on demand, a detailed account of receipts and expenditures of the Corporation for a given period, and shall render to it monthly, or more often if required, a statement of all the transactions and of the financial condition of the Corporation.

*Section 9. Committees:* The president or the Board may appoint members to Advisory Committees. Advisory Committees may be created for a particular purpose. Committee members may be appointed by the Board, or by the president, with the advice and consent of the Board, where appropriate. The president shall designate the chair of the committee. A Director may be appointed as a member or liaison to an Advisory Committee. Citizen study committees shall sunset at the end of their mission. All such Committees shall communicate to the Board the results of the deliberation of the Committee.

## ARTICLE VII

### CONTRACTS, ETC.

*Section 1. Contracts and Services:* To the extent permitted by law, the Directors and officers of the Corporation shall not be prohibited from serving as Director or officer, even though they may be interested directly or indirectly in any contract relating to or incidental to the operations conducted by the Corporation, and may vote for contracts, or enter into transactions, for and on behalf of the Corporation, notwithstanding that they may also be personally interested in the same matters as members, Directors or otherwise; provided, however, that any contract, transaction or act on behalf of the Corporation in a manner in which the Directors or officers are personally interested as members, Directors or otherwise shall be at arm's length and not violative of the proscriptions in the Articles of Incorporation against the Corporation's use or application

of its funds for private benefit; and provided further than no contract, transaction or act shall be taken on behalf of the Corporation if such contract, transaction or act is a prohibited transaction or would result in the denial of the tax exemption under any section of the Internal Revenue Code of 1986, as amended, and its regulations. In no event, however, shall any person or other entity dealing with the Directors or officers be obligated to inquire into the authority of the Directors and officers to enter into and consummate any contract, transaction or other action.

*Section 2. Contracts:* The Board of Directors, except to the extent these By-Laws otherwise provide, may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to a specific instance; and unless so authorized by the Board of Directors, no officer or agent shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or render it liable pecuniarily for any purpose or to any amount.

*Section 3. Corporate Earnings:* The Corporation may use its income solely to cover losses and expenses. Any excess income may be returned to the members or retained to cover future losses and expense. Any excess income not retained in reasonable reserves for future losses and expenses belongs to members in proportion to their patronage or business done with the Corporation. If such patronage refunds are retained in reasonable amounts for purposes of expanding and improving facilities, retiring capital indebtedness, acquiring other assets, and unexpected expenses, the Corporation must maintain records sufficient to reflect the equity of each member in assets acquired with the funds.

The Corporation may distribute the unexpended balance of collections or assessments remaining on hand at the end of the year to members or patrons prorated on the basis of their patronage or business done with the Corporation. Such distribution represents a refund of costs of services rendered to the member.

No Director, officer, agent or person connected with the Corporation, or any other private individual, shall receive or share in the net earnings or pecuniary profit from the operations of the Corporation, except as provided for in this Section or for payment to any such person of such reasonable compensation for services actually rendered to or for the Corporation in effecting any of its purposes as shall be fixed by the Board of Directors.

*Section 4. Dissolution:* Upon dissolution or winding up of the affairs of the Corporation, after all debts have been satisfied, gains from the sale of appreciated assets then remaining in the hands of the Board of Directors shall be distributed to all persons who were members during the period the assets were owned by the Corporation in proportion to the amount of business done during that period. A member's rights and interests shall not be forfeited upon withdrawal or termination of membership.

*Section 5. Exempt Activities:* Notwithstanding any other provision of these By-Laws, no Director, officer, agent or representative of this Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(12) of the Code and its regulations.

*Section 6. Donations and Gifts:* The Corporation may be supported by grants, voluntary contributions and other fundraising activities. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Corporation, so long as doing so does not affect the non-profit status of the Corporation.

*Section 7. Fiscal Year:* The Corporation shall operate on a fiscal year of January 1 to December 31. The books and records of the Corporation shall be open for inspection by any franchised member of the Corporation thirty (30) days prior to any annual meeting.

*Section 8. Audit:* At the discretion of the Board, an outside audit may be conducted by a CPA appointed by the president and approved by the Board.

*Section 9: Parliamentary Authority:* The rules contained in the most published/current edition of Robert's Rules of Order Newly Revised, may be used to govern the Corporation in all cases to which they are applicable and in which they are not inconsistent with these By-Laws and special rules of order that the Corporation may adopt. Said rules, may be suspended from time to time, at the discretion of the Chair. Failure to adhere to said rules shall not invalidate any action otherwise taken in good faith.

## ARTICLE VIII

### INDEMNIFICATION

*Section 1:* The Directors, officers and members of the Corporation shall not be individually liable for the Corporation's debts or other liabilities. The private property of these individuals shall be exempt from any corporate debts or liabilities. To the fullest extent that Arizona law permits and in accordance with and within the limits of Section 10-3202(B) of the Arizona Revised Statutes, (i) no member, Director or person who serves on a board or council of the Corporation in a voluntary capacity shall be liable to the Corporation or its members for monetary damages for breach of fiduciary duty and (ii) any Director or person who serves on a board or council of the Corporation in an advisory capacity shall be immune from civil liability and shall not be subject to suit directly or by way of contribution for any act or failure to act resulting in damage or injury. If the Arizona Revised Statutes are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of members or Directors, then the liability of a member or Director of the Corporation shall be eliminated or limited to the fullest extent that the Arizona Revised Statutes, as so amended, permit. Any repeal or modification of this Article VII shall not adversely affect any right or protection of a Director of the Corporation existing at the time of the repeal or modification.

*Section 2:* The Corporation shall indemnify each of its past, present and future members, Directors, officers, employees and agents, which includes uncompensated or volunteer members of advisory boards and councils of the Corporation, against all expenses they incur, including, but not limited to, legal fees, costs, judgments and penalties, which may be incurred, rendered or levied in any legal action brought against any of them for or on account of any action or omission alleged to have been committed while acting within the scope of their authority as



members, Directors, officers, employees, members of advisory boards or councils, or agents of the Corporation. Whenever any person reports to the Corporation that a legal action has been brought or is about to be brought against the person, for or on account of any action or omission alleged to have been committed by the person while acting within the scope of the person's function as a member, Director, officer, employee, advisory board or council member, or agent of the Corporation, members of the Board of Directors, who are not parties to the action, suit or proceeding, at the next regular or at a special meeting held within a reasonable time thereafter, shall determine, in good faith, whether, in regard to the matter involved in the action or contemplated action, the person acted, or failed to act, in good faith and in the manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. If the Board of Directors determines that the person did so act with regard to the matter involved in the action or contemplated action, indemnification shall be mandatory and shall be automatically extended as specified herein; provided that the Corporation shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall unreasonably refuse to permit the Corporation, at its own expense and through counsel of its own choosing, to defend the person in the action. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or its equivalent shall not by itself create the presumption that the person acted or failed to act other than in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful. The Corporation shall provide for indemnification in accordance with this Article VIII and Section 10-3850 et seq. of the Arizona Revised Statutes and to the fullest extent that Arizona law permits.

*Section 3:* The members of the Board of Directors shall not be liable to the Corporation nor to, the Corporation's members for money damages for any action taken, or any failure to take any action, as a Director, except liability for any of the following:

1. The amount of financial benefit received by a Director, to which the Director is not entitled,
2. An intentional infliction of harm on the Corporation or the members,
3. A violation of Arizona Revised Statute § 10-3833,
4. An intentional violation of criminal law.

*Section 4:* The corporation shall indemnify the members of its Board of Directors from liability, as to any person for any action taken, or any failure to take any action, as a Director, except liability for any of the exceptions described in the above Section 3.

*Section 5:* Liability, for the purpose of this Article VIII, is as defined in Arizona Revised Statutes Section 10-3850.

**ARTICLE IX**

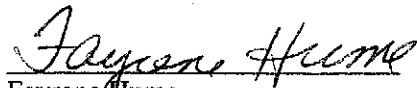
**AMENDMENTS**


The By-Laws of this Corporation may be repealed or amended or new By-Laws may be adopted by a majority of the Board of Directors at a meeting called for such purpose.

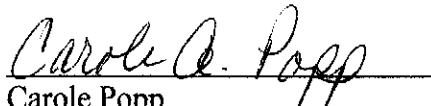
Know all men by these present:

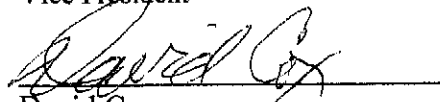
That we, the undersigned, being and constituting all of the Directors of Ash Fork Development Association, Inc. an Arizona Corporation, do hereby certify and declare that the above and foregoing By-Laws were duly made and adopted for the By-Laws of the said Corporation, and do now constitute, and are the By-Laws thereof.

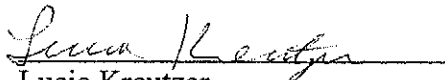
IN WITNESS WHEREOF, the undersigned have executed these Bylaws this 16 day of April, 2014.

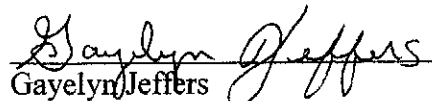
  
Fayrene Hume  
President

  
Frank Cedillo  
Vice President

  
Carole Popp  
Secretary

  
David Cox  
Treasurer

  
Lucia Kreutzer  
Director

  
Gayelyn Jeffers  
Director