



0000045276

NEW APPLICATION

THE LAW OFFICE OF STEVEN R. OWENS, P.C.
RECEIVED

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 853-0653
Telecopier (928) 284-9885
E-mail owens@sedona.net

2001 OCT 10 A 9 39

AZ CORP COMMISSION
DOCUMENT CONTROL

Steven R. Owens, Attorney at Law
Admitted to practice before the courts of Arizona and Colorado

October 3, 2001

WS-04052A-01-0794

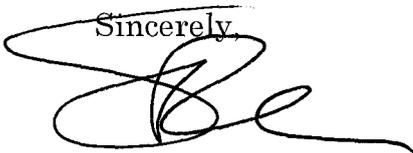
Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007-2996

Re: Red Rock Water Cooperative

Dear Sir or Madame:

Enclosed you will find the original and ten copies of my client's APPLICATION FOR AN ADJUDICATION "NOT A PUBLIC SERVICE CORPORATION," for filing with the Commission.

As always, please don't hesitate to contact me should you have any questions or comments.

Sincerely,


Steven R. Owens

SRO:mja

RECEIVED

ARIZONA CORPORATION COMMISSION

2001 OCT 10 A 8:39

APPLICATION FOR AN ADJUDICATION
"NOT A PUBLIC SERVICE CORPORATION"

AZ CORP COMMISSION
DOCUMENT CONTROL

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant is:

Red Rock Water CoOperative, Inc.

Post Office Box 1164

Sedona, Arizona 86339

B. The Applicant is a:

Non-Profit Corporation,

Unincorporated Homeowners/Property Owners Association.

C. If Applicant is a non-profit corporation:

1. List names of officers:

Jay Elmer, Cheryl Elmer, Kay Holland

2. List name, address and telephone number of management contact:

Jay Elmer, Post Office Box 1164, Sedona, Arizona 86339

D. If Applicant is a unincorporated homeowners/property owners association, attach a list homeowners/property owners.

- E. Attach the following exhibit(s):
1. Articles of Incorporation (if corporation).
 2. By-Laws (if incorporated or unincorporated).
 3. Certificate of Good Standing (if corporation).
 4. Corporate Resolution authorizing this application.
 5. Subdivisions "conditions of covenants and restrictions".
 6. List of utility facilities.
 7. Proof of ownership of utility facilities
 8. Legal Description of area to be adjudicated, using a metes and bounds survey or CADASTRAL (quarter section) descriptions.
 10. A detailed map of the area requested using the form provided as Attachment "B".
 11. Signed petition in support of the application by at least 51% of the Homeowners/Property Owners.

F. Attach the following permits:

1. City or County Franchise if any public rights of way will be used to construct utility facilities.
2. Department of Environmental Quality, or designee, "Approval to Construct" utility facilities.

G. How many lots are there within the subdivision? 11

H. What size are the lots? Varies from 1/2 acre to 3 acres

I. Can these lots be further subdivided? ___ Yes, ___ No unknown

J. How many lots within the area are occupied? 11.

K. Is the Applicant presently providing service to anyone? Yes, ___ No

L. List the name, address and telephone number of the attorney for the Applicant.

Steven R. Owens, Esq., 25 Bell Rock Plaza, Suite A

Sedona, Arizona 86351-8804

M. Attach an affidavit indicating that notice of this application has been made to all homeowners/property owners at least thirty (30) days prior to filing this application. (Please use the form of notice provided as Attachment "C", unless another form is approved by the Utilities Division prior to the filing of this application).

DATED the 2 day of Oct, 19 2001

Jay E. Elmer
(Signature of authorized representative of Applicant)

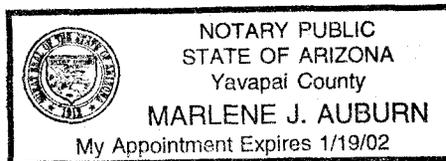
Jay E. Elmer
(Type or Print Name Here)

President
(Title)

SUBSCRIBED AND SWORN to before me on this 2nd day of October, 19 2001

Marlene J. Auburn
NOTARY PUBLIC

My Commission Expires 01-19-02



APPLICATION FOR AN ADJUDICATION "NOT A PUBLIC SERVICE CORPORATION"

Filed by Red Rock Water CoOperative, Inc.

ADDENDUM

REGARDING EXHIBITS SPECIFIED IN SECTION E:

1. Articles of Incorporation—Attached. Were filed with Corporation Commission on October 2, 2001.
2. By-Laws of Corporation—Attached.
3. Certificate of Good Standing—Not issued yet, will order and file upon receipt of filed Articles from Corporation Commission.
4. Corporate Resolution authorizing this application—See Attachment C.
5. Subdivision's CC&Rs—None.
6. List of Utility Facilities—See attached EQUIPMENT SCHEDULE.
7. Proof of ownership of utility facilities—See attached Bylaws.
8. Legal Description—See Attachment B.
9. This number is omitted from your Section E.
10. Map—See Attachment B.
11. Signed petition in support of application—See Attachment C.

Attachment A

RED ROCK WATER COOPERATIVE, INC.
Post Office Box 1164
Sedona, Arizona 86339

October 2, 2001

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2996

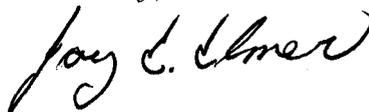
Dear Sir or Madam,

Attached is the application by Red Rock Water CoOperative, Inc., an Arizona corporation in the process of formation, for an adjudication that the CoOperative is not a public service corporation. The purpose of this application is to establish that the CoOperative is not a public service corporation.

If you have any questions, comments or requests for additional information, please address them to the CoOperative's attorney:

Steven R. Owens, Esq.
25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
(928) 284-0899

Sincerely,



Jay Elmer, president
Red Rock Water CoOperative, Inc.

ATTACHMENT "B"

YAVAPAI	19,20,29,30	17 North	5 East
COUNTY	SECTION	TOWNSHIP	RANGE

Attachment C

AFFIDAVIT

STATE OF ARIZONA)
)ss
County of Yavapai)

I, Jay Elmer, being sworn, do hereby affirm and state as follows:

1. I am a resident of Yavapai County, Arizona, over the age of 21 years and competent to make this affidavit under oath.
2. I am the president of Red Rock Water Co-Operative (the "Co-Op"), an Arizona non-profit corporation in the process of formation (previously organized as an unincorporated non-profit cooperative) using a single well and water distribution system (the "System").
3. I have been involved with the Co-Op since approximately 1975 when the well was dug, and therefore am very familiar with the history of the Co-Op.
4. I have done most of the repair and maintenance on the System, so I know who is hooked up to the System and who is not.
5. Currently, there are 11 residences hooked up to the Co-Op's System, receiving water from the System. The names and addresses of the owners of these 11 residences are as follows:

Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336

Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336

Chuck Coulter
80 Mockingbird Spur
Sedona, Arizona 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

Jim Herbert
151 Country Lane
Sedona, Arizona 86336

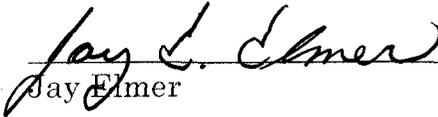
Dallas Weaver
Post Office ox 4201
Sedona, Arizona 86340

Jim Miner
130 Country Lane
Sedona, Arizona 86336

We had thought that Cindy Cullen would be connecting to the system, but she has recently passed away and we understand that her heirs will not be hooking up.

6. I have taken a census of the residents of these 11 residences and have confirmed that there are 18 residents living within these 11 residences.
7. As part of our petition for adjudication that the cooperative is not a public service corporation, I personally served a copy of the attached Notice, Consent to Application and Petition upon the above listed persons. As evidenced by the attached signatures, all of the members of the cooperative with the exception of Deborah Dobson have consented to and joined into the Petition for adjudication that the cooperative is not a public service corporation. I personally served a copy of the attached Notice, Consent to Application and Petition upon Ms. Dobson and know that she has reviewed it and is aware of its contents.

I hereby affirm under oath that the above is true and accurate to the best of my personal knowledge, information and belief.



Jay Elmer

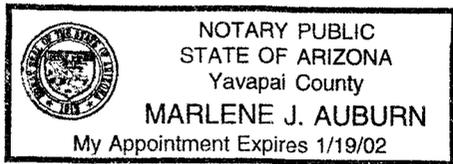
The State of Arizona)
) ss
County of Yavapai)

This 2nd day of October, 2001, before me, the undersigned Notary Public, personally appeared, JAY ELMER, personally known to me, or proved to be the individual described in and who executed the foregoing document and acknowledged that he executed the same for the purposes therein contained.

WITNESS my hand and official seal.



Notary Public of the State of Arizona



(SEAL)

**NOTICE TO PROPERTY OWNERS AND MEMBERS OF
RED ROCK WATER COOPERATIVE, INC.**

AND CONSENT TO APPLICATION

AND PETITION

NOTICE:

Red Rock Water CoOperative, Inc., an Arizona non-profit corporation, (the "CoOperative") has applied to the Arizona Corporation Commission for an adjudication that it is not a public service corporation (public utility) and therefore is not under its jurisdiction. If the application is approved, the Commission will not regulate the rates the CoOperative charges its members. All complaints concerning rates and service will be handled by the CoOperative's board of directors elected by the members, pursuant to the articles of incorporation and the bylaws of the CoOperative.

If you have any questions about this application or have any objections to its approval, you may contact the Arizona Corporation Commission's Utilities Division at 1-800-222-7000, or write to 1200 W. Washington, Phoenix, Arizona 85007.

CONSENT TO APPLICATION AND PETITION:

The below signed members of Red Rock Water CoOperative, Inc., hereby acknowledge that they have received and have read the above NOTICE and hereby consent to and support the CoOperative's application to the Arizona Corporation Commission for an adjudication that it is not a public service corporation (public utility), and furthermore hereby petition the Arizona Corporation Commission to grant the CoOperative's application.

This Consent and Petition may be signed in any number of counterparts, all of which together shall constitute one original.

DATED: October 2, 2001

CONSENT:

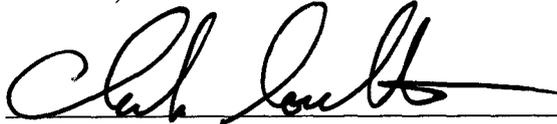


Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

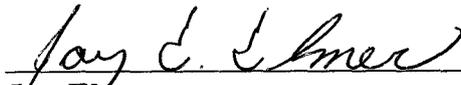
Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336



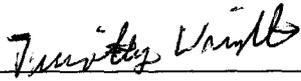
Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaic, California 91384~~ Sedona, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336



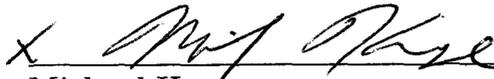
Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339



Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336



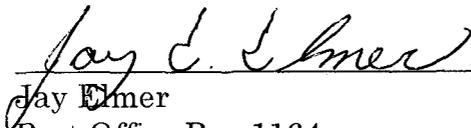
Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336



Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaic, California 91384~~ SEDONA, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336



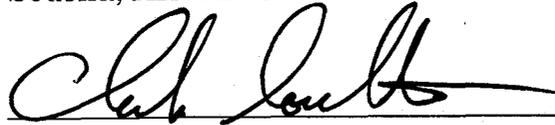
Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336

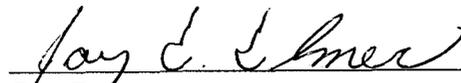


Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaic, California 91384~~ Sedona, AZ. 86336



Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336



Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

Jim Herbert
151 Country Lane
Sedona, Arizona 86336

Dallas Weaver

Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340

Jim Miner

Jim Miner
130 Country Lane
Sedona, Arizona 86336

~~Cindy Cullen
90 Mockingbird Spur
Sedona, AZ. 86336~~ DECEASED

Cindy Cullen

x *Jim Herbert*

Jim Herbert
151 Country Lane
Sedona, Arizona 86336

Dallas Weaver

Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340

Jim Miner

Jim Miner
180 Country Lane
Sedona, Arizona 86336

~~Cindy Cullen
90 Mockingbird Spur
Sedona, AZ 86336~~ *Deceased*
Cindy Cullen

**ARTICLES OF INCORPORATION
OF RED ROCK WATER COOPERATIVE, INC.
(Arizona Non-Profit Corporation)**

1. Name: The Name of the Corporation is Red Rock Water CoOperative, Inc.

2. Purpose: The purpose for which the corporation is organized to engage in any or all lawful activities for which nonprofit corporations may be incorporated under the laws of Arizona, as they may be amended from time to time.

3. Character of Affairs: The character of affairs of the corporation will be to serve as successor in interest to Red Rock Water Cooperative and to maintain and manage a private well and domestic water supply system which shall not be a public service corporation.

4. Incorporators and Initial Board of Directors. The incorporators shall serve as the initial board of directors, which shall consist of three directors. The names and addresses of the incorporators, who are the persons who are to serve as the directors until the first annual meeting of the members or until their successors are elected and qualified are:

Jay E. Elmer & Cheryl G. Elmer
Post Office Box 1164
Sedona, Arizona 86339

Kay M. Holland
70 Mockingbird Spur
Sedona, Arizona 86336

The number of persons to serve on the board of directors thereafter shall be fixed by the bylaws.

5. Indemnifications: The power of indemnification under the

6. Known Place of Business. The street address of the known place of business of the Corporation is:

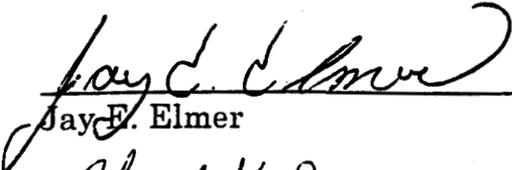
420 Mockingbird Lane
Sedona, Arizona 86336

7. Statutory Agent. (In Arizona) The name and address of the statutory agent of the Corporation is:

Steven R. Owens, Esq.
25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351

8. Members The corporation will have members and the number of members may be limited by the Bylaws of the corporation.

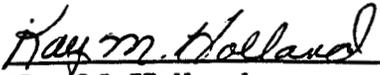
EXECUTED this 26 day of June, 2001 by all of the incorporators:



Jay E. Elmer



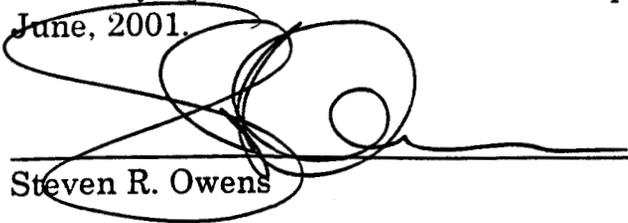
Cheryl G. Elmer



Kay M. Holland

Acceptance of Appointment By Statutory Agent

The undersigned hereby acknowledges and accepts the appointment as statutory agent of the above-named corporation effective this 26 day of June, 2001.



Steven R. Owens

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Office Address: 1300 West Washington
Phoenix, Arizona 85007-2929

Tucson Office: 400 West Congress
Tucson, Arizona 85701-1347

CERTIFICATE OF DISCLOSURE
A.R.S. Sections 10-128 & 10-1084

SEE APPROPRIATE NUMBER OF
SWORN TO

RED ROCK WATER COOPERATIVE, INC.
EXACT CORPORATE NAME

I, THE UNDERSIGNED CERTIFY THAT:

No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
 - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information **MUST** be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

Yes ___ No

YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

Ray E. Elmer DATE 6/26/01 BY Cheryl G. Elmer DATE 6/26/01
 TITLE Incorporator TITLE Incorporator

Kay M. Holland DATE 6/26/01 BY _____ DATE _____
 TITLE Incorporator TITLE _____

FISCAL DATE: December 31, 2001

ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. (If more than four Incorporators, please attach remaining signatures on a separate sheet of paper.)

When initial officers have been elected, an AMENDED Certificate must be filed within sixty (60) days of original filings and must be signed by two (2) executive officers and directors.

**BYLAWS
OF
Red Rock Water CoOperative, Inc.
(An Arizona Non-Profit corporation)**

ARTICLE I

**OFFICES,
CORPORATE SEAL,
CORPORATE ARTICLES,
AND CORPORATE PURPOSE AND LIMITATIONS**

Section 1. Principal Place of Business. The Corporation's known place of business shall be Post Office Box 1164, 420 Mockingbird Lane, Sedona, Arizona 86336, unless and until it is changed by a majority vote of the board of directors.

Section 2. Other Offices. The Corporation may also maintain offices at such other place or places, either within or without the State of Arizona, as may be designated from time to time by the board of directors, and the business of the Corporation may be transacted at such other offices with the same effect as that conducted at the principal office.

Section 3. Corporate Seal. A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation, but nevertheless if in any instance a corporate seal be used, the same shall be simply the words "CORPORATE SEAL-RED ROCK WATER COOPERATIVE, INC." handwritten or typewritten.

Section 4. References to Articles. Any reference herein made to the Corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the Corporation with the Arizona Corporation Commission.

Section 5. Seniority of Articles. The statutes of the State of Arizona will in all respects be considered superior to the Articles, with any inconsistency resolved in favor of said statutes. The statutes and Articles will in all respects be considered

senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the statutes and Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

Section 6. Continuity of Cooperative. It is hereby acknowledged that the corporation is successor in interest to Red Rock Water CoOperative, an unincorporated cooperative water company (the "CoOp") formed pursuant to that certain Agreement dated June 25, 1976. The corporation hereby assumes the assets and known liabilities of the CoOp. Upon formation of the corporation, each holder of a certificate in the CoOp shall be entitled to exchange that holder's certificate for membership in the corporation. In consideration of the CoOp's transfer of all of its assets to the corporation, the corporation hereby agrees to fully indemnify, defend and hold harmless all members of the CoOp from and against any claims, debts or causes of action which relate to that person's membership in the CoOp. By their signatures below in the CONSENT portion of these Bylaws, all undersigned members of the CoOp hereby agree that the Agreement dated June 25, 1976 shall hereafter be null, void and of no further force nor effect, and all of the rights and obligations of the CoOp and its respective members and certificate holders shall be subsumed by the respective rights and obligations of this corporation and its membership under Arizona law.

Section 7. Corporation Not To Be A Public Service Corporation. It being the intention of the incorporators, directors and members that the corporation shall continue to be a non-profit, member owned, cooperative, no officer, director or member shall take any action whatsoever which would cause the corporation to become a "Public Service Corporation" as that term is defined by the Arizona Constitution, Article 15, Section 2, and/or ARS §40-201, et. seq. and any such action shall be null, void and of no force nor effect. Accordingly, the corporation shall have a fixed number of taps, which shall not exceed 14 and shall never serve more than 24 persons. If a member divides that member's land, creating a building parcel, that parcel may qualify for membership and service, but only if that membership does not cause the number of members of the corporation to exceed 14 and the number of persons served to exceed 24. The corporation shall own all of the pumps, well equipment, storage equipment, distribution equipment, pipes, valves, etc., used in the operation of the corporation's water production and distribution system. The service area of the corporation shall not encompass any portion of the service area of a municipal utility or public service corporation providing water.

ARTICLE II MEMBERS AND MEMBERSHIP

Section 1. Members' Meetings. All meetings of members shall be held at such place as may be fixed from time to time by the board of directors, or, in the absence of direction by the board of directors, by the president or secretary/treasurer of the Corporation, either within or without the State of Arizona, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. All members' meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 2. Annual Meetings. Annual meetings of members shall be held on the first Tuesday in January, the first such meeting to be held in calendar year 2002, if not a legal holiday, and if a legal holiday, then on the next secular day following, or at such date and time as shall be designated from time to time by the board of directors and stated in the Notice of the Meeting. At the annual meeting, members shall elect a board of directors and transact such other business as may properly be brought before the meeting.

Section 3. Notice of Annual Meeting. Written notice of the annual meeting stating the place, date, and hour of the meeting shall be given to each member of record entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Members entitled to vote at the meeting shall be determined as of four o'clock in the afternoon on the day before notice of the meeting is sent.

Section 4. List of Members. The officer who has charge of the membership roster of the Corporation shall prepare and make, no more than two days after notice of a meeting of members is sent, a complete list of the members entitled to vote at the meeting, arranged in alphabetical order showing the address of each member. Such list shall be open to examination and copying by any member, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the area where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any member present.

Section 5. Special Meetings of Members. Special meetings of the members, for any purpose or purposes, unless otherwise prescribed by statute or by the articles of incorporation, may be called by the president and shall be called by the president or secretary/treasurer at the request in writing of a majority of the board

of directors, or at the request in writing of ten percent of the members. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Notice of Special Meeting. Written notice of a special meeting stating the place, date, and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each member of record entitled to vote at such meeting. Business transacted at any special meeting of members shall be limited to the purposes stated in the notice. Members entitled to vote at the meeting shall be determined as of four o'clock in the afternoon on the day before notice of the meeting is sent. All special meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 7. Quorum and Adjournment. The majority of members entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the members for the transaction of business except as otherwise provided by statute or by the articles of incorporation. If, however, such a quorum shall not be present or represented at any meeting of the members, a majority of the members entitled to vote at the meeting, who are then present in person or represented by proxy, shall have power to adjourn the meeting to another time or place without notice other than announcement at the meeting at which adjournment is taken, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted at the meeting as originally notified. If the adjournment is for more than thirty 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 of record entitled to vote at the meeting.

Section 8. Majority Required. When a quorum is present at any meeting, the vote of a majority, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. If the meeting commenced with a quorum, business may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum; provided that the affirmative vote must be such as would constitute a majority if a quorum were present.

Section 9. Voting. Except as may otherwise be required by the Articles or by statute, each member represented at any meeting of the members in person or by a proxy given as provided in these Bylaws, will be entitled to one vote. Unless

otherwise required by the Articles or by statute, any question submitted to the members will be resolved by a majority of the votes cast thereon. The voting will be by ballot on any question as to which a ballot vote is demanded, prior to the time the voting begins or immediately after the president's ruling on a voice vote, by any person entitled to vote on such question; otherwise a voice vote will suffice. No changed ballot will be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 10. Proxies. Any member entitled to vote thereat may vote by proxy at any meeting of the members (and at any adjournment thereof), provided that the member's proxy is executed in writing (or by the member's duly authorized attorney-in-fact). A.R.S. §10-3724 shall govern the use of proxies.

Section 11. Organization and Conduct of Meetings. Each members' meeting will be called to order by the president. The Corporation's secretary/treasurer will act as secretary of each members' meeting; in the secretary/treasurer's absence the president of the meeting may appoint any person (whether a member or not) to act as secretary thereat. After calling a meeting to order, the president thereof may require the filing of all proxies with the secretary of the meeting. The chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer, portions thereof).

Section 12. Membership. Every person who holds a certificate in the CoOp and has a tap in the corporation's water system at the time of formation of the corporation shall be a member, and must maintain their membership in full force and good standing in order to retain their tap. No person who does not hold a certificate in the CoOp or have a tap in the corporation's water system shall be entitled to be a member of the corporation. There shall be one membership and one vote for each parcel of real property which held a certificate in the CoOp and has a tap in the corporation's water system, and if that parcel is jointly owned, the owners of that parcel shall designate the one person who may vote that membership's vote. All parcel owners who hold a certificate and have a tap in the corporation's water system at the time of execution of these bylaws shall be entitled to retain that membership and tap for so long as the corporation remains in existence, conditioned upon that parcel owner's paying all dues, water usage fees and assessments levied by the board of directors, and these rights shall be appurtenant to the parcel, and fully transferable to any subsequent owner of that parcel. Any parcel owner who does not pay all dues, water usage fees and assessments shall have their tap cut off, and shall no longer have the right of membership in the corporation, and shall no longer have the right to retain the water tap. All rights evidenced by the

certificates in the CoOp shall be merged into the membership rights in the Corporation, and upon signature below in the CONSENT portion of these bylaws, the undersigned persons' certificates shall have no further force nor effect. Additional members may be admitted to the corporation upon a majority vote of the membership, or if that person has a legally enforceable right to tap into the corporation water system under any CoOp certificates which may exist at the time of formation of the corporation, but only if such additional member does not cause the number of members of the Corporation to exceed 14, and does not cause the number of persons served to exceed 24.

ARTICLE III DIRECTORS

Section 1. Number and Classification. The number of persons to serve on the board of directors shall be not less than three and not more than seven. At the initial meeting of members, the members shall elect three persons to serve as directors. Thereafter, persons shall be elected at each annual members meeting to serve for terms of one year, or until their successors be elected and qualified. Directors must be members.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of the remaining directors then in office, though not less than a quorum and the directors so chosen shall hold office only until the next annual election, even if the term to which they have been elected extends beyond such meeting, and until their successors are duly elected and qualified, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. Powers. The business and affairs of the Corporation shall be managed by its board of directors, which may exercise all such powers of the Corporation and do all such lawful acts as are not by statute, the Articles of Incorporation, or these Bylaws directed or required to be exercised or done by the members. The board of directors shall act only as a board, and no individual director shall have the power or ability to bind the corporation to any act.

Section 4. Place of Meetings. The board of directors of the Corporation may hold meetings, both regular and special, either within or without the State of Arizona, and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 5. Annual Meetings. The regular annual meeting of each newly elected board of directors shall be held immediately following the annual meeting of members and in the same place as the annual meeting of members, and no notice to the newly elected directors of such meeting shall be necessary in order legally to hold the meeting, providing all such directors were present at the annual members' meeting and a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver by all of the directors.

Section 6. Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board. All such meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 7. Special Meetings. Special meetings of the board may be called by the president or any three directors on two day's notice to each director, either personally, by mail, by telegram, or by telephone, and such meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 8. Quorum. A majority of the membership of the board of directors shall constitute a quorum and the concurrence of a majority of those present shall be sufficient to conduct the business of the board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum be present.

Section 9. Action without Meeting. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Executive Committee. Upon adoption of a resolution creating the same by the board of directors, there may be an executive committee consisting of not less than three directors who shall be elected by the board. Members of the executive committee shall serve at the pleasure of the board of directors and each member of the executive committee may be removed with or without cause at any time by the board of directors acting at a meeting or by unanimous written consent.

Any vacancy shall be filled by the board of directors. The executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the Corporation, but shall not possess any authority of the board of directors prohibited by law. The president shall a member of, and shall be chairman of, the executive committee.

Section 11. Compensation. No director shall receive a salary or any form of compensation for serving on the board of directors, however the directors shall be reimbursed from Corporation funds for any actual expenses incurred in performing their duties.

Section 12. Waiver of Notice. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular, or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

Section 13. Standards of Performance and Removal. Any officer or board member may be removed from office by a majority vote of the board members at any meeting. Any board member or officer to be removed shall be entitled to five days written notice of the meeting at which such removal is to be considered. Said board member or officer is entitled to attend the meeting and be heard. Whenever a board member is not present for three consecutive meetings, or misses three meetings in a continuous six months, the board may declare the position vacant, and the board shall have the power, by majority vote, to select a new member to serve the remaining term of the vacated board position.

Section 14. Dues, Assessments, and Water Usage Fees. The board of directors shall set any dues which must be paid to maintain membership in the corporation, shall set all water usage fees, and shall set any assessments for maintenance or repair of the corporation's water system. All members must pay these dues, water usage fees and assessments under the payment schedule adopted by the board of directors in order to retain membership in the corporation. The board of directors may consider payment plans of general application or in specific cases, but no forbearance of the corporation's right to demand timely payment of dues, water usage fees and assessments as a condition of continued membership in the corporation and maintenance of a water tap shall be deemed to be a waiver of the corporation's right to enforce all such rights.

ARTICLE IV OFFICERS

Section 1. Designation of Titles. The officers of the Corporation shall be chosen by the board of directors and shall include a president, a vice president, and a secretary/treasurer. Any number of offices may be held by the same person, unless the Articles of Incorporation otherwise provide.

Section 2. Appointment of Officers. The board of directors at its first meeting after each annual meeting of members shall choose the officers of the Corporation, each of whom shall serve at the pleasure of the board of directors. The board of directors at any time may appoint such other officers and agents as it shall deem necessary to hold offices at the pleasure of the board of directors and to exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 3. Salaries. No officer shall receive a salary or any form of compensation for serving as an officer, however the officers shall be reimbursed from Corporation funds for any actual expenses incurred in performing their duties.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the board of directors at any time.

Section 5. President. The President shall preside at all meetings of members and all meetings of the board of directors. The President shall serve as chief executive officer of the Corporation. He or she shall sign all conveyances, all contracts and agreements, and all other instruments requiring execution on behalf of the Corporation, and shall act as operating and directing head of the Corporation, subject to policies established by the board of directors. The President shall be the person primarily responsible for monitoring the performance of the well and water distribution system, and all members must address all comments or complaints regarding the performance of the water system to the President.

Section 6. Vice President. The vice president shall perform such duties as from time to time may be assigned to him or her and shall have all the powers and perform all the duties of the president in case of the temporary absence of the President or in case of his or her temporary inability to act. In case of the permanent absence or inability of the President to act, the office shall be declared vacant by the board of directors and a successor chosen by the board.

Section 7. Secretary/Treasurer. The secretary/treasurer shall see that the

minutes of all meetings of members, of the board of directors, and of any standing committees are kept. The secretary/treasurer shall have charge of all of the books and records of the Corporation, shall render financial statements to the president, directors, and members at proper times, shall have general custody of all the funds and securities of the Corporation except such as may be required by law to be deposited with any state official, shall have charge of the preparation and filing of such reports, financial statements, and returns as may be required by law and in general shall perform all the duties incident to the office of secretary or treasurer of a Corporation and such other duties as may be assigned.

Section 8. Annual Report. The President, after the close of the fiscal year, shall submit a report as to the condition of the Corporation and its property, and shall submit also an account of the financial transaction of the past year. In addition, the President shall also submit to the members of the Corporation a preliminary estimate of the revenues and the expenses for the upcoming year.

Section 9. Authority. Notwithstanding any other provision herein, no officer shall be authorized to incur any expense, liability or indebtedness on behalf of the Corporation in excess of One Hundred Dollars (\$100.00) except on approval of the board of directors.

ARTICLE V MEMBERSHIP

Section 1. Membership Dues. The board of directors from time to time shall assess and set the amount of membership dues and any initiation fees. The board of directors shall establish such initiation fees, late fees and penalties as it determines to be appropriate.

Section 2. Membership Rights. Any person, club or organization may become a member of the Corporation by ascribing to the purposes and goals of the Corporation and paying the member's annual dues/ No person shall claim any membership rights, including right of attendance at members meetings, or right of voting at members meetings unless that person is paid in full and current on their membership dues.

ARTICLE VI NON PROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited. The Corporation

shall at all times be operated on a non-profit basis for the mutual benefit of its members. No distribution shall be paid or be payable by the Corporation on any capital furnished by its members. No part of the net earning of the corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 2.

Section 2. Surplus. In the event that dues or other income to the Corporation create a surplus, that surplus must be used for the benefit of the Corporation, or donated to any appropriate non-profit corporation, and may not be distributed to any of the members, officers or directors for any reason other than to reimburse them for actual expenses incurred in performing duties for the Corporation.

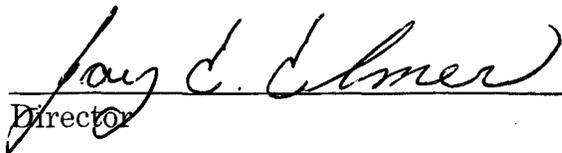
ARTICLE VII MISCELLANEOUS PROVISIONS

Section 1. Repeal, Alteration and Amendment. These Bylaws may be repealed, altered or amended or substitute Bylaws may be adopted at any time by a majority of the board of directors or by a majority vote of the members entitled to vote thereon.

CERTIFICATE

The undersigned hereby certifies that the foregoing Bylaws have been duly adopted by the board of directors, that they include all amendments adopted through this date, and that they have not been further amended, rescinded or repealed, and are currently in effect.

Dated this 26 day of June, 2001.



Director



Director



Director

Attest:

Kay M. Holland
Secretary/treasurer of the Corporation

CONSENT:

Frank Davis
Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336

Steve Holland
Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336

Chuck Coulter
Chuck Coulter
30227 Hasley Cyn. Road 80 Mockingbird Spur
Castaie, California 91384 SEDONA, AZ. 86336

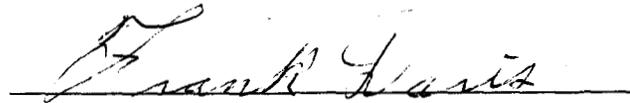
Penny Coulter
Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

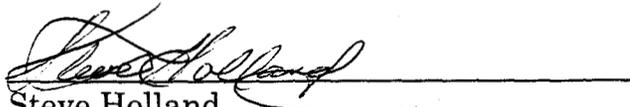
Attest:

Secretary/treasurer of the Corporation

CONSENT:



Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336



Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Gastaie, California 91384~~ SEDONA, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

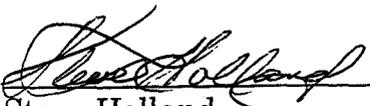
Attest:

Secretary/treasurer of the Corporation

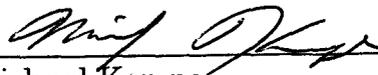
CONSENT:



Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

x 

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336



Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaie, California 91384~~ SEDONA, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

Attest:

Secretary/treasurer of the Corporation

CONSENT:



Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336

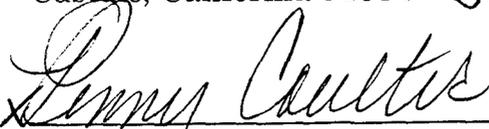


Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336



Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaic, California 91384~~ SEDONA, AZ. 86336



Penny Coulter
Post Office Box 92
Burbank, California 91503

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

Jay C. Elmer

Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

Jim Herbert
151 Country Lane
Sedona, Arizona 86336

Dallas Weaver

Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340

Jim Miner

Jim Miner
130 Country Lane
Sedona, Arizona 86336

~~Cindy Cullen
90 Mockingbird Spur
Sedona, AZ 86336
Cindy Cullen~~ RECEIVED

Jay C. Elmer
Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

x *J. Herbert*
Jim Herbert
151 Country Lane
Sedona, Arizona 86336

Dallas Weaver
Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340

Jim Miner
Jim Miner
130 Country Lane
Sedona, Arizona 86336

~~Cindy Cullen
90 Mockingbird Spur
Sedona, AZ 86336
Cindy Cullen~~ DELETED

**EQUIPMENT SCHEDULE
RED ROCK WATER COOPERATIVE, INC.**

1. ARIZONA WELL REGISTRATION # 55-802 885-L
WELL IS 500' DEEP AND EQUIPPED WITH 1 5HP SUBMERSIBLE PUMP
WITH AN OPEN FLOW RATE OF 28 GALLONS PER MINUTE.
2. APPROXIMATELY 20,000 GALLON UNDERGROUND STORAGE
3. ONE 5HP BOOSTER PUMP
4. ONE 1,200 GALLON PRESSURE TANK
5. ONE AIR COMPRESSOR FOR MAINTAINING AIR CHARGE IN
PRESSURE TANK
6. ALL PRESSURE SWITCHES AND CONTROLS FOR MAINTAINING
SYSTEM.
7. BURIED PIPES AND METERS FOR DISTRIBUTION SYSTEM.