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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

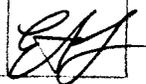
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-12-0321
GRAHAM COUNTY UTILITIES (GAS DIVISION))
INC. FOR A RATE INCREASE)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-13-0023
GRAHAM COUNTY UTILITIES (GAS DIVISION)) Arizona Corporation Commission
INC. FOR APPROVAL OF LOAN)
DOCKETED

OCT 25 2013

DOCKETED BY 

Graham County Utilities, Inc. ("GCU") hereby files the executed financing documents in compliance with Decision No. 74002 dated July 30, 2013.

RESPECTFULLY SUBMITTED this 25th day of October, 2013.

By Kirk Gray

Kirk Gray
Graham County Electric Cooperative, Inc. and Graham
County Utilities, Inc.

Original and thirteen (13) copies filed
this 25th day of October, 2013, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

PROMISSORY NOTE

\$ 1,000,000.00

Date: August 1, 2013

For value received, the Graham County Utilities, Inc., a nonprofit corporation duly organized and existing under the Laws of the State of Arizona ("Borrower"), whose Post Office address is Drawer B, Pima, Arizona 85543, promises to pay to the order of Graham County Electric Cooperative, Inc. an Arizona nonprofit corporation, (the "Cooperative"), Drawer B, Pima, Arizona 85543, at the times and in the manner hereinafter provided, the sum of one million dollars (\$ 1,000,000.00), with interest at 5.44 percent per annum, in monthly installments of ten thousand eight hundred twenty two dollars and ninety two cents (\$ 10,822.92) commencing on September 1st, 2013 and a like sum on the first day of each month thereafter until the principal sum stated above has been paid in full on or before the final maturity date of this Note, which shall be August 1st, 2023. Borrower shall have the right to repay the obligation set forth in this Note in whole or in part at any time without penalty; provided, however, that in the event of a partial prepayment, Borrower shall be obligated to continue making regular and uninterrupted monthly payments for the amount and on the monthly payment date specified in this Note so long as any portion of the loan remains unpaid.

Payment and performance of this Note is secured by a security interest in personal property located in the State of Arizona. This Note is subordinate to the security interest in personal property held by National Rural Utilities Cooperative Finance Corporation.

GRAHAM COUNTY UTILITIES, INC.

By: Jeff B. Baisan

Title: President

Attest: Michael R. Crockett

Secretary

REVOLVING LINE OF CREDIT AGREEMENT

REVOLVING LINE OF CREDIT AGREEMENT GCEC agrees to advance funds to the GCU pursuant to the terms and conditions hereof, provided, however, that the principal amount at any time outstanding under this Agreement shall not exceed Five Hundred Thousand Dollars (\$ 500,000.00). GCU may borrow, repay and re-borrow funds at any time or from time up to, but not including, the Maturity Date, at which time all principal amounts outstanding, and accrued, but unpaid interest thereon, shall be due and payable in full.

ARTICLE I CREDIT TERMS

Section 1.01 Advances. GCEC agrees to advance funds to the GCU pursuant to the terms and conditions hereof, provided, however, that the principal amount at any time outstanding under this Agreement shall not exceed Five Hundred Thousand Dollars (\$ 500,000.00). GCU may borrow, repay and re-borrow funds at any time or from time up to, but not including, the Maturity Date, at which time all principal amounts outstanding, and accrued, but unpaid interest thereon, shall be due and payable in full.

Section 1.02 Interest Rate and Payment. GCU unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each advance and to repay all amounts advanced hereunder with interest on the Maturity Date. The interest rate on all advances will be equal to the National Rural Utilities Cooperative Finance Corporation's Intermediate Line of Credit Rate in effect as of the first day of each month. GCU must pay, in full, all advances and interest before the Maturity Date.

ARTICLE II COVENANTS

Section 2.01 Compliance With Laws. GCU shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**ARTICLE III
MISCELLANEOUS**

Section 3.01 Survival; Successors and Assigns. All covenants, agreements, representations and warranties of GCU which are contained in this Agreement shall survive the execution and delivery to GCEC of the Loan Documents and the making of the advances hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of GCU which are contained in this Agreement shall inure to the benefit of the successors and assigns of GCEC. GCU shall not have the right to assign its rights or obligations under this Agreement.

Section 3.02 Maturity Date. The Maturity Date shall mean the date twelve (12) months from the Effective Date.

Section 3.03 Effective Date. The Effective Date shall be August 1st, 2013.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the 2nd day of October, 2013.

GRAHAM COUNTY UTILITIES, INC.

By: Jeff B. Larson

Title: President

Attest:

Michael B. Crockett

Secretary

**GRAHAM COUNTY ELECTRIC
COOPERATIVE, INC.**

By: Rene Robert Haller

Title: President

Attest:

Tommy Clontz

Secretary