

**ARTICLES OF INCORPORATION  
OF  
INSCRIPTION CANYON WATER COMPANY  
(A Nonprofit Corporation)**

**ARTICLE I**

NAME OF THE CORPORATION

The name of the corporation is INSCRIPTION CANYON WATER COMPANY (the "Company").

**ARTICLE II**

NONPROFIT CORPORATION

The Company is organized as a nonprofit corporation pursuant to Title 10, Chapters 24-40, of the Arizona Revised Statutes, as the same may be amended or any successor statutes. The Company is to be operated on a nonprofit cooperative basis for the mutual benefit of its members pursuant to Internal Revenue Code Section 501(c)(12). The Company has no stock, but has membership shares which have no pecuniary value but which attach to and run with tracts of land as designated by the bylaws of the Company. The Company does not possess the power of engaging in activities for the purpose of or resulting in the pecuniary remuneration to its members as such. This provision does not prohibit fair and reasonable compensation to members for services actually rendered; nor does it prohibit the Company from charging a fee for services rendered; nor does it prohibit the Company from charging a fee for admission to any presentation it may make or other undertakings so long as any funds so raised are used solely for paying the losses and expenses of the Company. No dividends or pecuniary profits shall be declared or paid to its members, directors or officers. All income and earnings of the Company shall be used to further the purposes and objectives of the Company.

The Company must not retain more funds than it needs to meet current losses and expenses based on its cost of operation. 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 Company. If such patronage refunds are retained in reasonable amounts for purposes of expanding facilities, retiring capital indebtedness, acquiring other assets, or other similar purposes, the organization is to maintain records sufficient to reflect the equity of each member in the assets acquired with the funds.

In any given year, at least 85 percent of the Company's gross income must be collected from members, for the sole purpose of meeting losses and expenses, in accordance with Section 501(c)(12) of the Internal Revenue Code.

### **ARTICLE III**

#### **PRINCIPAL PLACE OF BUSINESS**

The Company's principal place of business is located at 302 West Willis Street, Suite 105, Prescott, Arizona 86301, but it may establish other places of business and other offices at such other places as the Board of Directors may from time to time determine.

### **ARTICLE IV**

#### **PURPOSE, POWERS AND DUTIES**

The purposes of this Company are to establish and maintain a water supply and distribution system for the benefit of the participating property owners within its franchise boundaries in Yavapai County, Arizona (the "Property") and for the residents of any such immediately adjacent property as may be designated by the bylaws of this Company; and to perform all lawful acts and things incidental to or in any way connected with its purposes, including the acquisition and disposition of, and dealing with, real and personal property.

### **ARTICLE V**

#### **MEMBERSHIP AND VOTING RIGHTS**

The Company will have members ("Members"). The membership in the Company consists exclusively of owners of separately owned lots within the Property. Owners become members of the Company upon signing up for water service from the Company, and continue as members only for so long as they continue to receive water service from the Company, except as may be otherwise provided in the bylaws. The voting and other rights and privileges of members, and their liability for assessments and other charges, shall be as set forth in the bylaws.

The Company is to keep adequate records of each member's rights and interests in the assets of the Company. Upon dissolution, if the Company has gains from the sale of an appreciated asset, these gains are to be distributed to all persons who were members during the period in which the asset was owned by the Company in proportion to the amount of business done by those members during that period, insofar as is practicable.

The Company may not forfeit a member's rights and interest in the Company upon termination of membership. If a membership is terminated, the member retains his or her rights and interests in his or her proportionate share of the Company's gross income in excess of losses and expenses for the period of time that the member was a member.

## ARTICLE VI

### BOARD OF DIRECTORS

The control and management of the affairs of the Company is vested in a board of directors. Each director must be a member of the Company or the spouse of a member (or if a member is a corporation, partnership, limited liability company or trust, a director may be an officer, partner, member, trustee or beneficiary of such member). The names and addresses of the initial directors are as follows:

<u>Name</u>	<u>Address</u>
Blake Hewitt	15775 North Double Adobe, Prescott, Arizona 86305
Robert Hilb	6600 West Box Canyon Place, Prescott, Arizona 86305
Randy Joly	15495 North Angels Gate, Prescott, Arizona 86305
Robert Elsroad	5689 West Johnny Mullins Drive, Prescott, Arizona 86305
Chris Peck	6235 West Almosta Ranch Road, Prescott, Arizona 86305

The bylaws of the Company are to prescribe the terms of office and manner of election of directors, and the number of directors.

## ARTICLE VII

### OFFICERS

The affairs of the Company are administered by officers elected annually by the board of directors at the first meeting of the board of directors following each annual meeting of the members of the Company, or at other meetings called for such purpose. The officers are a President, Vice-President, Secretary, Treasurer and other officers as required, each of whom serves at the pleasure of the board of directors.

## ARTICLE VIII

### LIMITATION ON LIABILITY OF DIRECTORS

A director of the Company is and will not be personally liable to the Company or its members, if any, for monetary damages for any action taken or any failure to take any action as a director, except for liability for any of the following: (i) the amount of a financial benefit received by a director to which the director is not entitled, (ii) an intentional infliction of harm on the Company or the members, (iii) a violation of Arizona Revised Statutes §10-3833, as may be amended or any successor statute, or (iv) an intentional violation of criminal law. If the Arizona Revised Statutes are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company will be eliminated or limited to the fullest

extent permitted by the Arizona Revised Statutes, as so amended. Any repeal or modification of this Article will not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification.

## **ARTICLE IX**

### **INDEMNIFICATION**

The Company must indemnify any past or present director, officer, committee member, employee or agent of the Company against expenses, including without limitation, attorneys' fees, judgments, fines and amounts reasonably incurred while acting within the scope of his or her authority as a director, officer, committee member, employee or agent of the Company; provided that the board of directors must determine that such indemnification is in compliance with Arizona Revised Statutes §10-3851 through §10-3858, as same may be amended, or any successor statutes.

## **ARTICLE X**

### **DISSOLUTION**

No person shall possess any property right in or to the property or assets of the Company. The Company may be dissolved with the consent given in writing signed by members representing at least 67 percent of the total votes of members of the Company.

## **ARTICLE XI**

### **AMENDMENTS**

These Articles of Incorporation may be amended as provided in Arizona Revised Statutes §10-11001 through §10-11009, as the same may be amended or any successor statutes. Where approval of the members is required by statute, any amendment shall require the consent of members representing at least 51 percent of the total votes of members the Company.

## **ARTICLE XII**

### **STATUTORY AGENT**

The Company hereby appoints Cynthia Wallace, 302 West Willis Street, Suite 105, Prescott, Arizona 86301, as statutory agent for the Company. All notices and processes, including service of summons, may be served upon the statutory agent and, when so served, shall be lawful, personal service upon this Company. The board of directors may, at any time, appoint another agent for such purpose, and filing of such other appointment shall revoke this or any other previous appointment of such agent.

**ARTICLE XIII**

**INCORPORATION**

The names and addresses of the incorporators are: Robert Hilb, 6600 West Box Canyon Place, Prescott, Arizona 86305; and Randy Joly, 15495 North Angels Gate, Prescott, Arizona 86305. All powers, duties and responsibilities of the incorporators will cease at the time of filing of these Articles of Incorporation with the Arizona Corporation Commission.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation on this \_\_\_\_\_ day of October 2019.

**INCORPORATORS:**

\_\_\_\_\_  
Robert Hilb

\_\_\_\_\_  
Randy Joly