

NOTICE TO MEMBERS

OF

GRAHAM COUNTY UTILITIES, INC.

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

The Cooperatives are holding a vote by both GCEC and GCU Memberships to approve the recommended merger of the two Cooperatives and combine their bylaws.

THE PLACE: Mail in ballot to be completed by May 26, 2021

THE TIME: N/A, please mail in the ballot or drop off at the GCEC office in Pima

Official business includes the vote to merge the two cooperatives and to create one set of bylaws.

Summary: At the 2020 GCU annual meeting held on October 17, 2020 the members voted to sell the gas utility to Southwest Gas Inc. The transfer of the gas utility will be complete in Q3 of 2021 and will leave the GCU cooperative with only the water utility. When the water and gas utilities were acquired for the benefit of the community, those utilities were put into a separate cooperative from the electric utility because of the liability risks associated with natural gas utilities. Having two separate companies duplicates expenses such as corporate filings, reporting to the Arizona Corporation Commission, and financial audits. Now that the risks associated with a gas utility are not there, it makes sense to eliminate the duplicate expenses. The merger will also enhance the financial well-being of the water division.

After reviewing the pros and cons of combining the two utility cooperatives, both GCU and GCEC Boards of Directors approved a plan of merger and authorized a vote by the members. The plan of merger calls for GCEC, the electric cooperative, to be the surviving cooperative in the merger and own the water utility. Therefore, the combined Bylaws will be based primarily on the GCEC Bylaws. Members of GCU are generally members of GCEC -- people who have a water hook-up, have an electric meter. In the proposed merger the GCU members will not lose any financial rights that they have now. And the merger will continue to provide financial support to the water utility.

To merge the two utilities into one company requires that a 2/3rds majority of the total votes cast be "yes" votes to approve the merger and combine the bylaws. The voting ballots will be sent out on/about April 16, 2021 to all GCEC and GCU members with voting instructions and a deadline to mail in or drop off their voting ballot at the GCEC office. Following the voting deadline of May 26, 2021, the election committee will count and certify the vote totals and report the results to the GCU and GCEC Board of Directors.

In the voting materials to be mailed on/about April 16th you will receive:

- Voting instructions
- Deadline information
- The Plan of Merger

A combined annual meeting is scheduled for September 18, 2021. There will be a report of the vote outcome and a presentation of electric and water operations. Other business will be conducted, including a status of the gas utility sale.

Copies of the current GCU and GCEC Cooperative's Bylaws along with an updated version of the proposed combined Bylaws, showing the changes to GCEC's Bylaws (see sections ending with "proposed changes"), are available at the office in Pima or on our website at www.gce.coop.

There will be additional information available on our website and Facebook page.

GRAHAM COUNTY UTILITIES, INC.
Jeff Larson, President

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
Reuben McBride, President