

AMENDED AND RESTATED

BY-LAWS

Of

Valley Telephone Cooperative, Inc.

Current through 2019 Annual Meeting
Last amendment dated May 4, 2019

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BY-LAWS OF VALLEY TELEPHONE COOPERATIVE, INC.

ARTICLE I – Membership

Section 1. Requirements for Membership. Any person, firm, association, corporation or body politic or subdivision thereof may become a member of Valley Telephone Cooperative, Inc. (hereinafter called the “Cooperative”), upon receipt of telephone, broadband service or other communication services (hereinafter referred to as telecommunications services) from the Cooperative, provided that the prospective member has first:

- a) Made an application for membership therein;
- b) Reside in one of the following exchanges as defined in Cooperative’s tariffs on file with the Arizona Corporation Commission and the New Mexico Public Regulation Commission
 - i. Pearce, AZ
 - ii. Sunizona AZ
 - iii. Bonita, AZ
 - iv. Bowie, AZ
 - v. San Simon, AZ
 - vi. Portal, AZ
 - vii. Rodeo, NM
 - viii. Animas, NM
 - ix. Playas, NM
 - x. Columbus, NM
- c) Agreed to purchase services from the Cooperative in accordance with the established tariffs or price lists and as hereinafter specified; and
- d) Agreed to comply with and be bound with the Articles of Incorporation and By-Laws of the Cooperative and any rules and regulations adopted by the Board of Directors.
- e) Any person, firm, association, corporation or body politic or subdivision thereof who purchases qualifying services from the Cooperative in other geographical areas, as determined by the Board of Directors shall be considered a patron of the Cooperative but shall not be a member

No, person firm, association, corporation or body politic or subdivision thereof shall become a member unless and until the prospective member has been accepted for membership by the Board of Directors or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these By-Laws.

At each meeting of the members, all applications received more than ninety (90) days prior to such meeting which have not been accepted or which have been rejected by the Board of Directors shall be submitted by the Secretary to such meeting, and subject to compliance by the applicant with the requirements hereinabove set forth, any such applications may be accepted by vote of the members. The Secretary shall give each such applicant at least ten (10) days written notice of the date of the members' meeting to which this application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

Section 2. Membership Numbers. Membership in the Cooperative shall be evidenced by issuance of a membership number. At each monthly meeting, a list of new membership numbers shall be approved or rejected by vote of the Board of Directors and shall be signed by the Secretary of the Cooperative.

Section 3. Joint Membership. A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these By-Laws shall be deemed to include a husband and wife holding joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- a) The vote of either separately or both jointly shall constitute one joint vote;
- b) A mail-in ballot executed by either or both shall constitute one joint ballot;
- c) A waiver of notice signed by either or both shall constitute a joint waiver;
- d) Notice to either shall constitute notice to both;
- e) Expulsion of either shall terminate the joint membership;
- f) Withdrawal of either shall terminate the joint membership;
- g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

Section 4. Conversion of Membership.

- a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of

Incorporation, By-Laws and rules and regulations adopted by the Board of Directors.

- b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The existing membership number shall indicate the changed membership status, provided however, that the estate of the deceased shall not be released from any debts due the Cooperative.

Section 5. Purchase of Telecommunications Service. Each member shall purchase from the Cooperative telecommunications service used on the premises, and shall pay therefor monthly at rates which shall from time to time be recommended by the Board of Directors and approved by the applicable state regulatory commission. It is expressly understood that amounts paid for telecommunications service in excess of the cost of service are furnished by members as capital to be used for such capital requirements of the Cooperative as the Board of Directors shall from time to time determine as necessary. Each member shall pay all amounts owed to the Cooperative as and when the same shall become due and payable.

Section 6. Termination of Membership.

- a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, By-Laws or rules and regulations adopted by the Board of Directors, but only if such member shall have been given written notice that such failure shall have continued for at least ten (10) days after such notice was given.
- b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate.,. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- c) In case of withdrawal or termination of membership in any manner, the Cooperative shall collect the amount of any debts or obligations owing from the member to the Cooperative.
- d) In the case of a dispute concerning ownership of the membership, the membership shall be terminated, and the parties will be required to obtain new memberships.

Section 7. Resellers Ineligible for Membership. Only subscribers to the Cooperative's retail telecommunications services shall be eligible for membership. Membership in the Cooperative shall not be available to competitive telecommunications providers purchasing services from the Cooperative or which are otherwise purchasing access to the Cooperative's operations for purposes of resale.

ARTICLE II - Rights And Liabilities Of Members

Section 1. Property Interest of Members. Members shall have no individual or separate interest in the property or assets of the Cooperative except that, upon dissolution, the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven (7) years next preceding the date of filing of certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

Section 2. Non-Liability for Debts of the Cooperative. The private property of the members shall be kept exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III - Meetings of Members

Section 1. Annual Meeting. The Cooperative shall hold an annual meeting of the members to be held at such place in the counties of Cochise or Graham, State of Arizona, or the counties of Grant, Luna or Hidalgo, State of New Mexico, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings and Member Initiatives.

- a) Special meetings of the members may be called by resolutions of the Board of Directors, or upon a written request signed by any three directors, by the President, or by ten percent (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. Special meetings of the members may be held at any place within the Counties of Cochise or Graham, State of Arizona, or the Counties of Grant, Luna or Hidalgo, State of New Mexico, as specified in the notice of the special meetings.

- b) Any resolution approved at a special meeting requiring the consent of the membership or requiring an action of the Board of Directors shall be submitted to the Secretary who shall, upon certification of the requirements for the special meeting and the presence of a quorum, shall order a special election. The notice of such special election shall contain (1) the language of the proposition to be voted upon by the membership, (2) an explanation of the need for, or effect of, the membership's vote, and (3) a mail-in ballot. The mail-in ballot shall be returned to the Secretary or the Secretary's designee in the same manner as provided for voting at the annual meeting. The mail in ballot shall be returned within a time stated in the notice but shall be not less than seven, or more than thirty (30) days after the mailing of the notice of the special election.

- c) Any matter requiring the consent of the membership may be placed upon the mail-in ballot for the annual meeting by resolution of the Board of Directors or upon a petition signed by five percent (5%) or more of all the membership, and submitted to the Secretary. Any such petition shall be delivered to the principal office of the Cooperative not less than sixty (60) days prior to the annual meeting. The Board of Directors shall publish a statement of arguments in favor of and opposed to any proposal submitted to the membership and may express the recommendation of the Board regarding such initiative or proposition.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the annual or any special meeting shall be delivered to each member not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the books of the Cooperative, with postage thereon paid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members of any such meeting. Any notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called.

Section 4. Quorum. Valid mail-in ballots received from five percent (5%) of the total members shall constitute a quorum. All mail-in ballots shall be delivered to the Secretary or the Secretary's designee in accordance with Section 6 of Article III. If less than a quorum submits mail-in ballots, the Secretary shall notify the membership of the time and place of a new meeting. A quorum for action at a special meeting shall be five percent (5%) of the total members.

Section 5. Voting. Each member shall be entitled to only one (1) vote. All questions shall be decided by a vote of a majority of the members voting thereon by mail-

in ballot, except as otherwise provided by law, the Articles of Incorporation or these By-Laws.

Section 6. Mail-In Ballots. All voting by the membership shall be by mail-in ballot executed by the member. Such ballots shall be irrevocable and shall be received by mail or otherwise delivered to the Secretary or the Secretary's designee not less than five (5) days prior to the meeting for which the mail-in ballot applies.

Section 7. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

- a) Report as to a quorum by mail-in ballots;
- b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
- c) Taking necessary action regarding minutes of previous annual meeting of the members;
- d) Presentation of reports of officers, directors and committees;
- e) Announce results of the mail-in ballot;
- f) Discussion

ARTICLE IV – Directors

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine (9) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these By-Laws conferred upon or reserved to the members.

Section 2. Election and Tenure of Office. All directors shall be elected by secret ballot, unless there is no one nominated in opposition, and the director is thereupon elected by acclamation, and shall hold office for a term of three (3) years unless the provisions of Section 9 of this Article IV are applicable. One (1) director shall be elected to represent each district at each annual meeting. All directors hold office until the annual meeting at which their term expires or until their successors have been elected and shall have qualified. If insufficient mail-in ballots are received to constitute a quorum at any annual meeting, any incumbent director whose term of office is expiring shall be automatically re-elected. If any director is precluded from service, the office shall be deemed vacant.

Section 3. Qualifications. No person shall be eligible to be nominated, elected, or remain a director, who:

- a) Is not a member receiving telecommunications service provided by Valley Telephone Cooperative, Inc.;
- b) Is in any way employed by or financially interested in a competing enterprise;
- c) Does not maintain a principal domicile in the geographic district from which he or she is elected; or who;
- d) Is a former employee who has left the Cooperative's employment less than three years prior to seeking election or appointment.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 4. Voting Districts. The territory served or to be served by the Cooperative shall be divided into three (3) districts, as determined by the Board of Directors, taking into consideration the membership and area served. Each district shall be represented by three (3) directors. The Board of Directors shall, at least ninety (90) days before the annual meeting, designate the territorial limits of the three (3) districts, and not less than sixty (60) days before any meeting of the members at which directors are to be elected, the Board of Directors shall review the composition of the several districts, and if it should be found that inequalities in representation and area have developed which can be corrected by a redelineation of districts, the Board of Directors shall reconstitute the districts so that each shall provide for fair and adequate representation of members and area.

Section 5. Nominations. It shall be the duty of the Board of Directors to appoint not less than one hundred eighty (180) days before the date of any election at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than nine (9) members who shall be selected from different districts and shall include representation from any district from which a nomination to the Board of Directors is to be made. No member of the Board of Directors may serve on such committee. The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least sixty (60) days before the meeting a list of nominations for directors which may include a greater number of candidates than are to be elected. The committee shall interview and make a determination of the qualifications of all interested candidates. In the case of an incumbent director seeking re-election, the committee shall, in addition to determining the continuing qualifications of the director, also evaluate the performance of the director prior to posting the nomination. Any fifteen (15) or more members acting together may make nominations from the district in which the members reside by petition delivered to the principal office of the Cooperative not less than forty-five (45) days prior to the

meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the annual meeting, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any, and shall include a mail-in ballot that may be delivered in person or by mail to the Secretary or Secretary's designee in accordance with Article III, Section 6. No nominations from the floor at the meeting shall be in order.

Section 6. Removal of Directors by Members. Any member may bring charges against a director, and by filing with the Secretary such charges in writing together with a petition signed by at least ten percent (10%) of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered at the meeting of the members and shall be voted upon by mail-in ballot. The director shall be removed if a quorum votes, as described in Article III, Section 4, and a majority votes in favor of removal.

Section 7. Vacancies. Subject to the provisions of these By-Laws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors of the unexpired portion of the term.

Section 8. Compensation. Directors shall not receive any salary as such for their services except that: (i) they shall receive a fixed sum for each day or portion thereof spent on Cooperative business, the amount to be set by a vote of the members at an annual meeting, and reimbursement for expenses incurred in carrying out Cooperative business; and (ii) the directors may receive health insurance benefits no greater than those available to employees of the Cooperative. Insurance coverage for director's dependents, if any, shall be paid by the director. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation be specifically authorized by a vote of the members or the service by such director or close relative shall have been certified by the Board of Directors as an emergency measure. A "close relative" is defined as the spouse, children, siblings, parents or in-laws of a director. Former directors shall not be eligible for any compensation or for any benefits at the expenses of the Cooperative, but may continue receiving health care coverage at their own expense on the same terms as are available to employees of the Cooperative hired after January 1, 1999.

Section 9. Board Action to Require Re-election of Board Member for Alleged Misconduct or Failure to Fulfill Duties.

- a) A director, regardless of the length of time remaining in his or her term, may be required to stand for re-election at the next annual meeting upon the affirmative vote of two-thirds of the directors present and voting at a regular monthly meeting of the Board. For purposes of the foregoing provision, an abstention from voting by a director shall not be considered a vote.
- b) The foregoing action may be taken by the Board if a director has, after a prior written warning from the Executive Committee (1) violated one or more Board policies; (2) engaged in conduct which is adverse or detrimental to the best interests of the Cooperative; (3) failed or refused to perform the duties or obligations of a director as required by the By-Laws or policies of the Cooperative; or (4) acted in such a manner as to disrupt, obstruct or otherwise prevent the orderly transaction of business by the Board. The Board may take such action without prior written warning if a director fails to fulfill his or her duties due to continued absence from regular monthly meetings of the Board or other Board functions, as defined by Board policy.
- c) The procedure to be followed prior to any vote of the Board as to whether to require a director to stand for re-election as described herein shall be as follows: Upon receipt of a written complaint from any member of violation of this section, the matter will be referred to the Executive Committee who shall act upon not less than twenty (20) days prior notice to the affected director and affording the affected director to respond to the complaint. The Executive Committee may elect to (1) take no action, (2) warn the director of the violation in writing, or (3) recommend to the full Board that formal or informal censure be imposed or action be taken to require the director to stand for re-election. Any action by the Board shall require a notice of the action to the full Board and the affected director not less than twenty (20) days prior to a regular meeting of the Board.
- d) When a director is required to stand for re-election under this section, the nominating committee shall treat the election in the same fashion as an expiring term and other candidates shall be permitted to seek the director's position. The term of the successful candidate shall be the remainder of the original term for which the director was required to stand for re-election.

ARTICLE V - Meeting of Directors

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held at such time, place, and medium as the Board of Directors may provide by resolution, but not to be less than six (6) meetings within any calendar year. Such regular meetings may be held without notice other than such resolution fixing the time, place, and medium thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. Notice of Directors' Meetings. Written notice of the time, place, and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than three (3) days previous thereto, either personally or by mail, or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at the director's address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum, provided that, if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in these By-Laws.

ARTICLE VI – Officers

Section 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected annually by and from the Board of Directors at the meeting of the Board of Directors held immediately after the annual meeting of the members. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as practicable. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until a qualified successor is elected.

A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment, the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent (10%) of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges shall have the same opportunity. If the Board does not remove such officer, the question of removal shall be considered and voted upon by the members by mail-in ballot at either a special election or at the annual meeting.

Section 4. President. The President shall:

- a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- b) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- c) In general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. Vice President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to the Vice President by the Board of Directors.

Section 6. Secretary. The Secretary shall be responsible for:

- a) Keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;

- b) Seeing that all notices are duly given in accordance with these By-Laws or as required by law;
- c) The safekeeping of the corporate books and records of the Cooperative and the execution of all documents which on behalf of the Cooperative is duly authorized in accordance with the provisions of these By-Laws;
- d) Keeping a register of the names and post office addresses of all members;
- e) Signing new membership lists which shall have been authorized by the Board or the members;
- f) Keeping on file at all times, a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, and upon the request of a member, furnishing a copy of the By-Laws and of all amendments thereto to that member; and
- g) In general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.

Section 7. Treasurer. The Treasurer shall be responsible for:

- a) Custody of all funds and securities of the Cooperative;
- b) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these By-Laws; and
- c) The general performance of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board.

Section 8. Manager. The Board of Directors may appoint a Chief Executive Officer/General Manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in such person.

Section 9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors, in its discretion, may also require any other officer,

agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

Section 10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these By-Laws with respect to compensation for directors and close relatives of directors.

Section 11. Reports. The officers of the Cooperative shall submit at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII - Non-Profit Operation

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative, non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Telecommunications Services. In the furnishing of telecommunications services, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of telecommunications services in excess of operating costs and expenses properly chargeable against the furnishing of telecommunications services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of billable capital, if any, so directly furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to that patron's account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

Section 3. Apportionment of Revenues. The Board of Directors shall apportion the revenues of the Cooperative for any fiscal year for the following purposes in the order named:

- a) To pay or provide for expenses of operation and maintenance of its facilities during such fiscal year;
- b) To provide a reasonable reserve for working capital;
- c) To pay or provide for the payment of interest due in such fiscal year;
- d) To pay or provide for the payment of principal obligations due in such fiscal year;
- e) To provide a reserve for the payment of indebtedness of the Cooperative in an amount not less than the total of the interest and principal payment in respect thereof required to be made during the next following year;
- f) To finance, or to provide reserve for the financing of the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board of Directors; and
- g) To provide a reserve for contingencies or emergencies in an amount and to the extent deemed necessary by the Board of Directors.

Nothing herein contained shall be construed to prohibit the payment by the Cooperative of all or any part of its indebtedness prior to the date the same shall become due.

Section 4. Patronage Refunds to Members. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority not to exceed ten percent (10%) of the total outstanding capital credits as established by the Board of Directors. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in Interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise..

Section 5. Retired or Refunded Capital Credits. All capital credits to be retired or refunded as determined by the Board of Directors as hereinabove provided, shall be refunded by issuing checks therefor and mailing same to the patrons at their last known address as reflected on the records of the Cooperative. After written notice to such patron at his last known address that such capital credit retirement was due him, any of said capital credits unclaimed, unpaid, uncashed or undelivered after a period of one (1) year,

shall be deemed a contribution to capital of the Cooperative by such patron, and the Cooperative shall be authorized to transfer such amount to the Valley Telephone Cooperative Foundation.

ARTICLE VIII - Disposition Of Property

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that the members may not take a final vote on such sale or other disposition unless such sale or other disposition was first noticed and brought before the members for discussion at a previously authorized meeting of the members. Notwithstanding anything herein contained, the Board of Directors of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust, upon, or the pledging, or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative; provided further that the Board of Directors may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or a foreign, non-profit corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated or to the holder or holders of any notes, bonds or other evidences of indebtedness.

ARTICLE IX – Seal

The Cooperative shall have no seal.

ARTICLE X - Financial Transactions

Section 1. Contracts. Except as otherwise provided in these By-Laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or

employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such financial institution or institutions as the Board of Directors may select.

Section 4. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year, and shall end on the thirty-first day of December of the same year.

Section 5. Cash Management. The Board of Directors shall establish a cash management policy for the funds of the Cooperative with the objective of ensuring that rates for services are minimized, service is maximized, and the resources of the Cooperative are expended efficiently.

ARTICLE XI – Miscellaneous

Section 1. Membership in Other Organizations. The Cooperative shall only become a member of or purchase stock in another organization or corporation if such organization or corporation has been organized to provide, engage in, operate, or own any utility or public service corporation, and only upon an affirmative vote by a majority of the members of the Board of Directors. Additionally, to the extent consistent with the Cooperative's obligations to the Rural Utilities Service, the Cooperative may become a member of or purchase stock in any other organization with an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase.

Section 2. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these By-Laws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

Section 3. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these By-Laws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Rural Utilities Service of the United States of America, the Federal Communications Commission, or the state's regulatory agencies. The books of the Cooperative shall be

examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of each fiscal year. A report of the audit shall be submitted to the members at the next following annual meeting.

ARTICLE XII – Amendments

These By-Laws may be altered, amended or repealed by the members at any regular special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Secretary, Valley Telephone Cooperative, Inc.

s/ Joseph A. Chapin

Secretary, Valley Telephone Cooperative, Inc.