



58th Annual Meeting
Valley Telephone Cooperative
5.3.2022 Virtual Meeting

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2022 Annual Meeting Highlights

- Valley Telephone Cooperative, Inc celebrated its 60th Anniversary.
- George May, Director from District 1, retired from the Board on May 3rd after 24 years of service to Valley.
- New director from District 1, Dan McDougal of Animas, was elected to serve 3-year term on the Valley Telephone Cooperative Board of Directors.
- CFO, Troy Judd shared that the Cooperative is planning a massive expansion of the number of customer locations to be served with fiber to the home. In order to facilitate the build the Cooperative has applied for a USDA Rural Utilities loan to finance construction. The loans is expected to be approved soon.
- Mr. Judd commented that the Cooperative has submitted 3 grant applications to the Arizona Commerce Authority for its Arizona Broadband Development Grant Program. The grant awardees will be announced on June 30th. The proposed grant project include:
 - o Joint project with Graham County to serve Bryce, Eden and Ft. Thomas
 - o Joint project with Santa Cruz County to serve Patagonia, Sonoita and Elgin
 - o Project to serve rural area north of Willcox
- The Cooperatives internet subscriber growth in 2021 is 11.6% and in total the Cooperative has experienced a 30.8% growth in internet since January 1, 2020.
- Thirty \$60 bill credits were awarded to members who attended the virtual meeting or cast a ballot in the Cooperative Election.
- A grand prize of \$1,000 was awarded to member, Nancy Jones of Pearce.

2022 Fiber Expansion Projects

Ms. Lee reported that the Cooperative had six projects that have been engineered utilizing internal financing and are now ready to go out to contractor bid to include:

- In Bonita: the residential area of the Fort Grant Prison, the west end of Sunset Loop, and a majority of the customers in the Bonita/Klondyke area.
- In Pearce: an area east of Cochise Stronghold Rd running north and south of Iron wood Rd, and an area off of Cochise Stronghold Rd along Dreamcatcher Road.
- In Sunizona, the northeast area of 181 and Turkey Creek Rd commonly referred to as Rock Creek.

She continued that the Cooperative had 13 projects that will be engineered this year using loan funds to include:

- The Town of Hachita
- The Windmill area of Playas
- The Village of Columbus
- Two projects in Elfrida to include an area north of Elfrida, from Gleeson Rd running south to Courtland Rd, encompassing both the east and west sides of Hwy 191, and an area east of Mormon Road encompassing both the north and south sides of Jefferson Rd.
- One project in McNeal beginning at Davis Rd, running south along Frontier Road.
- Four in Pearce, to include an area encompassing Dragoon Rd and Mesquite Road, an area east and west of Desert Road running south of Highland to Pearce Road, an area north of Sunsites along Hwy 191 from Birch Road to High St, and an area south of Sunsites west of Hwy 191 from Treasure Rd to Highland Road.
- Two in Portal to include the Whitetail Canyon Area and the Town of Portal, and
- One in Sunizona to include an area north and south of Hwy 181 and west of where Hwy 181 bends north.

Sixty years ago, Valley opened our doors on the corner of Haskell Avenue and Grant Street, Willcox, and our journey began. Since 1962, we've sought to provide telephone service to ranchers, farmers, and other rural residents. Today, we've expanded our service offerings to include broadband Internet, VoIP, long distance, and special circuits throughout 19 communities in five counties.

Our success – past, present, and future – is built on our values and how we work together. Our culture of building progressive technology accessible to everyone, fostering employee growth, and our local commitment to our communities, is both our heritage and our future.



Original Valley Logo



Lyle Donovan, General Manager 1962-1984



Reliable local

**Valley Serving Incumbent
Serving Areas:**

1962 - Cooperative Formation includes: Bowie, San Simon, Sunizona, Portal, Pearce and Bonita Territories

1974 - acquired Hachita, Animas, and Playas Territories

1983 - acquired Columbus Territory

1995 - acquired Clifton, Morenci, York Valley, Duncan and Elfrida Territories

Thatcher Fiber Expansion 2022,
our 5th Fiber Community



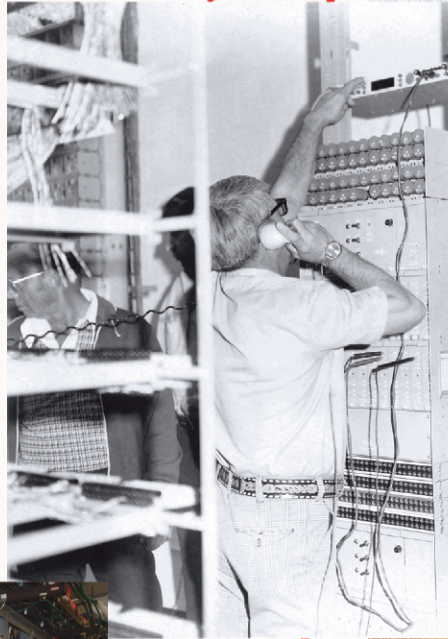
New Valley Headquarters building constructed

**This year, as we celebrate our milestone
Valley and look forward to what is yet to
where we advance communications and
community, one household, and one**

Celebrating 60 YEARS OF SERVICE



telephone service was our first mission

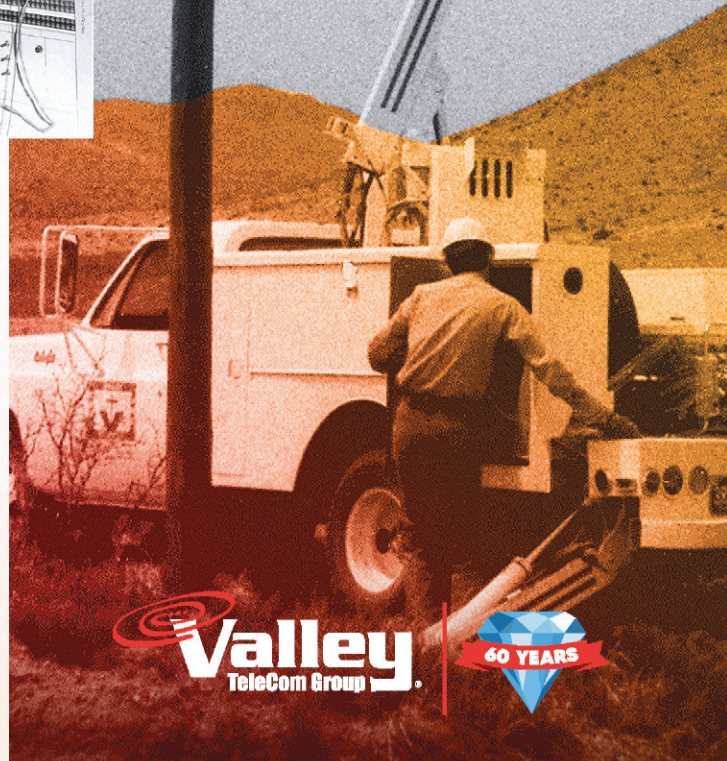


in 2006



Digital Subscriber Line (DSL) Internet first offered in 2003

anniversary, we honor the legacy and heritage of come. We are filled with optimism for our future-one technology between people and places, one customer at a time.



Valley
TeleCom Group



GOVERNOR DOUGLAS A. DUCEY

STATE OF ARIZONA
★
COMMENDATION

*Be it known to all that I,
Douglas A. Ducey
Governor of the State of Arizona
do hereby offer my sincere appreciation to*

Valley Telephone Cooperative, Inc.

for their contribution and exceptional service to rural Arizona for the last 60 years and growing.

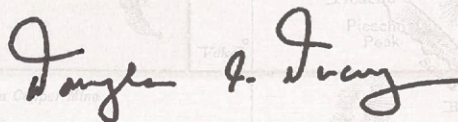
Valley Telephone Cooperative, Inc. provides telecommunication services to over 7,000 households and businesses in Cochise, Graham and Greenlee Counties.

Arizonans have seen an increased dependency on services that enable them to keep connected, keep learning and keep doing business in the modern world— contributing to Arizona's prosperity.

Valley Telephone Cooperative continues to provide essential telecommunication services to Arizona's rural areas allowing them to participate in the global economy. The organization has withstood the test of time, navigating ever changing technologies to provide the most advanced communication technologies to Arizonans.

On behalf of the citizens of the State of Arizona, I offer my sincere thanks and congratulations to the Valley Telephone Cooperative for all the work they do and 60 years of providing support to our rural Arizona communities.

*IN WITNESS WHEREOF, I have hereunto set my hand,
done at the Capitol in Phoenix on this
seventh day of March in the Year
Two Thousand and Twenty-Two.*



GOVERNOR

PRESIDENT'S MESSAGE

It all started sixty years ago, in 1962, when a few people from southwestern New Mexico and southeastern Arizona came together and went door-to-door to get petitions signed to form what we all now know as Valley Telephone Cooperative, Inc. By 1964, their dream was realized, and Valley began providing party line phone service to these areas. Over the years, Valley continued to grow its serving area by expanding into additional rural areas where no other companies would serve. They also continued to improve their service and stay current with the changes in technology. By 1978, all phone lines had been converted to private line service. In 1992, they began offering cellular phone service. Then came Internet. First dial-up in 1997, then DSL in 2003, and now giga-bit high speed service is offered in some areas and is being deployed more each year. It is amazing how far things have come in this period of time for a small rural cooperative. In addition to offering quality services to the areas we serve, in 1991, the Valley Telephone Cooperative Foundation was formed for educational support. Since its creation, the Foundation has awarded over \$1.31 million dollars in scholarships to help students from our serving areas continue their education.

As we prepare for the 58th Annual Meeting of Valley Telephone Cooperative, Inc., I would like to call your attention to a change in the day and time of this year's annual meeting. The meeting will again be held virtually, hosted via WebEx, on Tuesday, May 3rd, 2022 at 6:00 pm. We made the change to the day and time to encourage more of our members to join in on the meeting without having to give up a Saturday morning! You will find the instructions to join the the virtual annual meeting on page 17 of this notice. Bill credits will be randomly drawn and given as door prizes for members that log into the meeting or return their annual meeting ballot by the due date. Also, members that return their annual meeting ballot by the due date, will be entered into a drawing for this year's grand prize: \$1,000.

I am pleased to inform you that your cooperative remains financially strong. With the growth of Valley's subsidiary company, Valley Connections, LLC, and the demand for high-speed Internet, Valley and its subsidiaries had an exceptional year with a consolidated net income of \$6.31 million dollars. Of that consolidated net income, \$4.67 million was generated by member/patron-based services and will be allocated back to the cooperative members and patrons at the March board meeting, to be distributed as capital credit retirements over the upcoming years. In October 2021, the board approved a capital credit retirement of \$1.17 million dollars that was distributed in early December 2021.



David Thompson

As part of Valley's long-term capital improvements plan, enabling it to continue to deploy giga-bit high speed Internet service in its rural service areas, Valley has applied for a USDA Rural Utility Service loan and is anticipating the loan approval within the next week. Once approved, a heavy construction phase of fiber-to-the-home (FTTH) in many locations will begin. This build-out phase of FTTH is anticipated to take approximately five years.

Valley is very fortunate to have the excellent leadership of the management team and the wealth of experience of all the employees. I would like to thank you, the members/owners of the cooperative, for your continued patronage and support. Valley has come a long way in the last 60 years and has an exciting future ahead.





Steven D. Metts

CEO'S MESSAGE

As we prepare to celebrate Valley Telephone's 60th anniversary, we reflect on the many accomplishments that Valley has achieved over the years. President Thompson highlighted many of them in his President's report. I will highlight some additional

achievements and plans for the future of the cooperative.

As I reported last year, Valley is in the process of planning for a massive expansion of the number of customer locations that will be served with fiber-to-the-home. This process was slowed down somewhat due to the merger of Valley Telephone and Copper Valley Telephone, as well as the tedious process of applying for funding from the USDA Rural Utilities Service Program. I am happy to report that the loan application was submitted on December 2, 2021, and due to the amount of up-front work put in on the application, it passed the initial loan committee on the first try. Valley is now in the process of answering a few questions from the committee but anticipate that the loan will be approved within the upcoming weeks. Once all the paperwork is finalized, Valley should be able to begin construction the third or fourth quarter of 2022. Upon completion of the project, which is anticipated to take five years, Valley will have fiber-to-the-home to approximately 90 percent of current customer locations. This is very exciting for a small rural telecommunications cooperative!

Although the major construction will not be able to get underway until the financing is secured, Valley has continued to build fiber-to-the-home in select areas using internal financing. In 2021, a large fiber project took place in the Pearce exchange along with smaller projects in several other areas including Bowie, Clifton/Morenci, Playas, and Sunizona. These types of projects will continue in 2022 until Valley is able to begin the major construction buildout plan. Under the federal funding program, ACAM II, that Valley is a recipient of, at the end of 2022 Valley is required to have speeds of 25Mbps download and 3Mbps upload available to 40% of its total obligated locations. Due to Valley's commitment to internally financing projects until loan financing is secured, we have already met that obligation and are well ahead of future milestone obligations.

Another exciting project that began in 2021 by Valley's subsidiary, Valley Connections, LLC, was a fiber-to-the-home build-out in Thatcher, AZ. This project began in May of 2021 and the main construction was completed in March of 2022, with customer fiber drops continuing as

additional residents sign up for service. As of mid-March, there were 222 new customers, with another 240 pending service orders. These results make this one of the most successful projects Valley has undertaken.

With a lot of focus both at the national and state levels on broadband, in November 2021 the Arizona Commerce Authority (ACA) announced the Arizona Broadband Development Grant Program. This grant program was designed to help Arizona communities establish and accelerate the enhancement of broadband infrastructure to strengthen communities' competitiveness for economic growth, thereby improving economic conditions and quality of life in Arizona. Collaboratively, Valley Connections, LLC, along with Graham County and Santa Cruz County, applied for grants to expand broadband into the Bryce-Eden and Fort Thomas areas of Graham County, and the Sonoita and Patagonia areas of Santa Cruz County. On its own, Valley Connections also applied for a grant to expand broadband into the rural areas west of Willcox. The scheduled award date was initially anticipated to be at the end of February 2022, but with the overwhelming number of applications the ACA received, the award date has been delayed to June 30, 2022. Valley anxiously awaits the announcement of the ACA grant awardees and will continue to monitor and apply for additional grant opportunities as they become available.

As reported in the President's report, Valley remains financially strong. Valley's growth in Internet subscribers did not slowdown in 2021. Valley experienced an 11.6% gain in Internet subscribers in 2021, which resulted in a 30.8% gain since January 1, 2020. Expansion projects, such as the Thatcher buildout and the grants mentioned above, allow for future subscriber growth, and permits Valley to continue to invest in its rural communities.

I will conclude by thanking the Valley employees for their outstanding efforts in 2021 and for their continued dedication to Valley and its members. I would also like to thank the Board of Directors for their support and leadership. The management team will miss the leadership of George May, who announced his retirement from the board at the end of his current term and is looking forward to working with the director that will be elected at this year's annual meeting. Most importantly, we thank the members and patrons of Valley for choosing us as your provider and for your continued loyalty.

The 58th Annual Meeting will be held virtually on Tuesday, May 3rd, 2022, at 6:00 p.m.

VALLEY TELEPHONE COOPERATIVE

Board of Directors



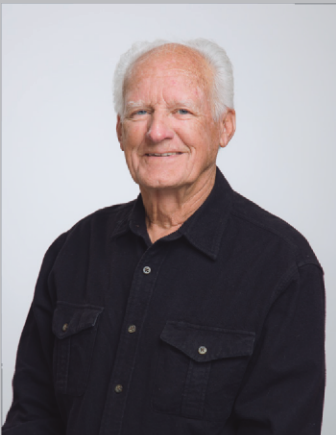
DAVID THOMPSON
President
District #2, Sunizona, AZ
Served Since April 1999



WILLIAM "BUNCH" SWIFT
Vice-President
District #1, Animas, NM
Served Since May 2002



JOE CHAPIN
Secretary/Treasurer
District #3, Bonita, AZ
Served Since May 2005



GEORGE MAY
District #1, Portal, AZ
Served Since May 1998



CARROL MILLER
District #1, Rodeo, NM
Served Since May 2003



EVA MORIN
District #2, San Simon, AZ
Served Since January 2017



MARTI TINGLE
District #3, Cochise, AZ
Served Since December 2017



MICHAEL SKILES
District #2, Bowie, AZ
Served Since July 2020



STEVE FENN
District #3, Cochise, AZ
Served Since October 2020



JOHN LACY
Corporate Attorney
Tucson, AZ



VALLEY TELEPHONE COOPERATIVE REDISTRICTS TO EQUALIZE REPRESENTATION

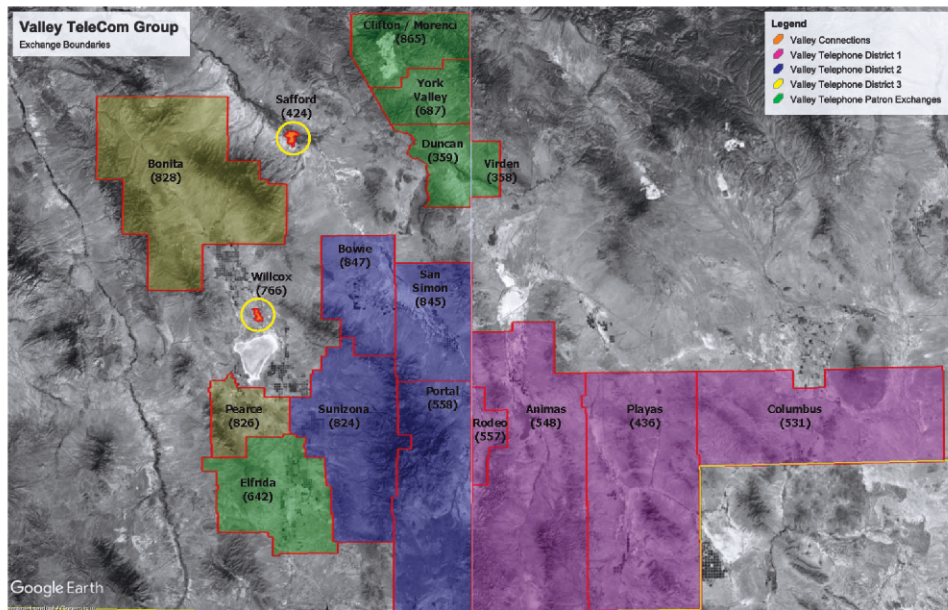
In January the Valley Telephone Cooperative Board decided it was time to redistrict the boundaries for the voting districts. Annually the board reviews the district boundaries as outlined in the bylaws Article IV Directors, Section 4 Voting Districts, see below:

*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.

This was done to more equitably distribute our Valley Members across the 3 districts. As you can see on the chart to the right moving Portal from District 1 to District 2 gets the representation size in each district more equitable.

Please see the new district map above. The new District 1 is comprised of Rodeo, Animas, Playas and the Columbus exchange.



REALIGNMENT OF DISTRICTS

	Total	Move	New Total
Portal	273	-273	0
Playas/Hachita	71		71
Columbus	380		380
Animas/Cotton City	171		171
Rodeo	137		137
Total District 1	1032	-273	759
Sunizona	239		239
San Simon	109		109
Bowie	132		132
Portal	0	273	273
Total District 2	480	273	753
Pearce	851		851
Bonita	124		124
Total District 3	975		975



INTRODUCING SMARTHUB

SMART COMMUNICATION

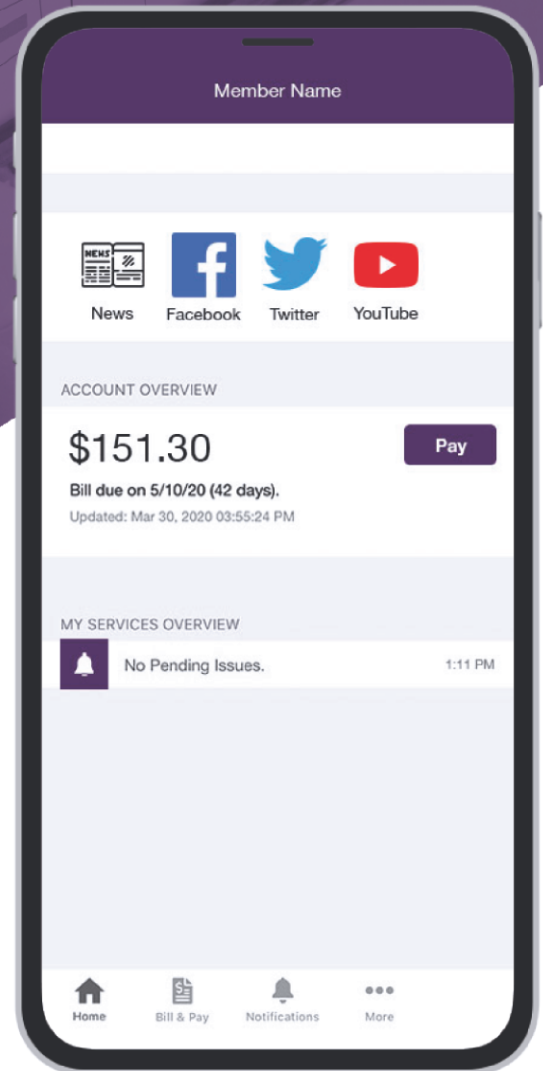
SmartHub goes beyond bill payments, this on-line and mobile app is also a powerful communication tool. Report service interruptions and route account inquires on the go. Be in the know with alerts for service work, news, promotions and events, all in the palm of your hand and on-line.

SMART ENVIRONMENT

Going paperless with SmartHub is easy. With convenient access to your bill anytime, anywhere, doing your part to save the environment is easy too.

SMART PAYMENTS

With SmartHub, you'll be notified when your bill is due and can pay securely on-line or in the app, anytime, anywhere. Sign up for auto-payments, set up your secure preferred payment method and let account management go into auto pilot.



On the go and in control.

SmartHub is a web and mobile app that allows you to do business with us like never before.

- Manage your account
- Report service issues
- View and pay your bill
- Receive important notices

...all in the palm of your hand and online.

SMART MANAGEMENT. SMART LIFE. SMARTHUB.

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