

Telephone & Internet

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59th Annual Meeting
Valley Telephone Cooperative
5.2.2023 Virtual Meeting

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Annual Meeting Agenda

The Annual Meeting of the members of Valley Telephone Cooperative, Inc. will be held virtually on Tuesday, May 2, 2023 broadcast from the Valley TeleCom Headquarters in Willcox. The meeting will begin at 6:00 p.m., AZ time, and the meeting site will be open 30 minutes prior to the meeting.

Go to the Valley TeleCom Group website www.vtc.net/cooperative to join the meeting. Meeting ID: 2495 245 5013 Password: 2023VTGAM

The Annual Meeting will be held for the following purposes:

Call to Order: 6:00 p.m. Arizona time

- Welcoming Address and Announcements
- Invocation
- Pledge of Allegiance and National Anthem
- Election Proctor Report as to a Quorum of Mail-In Ballots
- Introduction of Board and Guests
- Reading of Notice of Meeting and Proof of Publication and Mailing
- Election Proctor Report as to the Action Regarding the Minutes of the 2022 Annual Meeting
 - Ballot Proposition No. 1
- Presentation of Reports of Officers
 - Treasurer's Report
 - Report of the President of the Board of Directors
 - Report of the CEO/General Manager of Valley Telephone Cooperative, Inc.
- Presentation of Reports of Committees
 - Scholarship Committee Report
 - Nominating Committee Report
- Report of the Election Proctor
 - Results of Director Elections
- Open Discussion
- Drawing of \$1,000 Grand Prize
(all members who return their ballot will be entered)
- Adjournment



Smart Rural Community

Valley Telephone Cooperative, Inc. (Valley) was recently named a Smart Rural Community (SRC) provider by NTCA–The Rural Broadband Association. SRC is a national network of communities powered by innovative rural broadband providers that are building a brighter future for small-town America. The program promotes rural broadband and its role in supporting innovative economic development, effective education, efficient energy distribution and use, state-of-the-art health care and other important issues for rural America.

NTCA Chief Executive Officer Shirley Bloomfield also recognized Valley for this achievement, noting, “We are so excited to welcome another Smart Rural Community provider into this growing network of innovative

broadband providers delivering the Internet’s fastest speeds in some of the most remote and rural communities of our country. I applaud Valley and the communities of Willcox, Safford, Thatcher and Sunsites for their commitment to enabling cutting-edge technologies that drive innovation and promote economic development in their region and nationwide.”

To announce the new designation, Valley hosted two luncheons- one in Willcox, and one in Thatcher to provide an overview of Smart Rural Communities to start conversations on how a smart rural community can leverage its assets and functionality for the benefit of the community.



What is a Smart Rural Provider?

Provide broadband to at least 50% of its service area – meeting or exceeding the FCC broadband minimum speed definition of 100 Mbps

- Demonstrate that 50% of its customers subscribe to and use the broadband service.

A Smart Rural Provider must:

- Exhibit a stated commitment to collaborate actively with other local leaders, including school districts, health care providers, public safety officials, and businesses who work together to incorporate broadband-enabled applications into those facets of rural life.

Living in a Smart Rural Community enables the sectors that impact our daily lives to leverage technology to improve their ability to serve the community. Below are examples of possibilities in healthcare, education, economic development and public safety.

Healthcare

- Facilitates electronic health records
- Enables remote diagnosis
- Connects healthcare providers to several locations
- Facilitates on-line therapy for mental health

Education

- Enables use of smart boards
- Facilitates distance education
- Broadcasts CTE education
- Powers iPad and ITV usage
- Allows multiple districts to share resources

Economic Development

- Provides for large file transfers
- Automates inventory systems and ordering
- Facilitates potential industrial park connectivity
- Supports large call center capacity

Public Safety

- Prioritizes traffic signals for ambulance calls
- Provides 911 system redundancy
- Enables video conferencing with other agencies and to facilitate training



President'S Message

As the spring winds blow and the calendar pages turn, it is time for the 59th Annual Meeting of Valley Telephone Cooperative, Inc. This year's annual meeting will be held on Tuesday, May 2nd, 2023, at 6:00 pm. As we have done for these past few years, Valley will be holding the annual meeting virtually, via WebEx. We made the change to the day and time to encourage more members to join in the meeting without having to give up a Saturday. The virtual meetings offer the same opportunities for members to bring up questions and/or comments. You will find the instructions to join the meeting in this notice. Bill credits will randomly be drawn and given as door prizes for members that log into the meeting or return their annual meeting ballot by the due date. Members that return their annual meeting ballot by the due date will also be entered into a drawing for the grand prize of \$1,000.

Valley Telephone Cooperative and its subsidiary companies had another strong year financially. All financial goals that were established in the budget were not only met, but exceeded. This allowed all of the companies to continue to make capital investments and improvements. It also allowed Valley to return capital credits to the membership. As I mentioned last year, Valley applied and was approved for a USDA Rural Utility Service loan. These loan funds will allow for the 5 year build out of fiber-to-the-home (FTTH) in many locations of the cooperative service area.

The Valley Telephone Cooperative Foundation has also been very active in community support throughout our rural communities. Last year the Foundation awarded \$130,000 in scholarships to students in our serving areas. It also provided community sponsorship and financial support to our schools and local hospitals. The VTC Foundation will be sponsoring two students to attend the Foundation for Rural Services, Washington DC Youth Tour, at the end of May.

Valley Telephone Cooperative, Inc. (VTC) was designated a Smart Rural Community (SRC) provider by The Rural Broadband Association for the communities of Safford, Sunsites, Thatcher and Willcox. SRC is a program that promotes rural broadband and its role in supporting economic development, education, health care and other important issues for rural America. As our fiber-to-the-home buildout progresses, we look forward to having more of our communities designated as SRC's.

Valley is very fortunate to have great employees and an excellent management team to maintain the day-to-day operations. Many of our employees serve in community leadership roles in our rural communities, and I thank them for that. The Valley Board of Directors is very dedicated and invested in the oversight of the company, and I thank them for this and the support that they give me. Membership is the core of the company, and I thank you for your continued loyalty and patronage to the company. I hope to see you all on WebEx May 2nd at 6:00 pm!


David Thompson





Scholarships

The Valley Telephone Cooperative Foundation, organized under IRS Regulation § 501(3)(c), funded scholarships and made other non-profit contributions for the benefit of members and customers of its subsidiaries through the use of unclaimed capital credits from the Cooperative.

The Scholarship Committee for the Foundation consisted of: Mike Skiles, director; Troy Judd, employee; Shelley Thompson, member; Valerie Simon, educator; and, Karen Parks, customer and retired educator.

Valley Telephone Cooperative Foundation, 2022-2023 Scholarships were awarded to:

Stratton Baldwin	Brigham Young University	Enelia Maldonado	Arizona State University
Camrynn Bertschart	New Mexico State University	Lindsey Massey	New Mexico State University
Celine Berube	Arizona State University	Kiley McGrath	New Mexico State University
Eliana Cazares	Arizona State University	Alexis McKinney	Eastern Arizona College
Daniella Chairez-Pando	University of Arizona	Madison Michaels	New Mexico State University
Kennedy Cook	New Mexico State University	Maycee Michaels	Cochise Community College
Zeneyah Cortez	Arizona State University	Kayla O'Connell	New Mexico State University
Abigail Cushman	Western New Mexico University	Jack Owen	Texas Tech University
Marlo Day	Brigham Young University	Morgan Owen	New Mexico State University
Valerie Delacruz	Arizona State University	Samantha Palmer	Eastern Arizona College
Rashel Deleon	Northern Arizona University	Rinna Peterson	Eastern Arizona College
Shannon Drake	Texas Tech University	Helena Ramirez	Texas Tech University
Mikala Driscoll	New Mexico State University	Ashley Riggs	New Mexico State University
Brenda Elias	University of New Mexico	Bridger Sanborn	University of Arizona
Aurora Enriquez	Ridgeline Aviation	Sherrick Sanborn	New Mexico State University
Jazlyn Felix	Pima Community College	Kylie Shores	Cochise Community College
Julianuna Forgach-Aguilar	Lewis Clark State College	Elissa Sumner	Northern Arizona University
Lillian Friend	Eastern Arizona College	Kristen Tavison	University of Arizona
Bailey Hart	New Mexico State University	Derek Terry	University of Arizona
AngaLenna Jarvis	Eastern Arizona College	Ty Wagley	New Mexico State University
Conlan Jensen	Eastern Arizona College	Tanna Webster	New Mexico State University
Stefanie Keil	Cochise Community College	Sydney White	University of Arizona
Kierra Lacey	New Mexico State University	Parker Winkler	Arizona State University
Lindsey Lunt	University of Utah	Kammriella Wyatt	Arizona State University



CEO'S Message

As we approach the Valley Telephone Cooperative Annual Meeting, I am happy to report that 2022 was a very successful and busy year for Valley Telephone Cooperative. President Thompson highlighted some of the achievements in the President's report. I will highlight some additional achievements and plans for the future of the cooperative.

Over the last few years, my annual reports to the membership have discussed plans to do a massive expansion of fiber-to-the-home to our customers. Last year, we provided an update on the status of our loan application along with the regulatory approval required by the Arizona Corporation Commission. I am happy to report that the approval process is now complete, and construction is underway.

Phase I of the project will cover parts of the Bonita, Pearce and Sunizona exchanges. Upon completion of the 5-year construction period, Valley intends to have fiber-to-the-home to approximately 90 percent of our current customers. Unfortunately, current economic conditions, rising interest rates, difficulty in supply chain issues, and the availability of contractors have made it a bit more challenging, so we are continually adjusting our plans to address these variables. Even with the challenges, this is very exciting for a small rural telecommunications cooperative!

Last year I reported the completion of construction on a fiber-to-the-home project in Thatcher, AZ. This project resulted in Valley adding over 600 customers in Thatcher in 2022. We are very pleased with these excellent results in our first year of providing service in that community. Another significant project completed in 2022 included the construction of a new fiber route between our existing fiber in Sonoita, AZ and the Patagonia School. Valley was also selected to construct fiber to the Rio Rico Schools. The Rio Rico Schools construction is underway and will be completed in late spring of 2023.

There is currently a lot of focus on rural broadband service at both the state and federal government levels. In 2022, we reported that Valley had applied for grants to aid with fiber-to-the-home construction to the underserved areas in the community of Patagonia, as well as the area immediately west of Willcox. The Arizona Commerce Authority awarded Valley these grants and we expect to begin construction on these projects later in 2023. Valley has also recently applied for a similar grant from the State of New Mexico to aid with the construction of fiber-to-the-home in Columbus, NM. With the governmental focus on broadband, there will be many more grant opportunities over the next few years and Valley will be very active in applying for these grants to help us better serve our communities.

As reported in the President's report, Valley remains financially strong. Valley's growth in Internet subscribers has slowed somewhat from the growth rates we experienced during the pandemic, however Valley still experienced a growth rate of 12.6% in 2022 and a three-year growth rate of 48% since January 1, 2020. Valley now provides Internet to over 8,600 customers in rural Arizona and New Mexico.

I will conclude by thanking the Valley employees for their outstanding efforts in 2022 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. Most importantly, we thank the members and patrons of Valley for choosing us as your provider and for your continued loyalty.

The 59th Annual Meeting will be held virtually on Tuesday, May 2, 2023, at 6:00 p.m. We encourage all members to attend.

Steven D. Metts

AZ State Broadband Development Grant

The AZ State Broadband Development Grant Program was announced on November 15, 2021. The grant program had \$100M to award with \$75M designated specifically for rural areas. The minimum speed of 100/25mbps needed to be achieved to be eligible to receive award funds. Proposed grants must have a minimum 10% match in funds with higher matches encouraged and a positive factor in evaluating the application.

The ACA received two times the number of applications that were anticipated, in total they had 87 applications to process for a total of more than \$400M. The multitude of applications delayed the announcement of awardees by four months but that wait is now over.

Locally, Valley TeleCom Group (Valley) was awarded 3 grants. Those projects are the Fiber Investment for West Willcox Rural Community, the Santa Cruz County Patagonia Regional Broadband Project - Patagonia, and the City of Safford Downtown WiFi Project.

West Willcox Rural Fiber Investment



Reach 513 Residential/Business Structures



46 new miles of fiber covering 8.1 Sq. Miles



Total Project Cost \$2,977,460

Patagonia Regional Broadband Project



Reach 633 Residential/Business Structures



11.5 new miles of fiber covering 1.26 Sq. Miles



Total Project Cost \$2,103,585

City of Safford Improved Access to Broadband



Fiber optic cable, access points to provide Internet in Downtown Safford and all Public Parks



Total Project Cost \$117,845

Grant amount requested \$65,167

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



DAN MCDUGAL
District #1, Animas, NM
Served Since May 2022



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



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

2022 Annual Meeting Minutes

May 3, 2022

Call to Order, Recognitions and Introductions:

President David Thompson called the 58th Annual Meeting of the Members of Valley Telephone Cooperative, Inc. (the "Cooperative"), to order at 6:00 p.m., MDT, in a virtual meeting held via WebEx. All members were provided with a method of connection through the Cooperative's website and the Board of Directors and all presenters were present at the Headquarters of the Cooperative at 752 Maley Street, Willcox, Arizona. President Thompson welcomed all Members and others who were participating in the meeting. He also announced that since the membership was participating virtually, arrangements had been made for questions and comments to be submitted through the "Q&A" function on the WebEx meeting and that they would be addressed later in the meeting.

The invocation was then given by the Marketing Department's Bob Dahlstrom, Mr. Thompson led the pledge of allegiance and the national anthem was sung a cappella by Cooperative employee Robin Grimes.

Establishment of a Quorum:

President Thompson then asked Justin Allred from the Allred Law Office PC, as the Election Proctor, to announce the number of ballots received for purposes of establishing a quorum. Mr. Allred announced that pursuant to Article III, Section 4 of the Bylaws, a quorum required ballots from five percent of the total membership. Therefore, since the total membership qualified to vote in election was 2,482, a quorum required 125 valid ballots. Mr. Allred announced that 241 valid ballots had been received, and that a quorum had responded. President Thompson accordingly declared that a quorum had been established.

Introductions and Announcements:

President Thompson then made the following introductions:

The members of the Board of Directors beginning with himself from Sunizona; Vice President William "Bunch" Swift (District 1) from Animas, who had been excused to attend his son's college graduation; Secretary-Treasurer Joe Chapin (District 3) from Bonita; Steve Fenn (District 3) from Pearce/Sunsites; George May (District 1) from Portal who would be retiring as of the end of the meeting; Carrol Miller (District 1) from Rodeo; Eva Morin (District 2) from San Simon; Mike Skiles (District 2) from Bowie; and Marti Tingle (District 3) from Sunsites. He also introduced CFO Troy Judd and COO Kristi Lee who would be giving the

CEO/General Manager's report for Steven Metts who was on medical leave, Counsel for the Board John C. Lacy and Justin Allred, the Election Proctor.

Notice of the Meeting:

President Thompson then asked Secretary-Treasurer Joe Chapin, to present the information concerning the notice of the annual meeting. Mr. Chapin then announced that he had United States Postal Service Form 3600-FCM certifying that 2,482 Annual Meeting Notice Books and ballots were mailed from Tucson, Arizona, on April 8, 2022, by first class mail to the members of the Cooperative, Inc. A "Notice of Annual Meeting" was also published in each of the following newspapers during the month of April: The Herald/Review County Wide Edition distributed in Benson, Willcox and Douglas, Arizona, and The Hidalgo County Herald in Lordsburg, NM, and that Affidavits of publication were on file at the headquarters of the Cooperative.

Approval of Minutes from 2021 Meeting:

President Thompson then asked the Election Proctor to explain the election process and read results of Proposition No. 1 regarding approval of the minutes from the 57th Annual Meeting held on May 1, 2021.

Mr. Allred thanked the Cooperative for the opportunity of providing this important service and explained the voting process which emphasized that once the ballots were returned, his office checked for completeness, verified the qualification of the member and otherwise maintained sole control until the results were announced at the annual meeting. He then announced that Proposition No. 1 passed with 232 votes "yes," 6 votes "no," 3 voters abstained and there were 2 invalid ballots. Mr. Thompson accordingly announced that the Board of Directors, at their first regularly scheduled monthly meeting, would act upon the approval of the minutes of the 2021 Annual Meeting, and that any suggestions for additions, corrections or clarifications should be submitted in writing to any Board Member prior to the next regularly scheduled meeting of the Board.

Financial Report:

President Thompson then asked the Cooperative's Secretary/Treasurer Joe Chapin to present the annual financial report. Mr. Chapin came to the podium and announced that for the year ending December 31, 2021, total assets of the Cooperative were \$77,043,483 and the net margin of the Cooperative was \$6,310,076. He also indicated that the details of these financials could be found on pages 19 and 20 of the annual meeting book.

President's Report:

President Thompson began his remarks by recognizing Mr. George May who would be retiring from the board after this meeting after service for the past 24 years and indicating that his leadership, guidance and wit will be greatly missed.

He then noted the celebration of 60 years of Valley Telephone Cooperative and outlined the history of the service, starting with:

- 1964 - Party line phone service
- 1978 – (all lines) Private Line service
- 1992 – Cellular phone service
- 1997 – Dial-up Internet service
- 2003 – DSL Internet
- Now – Up to Giga-bit service in some areas

President Thompson explained that as part of Valley's long-term capital improvements plan, it will continue to deploy giga-bit high speed Internet service in its rural service areas. As part of the program, Valley has applied for a USDA Rural Utility Service loan, which, once the loans is approved and construction completed, would provide fiber-to-the-home in many locations. The anticipated build-out is expected to take approximately five years.

He then noted that the Cooperative remained financially strong and 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 was allocated back to the Cooperative members and patrons. In September, the board approved a capital credit retirement of \$1.17 million dollars that was distributed in early December.

He continued that over the years, Valley has had many requests to settle estate Capital Credits by their executors. To accommodate these requests, in September 2021, Valley's board of directors approved a Capital Credit Estate Policy allowing the estate to be paid out at a single discounted sum instead of awaiting each year's annual retirement process. Much consideration was put into the board's decision to implement this policy and provided an option to the estate to donate the Capital Credits to Valley's Foundation where that money would be used to fund scholarships and other local community needs.

In closing, President Thompson expressed the view that Valley was very fortunate to have the excellent leadership of the management team and the wealth of experience of all of the employees. He thanked all of the members and patrons, for their continued patronage and support and thanked the Board for all it did for the Cooperative.



Affordable Connectivity Program *available!*

The Affordable Connectivity Program (ACP) is a Government funded program administered by the Federal Communications Commission to help low-income households pay for Internet service.

Valley TeleCom Group is pleased to play our part in facilitating the ACP program in order to help our customers stay connected.

The ACP program will provide a discount of up to \$30 per month towards broadband service for eligible households.

Call 800.421.5711 or check out our ACP page on our website vtc.net/acp-program for details.

CFO and COO Report:

President Thompson announced that in place of the CEO/General Manager, the report would be provided by Chief Financial Officer Troy Judd and Chief Operations Officer Kristi Lee.

CFO Report by Troy Judd:

Mr. Judd began by thanking the Members and Patrons for participating in the virtual annual meeting and introduced the Valley employees who put the meeting together to include: Bob Dahlstrom from our Marketing department who gave the invocation and Robin Grimes from our Accounting department singing the national anthem. Those behind the scenes included: Ralph Score from Marketing as the technology director for this meeting, Heather Floyd, the overall meeting coordinator, Angela Sinohui, Service Center Technician, Pauline Cooke, Executive Assistant, Lana Estes, Customer Operations Manager, Terri Harguess, Accounting and Billing Manager, Heath Bowen, Operations Manager, Tim Bowlby, IT/Broadband Manager, and Kristi Lee, COO.

RUS Merger/Loan/Financing Application:

Mr. Judd explained that the Cooperative was planning a massive expansion of the number of customer locations to be served with fiber-to-the-home within its service area which would be financed by a loan application to the USDA Rural Utilities Service (RUS) Program. He explained that the loan application was submitted December 2, 2021, that it passed the initial loan committee on the first try, had been approved by the RUS Senior Loan Committee and Valley was now awaiting final legal documents to execute the loan. He added that part of this process also included financing approval from the Arizona Corporation Commission which application was filed on February 8, 2022, and approval was expected by the end of June.

ACA Broadband Development Grant Program:

Mr. Judd commented that with broadband focus on both the national and state levels, in November, 2021, the Arizona Commerce Authority (ACA) announced the Arizona Broadband Development Grant Program which had been 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. To respond to this program, 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. In addition, on its own, Valley Connections also ap-

plied for a grant to expand broadband into the rural areas west of Willcox. Mr. Judd indicated that the scheduled award date had been initially anticipated to be at the end of January, 2022, but because of an overwhelming number of applications, the award date has been delayed to June 30, 2022. He reported that the Cooperative is awaiting this announcement and will continue to monitor and apply for additional grant opportunities as they become available.

Internet Subscriber Growth:

Mr. Judd continued indicating that Valley remains financially strong and that internet subscriber growth experienced a 11.6% gain in 2021 (this accounted for a 30.8% gain since January 1, 2020). At the start of 2022, Valley was already seeing more than 5% growth in Internet subscribers. Mr. Judd concluded that with expansion projects, such as the Thatcher FTTH buildout and other applications for grants, Valley would continue to apply for grants to continue investing in its rural communities.



Chief Operations Officer Report by Kristi Lee:

Ms. Lee began her report by noting that the Cooperative is a recipient of federal funding from a program known as the Alternative Cost Allocation Model version II, referred to as ACAM. In 2019, Valley accepted the ACAM funding and became obligated to provide internet speeds of 25Mbps download and 3Mbps upload to 1,041 locations in New Mexico and 3,981 locations in Arizona within a 10-year timeframe (with milestones to meet along the way). As part of Valley's progress towards this obligation in 2021 she reported that Valley has continued to build fiber-to-the-home in select areas using internal financing. Accordingly, a large fiber project was constructed in the Pearce exchange along with smaller projects in several other areas including Bowie, Clifton/Morenci, Playas, and Sunizona. She added that in order to meet the ACAM obligation as quickly as possible, the Cooperative applied for the RUS loan that Mr. Judd referred to in his report. Now that the Cooperative is in the final stages of the RUS loan approval and has the permission to actively begin projects, Valley would be working with Vantage Point Solutions, an external engineering firm, to finalize the paperwork necessary to begin additional 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 Ironwood 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.

Ms. Lee added that under ACAM, Valley's milestone requirement at the end of 2022 is to have built out to 40% of its total obligated locations which equates to 417 in New Mexico and 1,593 in Arizona. Further, as a result of Valley's commitment to internally financing projects until the loan was secured, the Cooperative had already met the 40% obligation in both states and was well ahead of future milestone obligations. Upon completion, the Cooperative would have fiber-to-the-home to approximately 90 percent of our current members and patrons. She commented that this was a proud accomplishment for our small, rural cooperative.

Ms. Lee continued that another exciting project that began in 2021 was by Valley's subsidiary, Valley Connections, in its fiber-to-the-home build-out in Thatcher, AZ which began in May, the main construction was completed in March of 2022 and that customer fiber drops continue to be placed as additional residents sign up for service. As of last April 29, there had been 436 customers active in the Thatcher area with another 78 pending orders, making a total of 514 new customers.

Ms. Lee finally reported that 2021 saw a growth in Valley's Managed IT Business services, an offering that provides technical support, along with the purchase and installation of hardware and software for business customers. The service proved to be needed in the Cooperative's serving areas and business customers have appreciated the ability to utilize Valley's staff to support their small business IT needs.

Ms. Lee concluded the Management reports by thanking the Valley employees for their outstanding efforts in 2021 and for their continued dedication to Valley and its members. On behalf of the Executive Team, she also thanked the Board of Directors for their support and leadership indicating that they would miss the leadership of George May, and were looking forward to working with the new director. Most importantly, the Management thanked the members and patrons of Valley for choosing the Cooperative as their provider and for their continued loyalty.

Description of the Nominating Process:

President Thompson then turned to the election process and indicated that the nomination process was delegated to a nominating committee appointed by the board of directors to represent each of the districts. The committee appointments for 2022 consisted of Thomas Riggs, the chair, from Sunizona, Mike Pompeo from Animas, the secretary, Jason Barnard from Rodeo, Bill Casale from Bowie, Mark Michaels from Bonita, Nancy McAvoy from Portal, Norma Helton from San Simon, Sonia Gasho from Pearce, and Richard Searle from Pearce.

Mr. Thompson then reported that the Nominating Committee met on February 16, 2022, after first approving the timeline and interview procedures for potential candidates. The committee reviewed the peer evaluations of each of the incumbent Directors who wished to run for re-election and evaluated the directors individually. The Committee thereafter determined that the two incumbent directors seeking re-election were qualified and also approved the placement of Dan McDougal on the ballot. The committee reported that there had been no candidates running by petition. Accordingly, the names of the two incumbent directors seeking re-election and Mr. McDougal were directed to be placed on the mail-in ballot.

Announcement of Results of Mail-in Ballots:

President Thompson then asked the Election Proctor to announce the results of the election. Mr. Allred announced that the tabulation of the votes had been as follows:

District One:	Dan McDougal	
	211	Yes
	30	Abstained
	2	Invalid
District Two:	David Thompson	
	224	Yes
	17	Abstained
	2	Invalid
District Three:	Joe Chapin	
	219	Yes
	22	Abstained
	2	Invalid

It was accordingly declared that David Thompson and Joe Chapin were re-elected to the Board of Directors representing Districts 2 and 3, and that Dan McDougal had been elected to the Board representing District 1.

Questions from the Membership:

President Thompson then asked Bob Dahlstrom if there were any questions or comments received from the membership via the "chat" room. Mr. Dahlstrom indicated that there had been none.

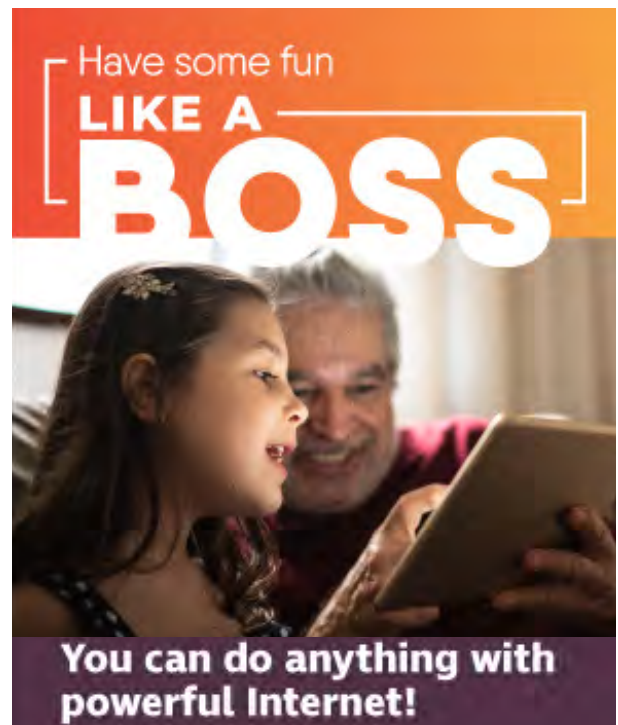
Prizes:

Since there were no questions, Mr. Thompson noted that all members who submitted their ballots or are participating virtually, had been entered in a drawing for a \$60 bill credit to be drawn by Bob Dahlstrom. Mr. Dahlstrom then announced that a \$60 bill credit had been given to Joann White, Patricia Guarrera, Kim Kvamme, Julia Johnson, Naline Caffrey, Clayton Nelson, Cynthia Anthony, Gary Jaworski-Sult, Mark Dunne, Jessica Romo, Fred Borcherdt, Jill Forsythe, William Gritman, Lutricia Elbrock, John Benedum, Jose Siruno, Dan Lackner, C.J. Solano, Jeff Brand, Donna White, Jill Braaton, Kevin Keating, Mike Forsythe, Robert Sproul, Deborah Herczog, Antonio Celaya, Marla Reyes, Joan Carlson, Addison Bachman and Jesse Quinn.

Finally, all members who submitted their ballots had been entered into the Grand Prize Drawing of \$1,000. The Proctor, Mr. Allred drew the ballot and President Thompson announced that the winner was Nancy L. Jones, from Pearce.

Adjournment:

President Thompson then thanked all who had logged into the meeting announced that there being no further business declared the Annual Meeting adjourned at 6:45 p.m.



2023 Nominating Committee Minutes

NOVEMBER 17, 2022

A. WELCOME AND CALL TO ORDER

Chairperson of the Board Nominating Review Committee, William "Bunch" Swift called the first meeting of the 2023 Valley Telephone Cooperative, Inc., Nominating Committee to order at 9:00 a.m. on Thursday, November 17, 2022, at the Willcox headquarters office. Mr. Swift welcomed those attending and thanked them for their willingness to serve.

B. INTRODUCTIONS

Mr. Swift asked those present to make introductions. Those present included: Nominating Review Committee Members/Directors William "Bunch" Swift and Michael Skiles. The following Nominating Committee members introduced themselves: Mike Pompeo of Animas, NM, Bill Casale of Bowie, AZ, Thomas Riggs of Willcox, AZ, Jason Barnard of Rodeo, NM, Scott Richens of Animas, NM, Richard Searle of Cochise, AZ and Mark Michaels of Willcox, AZ. Heather Floyd, Public Relations Specialist, was also present to take minutes. Danny Keil of San Simon, AZ, was necessarily absent from the meeting.

C. PURPOSE OF MEETING

Mr. Swift stated the purpose of the meeting was to review the procedures, the materials and determine Director positions to be filled.

D. REVIEW OF PACKET MATERIALS

Mr. Swift reviewed the materials in the packet received by each attendee. Packet materials included: Role of the Nominating Committee, District Voting Map, By-Laws Article IV, Board Policies A-3 and A-5, sample nominating petition, the proposed 2023 Annual Meeting Timeline, and Nominating Committee contact list. Mr. Swift stated the Annual Meeting Timeline will be approved by the Directors at the end of the month, the 2023 Annual Meeting will be held virtually on Tuesday, May 2, 2023.

E. DETERMINATION OF POSITIONS TO BE FILLED

Mr. Swift explained that there are three Board members per district; one director position from each District is elected at each Annual Meeting. The two Board incumbents are: William "Bunch" Swift for District 1, Michael Skiles for District 2. District 3 is vacant due to the resignation of Marti Tingle. The vacancy will be filled through the nomination process. The two incumbents indicated their desire to run for another term of office.

F. ELECTION OF OFFICERS

Mr. Swift then called for nominations for the 2023 Nominating Committee Chairperson. Mr. Michaels nominated Richard Searle for Chairperson. Upon motion made by Mr. Casale and seconded by Mr. Pompeo, the Committee unanimously approved Mr. Searle as the Chairperson for the 2023 Nominating Committee. At that point, Mr. Searle assumed the role of leading the meeting.

Mr. Searle then called for nominations for 2023 Nominating Committee Secretary. Mr. Barnard nominated Mr. Pompeo as Secretary. Upon motion made by Mr. Barnard and seconded by Mr. Searle, the Committee unanimously approved Mr. Pompeo as the Secretary for the 2023 Nominating Committee.

G. DISCUSSION OF COMMITTEE PROCEDURES

Mr. Swift explained the publicity process and asked the committee members for their authorization to publish their names and telephone numbers in the telephone bills and on posters. All gave their approval. The posters were distributed, and the Nominating Committee Members agreed to post them in various locations within their districts.

Mr. Searle asked for consideration of a proposed date to evaluate the incumbents and interview potential candidates. After discussion and upon motion made by Mr. Richins and seconded by Mr. Pompeo, the committee approved the candidate interviews to be held on February 10, 2023, at 9:30 a.m. for a brief meeting, followed at 9:45 a.m. to evaluate the incumbents and interview new candidates. Motion passes. Mrs. Floyd will handle scheduling the interviews and will send out packets to the Nominating Committee members with copies of candidate resumes for their review prior to the meeting.

H. QUESTIONS FOR THE INTERVIEW PROCESS

Mr. Searle briefly explained the interview process and asked for consideration of the outlined interview questions. The Nominating Committee agreed to use the same questions as in the previous year.

I. ADJOURNMENT

Mr. Searle thanked everyone for attending the meeting. There being no further business Chairman Searle adjourned the meeting at 9:40 a.m.

February 10, 2023

A. CALL TO ORDER

Richard Searle, Chairman called the second meeting of the 2023 Nominating Committee of Valley Telephone Cooperative, Inc. ("VTC"), to order at 9:30 a.m., on Friday, February 10, 2023, at the Valley TeleCom Group headquarters, located at 752 E. Maley Street, Willcox, AZ.

B. ROLL CALL

Attending were Nominating Committee Members, Richard Searle, Chairman; Mike Pompeo, Secretary; Thomas Riggs, Bill Casale, Mark Michaels, Scott Richins, and Danny Keil. Jason Barnard was necessarily absent.

C. APPROVAL OF MINUTES

Mr. Searle asked for consideration of the November 17, 2022, meeting minutes. Upon Motion by Mr. Riggs and seconded by Mr. Richens, the Nominating Committee unanimously approved the minutes of the November 17, 2022, Nominating Committee meeting.

D. REVIEW OF DIRECTOR PEER EVALUATIONS

The Committee members reviewed and discussed the Director Peer Evaluations and the consolidated scores for each incumbent. An evaluation form was completed by each of the directors in evaluating their peers and the forms were submitted directly to Counsel John Lacy, DeConcini McDonald Yetwin & Lacy. The scores for each response were consolidated for the two incumbents and distributed to the members of the Nominating Committee.

E. EVALUATION OF MEMBERS SEEKING ELECTION

The Nominating Committee evaluated each of the incumbent Directors and candidates individually.

F. DISCUSSION OF THE SLATE OF CANDIDATES

Mr. Searle then led the discussion of the merits of the incumbent Directors. Following the discussion and upon motion made by Mr. Kiel and seconded by Mr. Michaels, the Nominating Committee unanimously approved the official 2010 slate of candidates to be:

- | | | |
|-------------------|------------------------------|-------------------|
| District 1 | William "Bunch" Swift | Animas, NM |
| District 2 | Michael Skiles | Bowie, AZ |
| District 3 | Alan Baker | Pearce, AZ |

G. ADJOURNMENT

There being no further business, Chairman Searle adjourned the meeting at 11:10 a.m.



Candidates For Election

There will be three Directors elected during the Virtual Annual Meeting to be held on May 2, 2023. Go to the Valley TeleCom Group website www.vtc.net/cooperative to obtain the meeting link and attend the meeting. The following are the names and biographies of the candidates who will be on the election ballot.

District One



William Arthur Swift, IV, Animas, NM

My name is William Arthur Swift, IV but everybody calls me Bunch. I grew up on a farm and ranch north of Rodeo, NM. I graduated from Animas High School in 1991. After high school, I went to South Plains College in Levelland, TX. I graduated with an Associates in Applied Science degree then transferred to Texas Tech University. In December of 1995, I graduated with honors from Texas Tech with a Bachelors of Science degree in Animal Science.

Upon graduation, I came home to Animas and went to work for my step-father at Elbrock Water Systems where I have been working for the past 27 years. Since working at Elbrock Water Systems, I have obtained my general contractor's license in both Arizona and New Mexico. I am a certified pumps installer and well driller with the National Ground Water Association. I am also a licensed septic inspector in both Arizona and New Mexico. I have been a member of the Animas Public School Board for the past 12 years and am currently in my 21st year on the board of directors of Valley Telephone Cooperative. I have served on various committees while on the board at Valley and, currently the vice-president.

District Two



Michael Skiles, Bowie, AZ

Michael Skiles has been an Arizona resident since the age of 12 when his family relocated to Arizona from their farm in Indiana. After serving in the U.S. Air Force, Michael served 2 years as a Police Officer with the Tucson Police Department and 23 years with the Arizona Highway Patrol before retiring. He then went on to serve 12 years as the elected Justice of the Peace for precinct six in Cochise County. Michael has served on local and state level boards as well as a volunteer in youth and government service programs.

Michael believes that one of the core strengths of rural communities is the volunteers who support the schools, fire departments, libraries, and other community's infrastructure. Michael was appointed to the board in 2020, and he currently serves on the finance committee.

District Three



Alan Baker, Pearce, AZ

Alan Baker is the pastor of the Community Church of Sunsites and is the managing partner of a local business. Alan had a career in the United States Marine Corps. During his career he was assigned as the Armorer/ Gunsmith to the USMC Rifle Team.

After the Marines, he worked at Creedmoor Sports. In 1996, Alan was appointed as the pastor of El Divino Redentor United Methodist Church in Flagstaff, and in 2003 was transferred to the Duncan United Methodist Church. While in Duncan, Alan served as the Town Manager of Duncan and the Town Manager of Clifton. In 2012, he accepted the position of Executive Director of the Willcox Chamber of Commerce and Agriculture where he stayed until 2019. In 2014, he was appointed pastor of the Community Church of Sunsites.

Mr. Baker served on the Water Infrastructure Finance Authority Board and now serves on the Federal Programs Committee. He was appointed to the Cochise County Pollution Control Corporation and Cochise County Department of Health Board. Alan served on the Arizona Office of Tourism Advisory Board from 2013 to 2019. Alan has a Master of Ministry Degree as well as education in the Firearms trade and Wildlife Forestry conservation. Alan and his wife Pam enjoy living in Southeastern Arizona and spend a lot of time exploring the outdoors.

Virtual Annual Meeting



Tuesday, May 2, 2023 | 5:30 PM Registration (AZ)

Drawing of \$1,000 Grand Prize (all members who return their ballot will be entered)

How to join us for the Virtual Annual Meeting:

1. Go to www.vtc.net/cooperative page
2. Click the button that says:

[Click Here To Join Meeting](#)

Option 2:

If you prefer to join by telephone
the Audio Conference Call-In number is:
1-408-418-9388.
Audio Access Code: **2495 245 5013**

3. Enter the meeting code **2495 245 5013** and click join.
4. Fill in your registration with first and last name, your email address and enter the following pass code **2023VTGAM.**
5. Click on "Join by browser" .

If you encounter any problems joining the meeting on
May 2nd, please call 800-400-1273.

Proctor Information

ALL BALLOTS MUST BE RECEIVED BY THE PROCTOR BY: April 27, 2023

Every effort has been made to ensure the integrity of the ballot process for this year's Annual Meeting. In the unlikely event that you do not receive a ballot for this year's meeting, please call Justin Allred, the Election Proctor, at (520) 384-4228. Arrangements will be made to replace any ballots that were not included in the original Annual Meeting Packet. Thank you for your participation in this year's Annual Meeting.

Ballot Instructions

Please follow instructions as shown on the front of the SEPARATE BALLOT.

Members must vote on the SEPARATE BALLOT by placing a check mark or "x" by not more than ONE (1) candidate in each District (you may vote for a Director in each of the Districts) and by placing a check mark or "x" in either the "Yes" or "No" box for the Proposition question.

REMEMBER THAT THE NAME ON THE BACK FLAP OF THE RETURN ENVELOPE MUST BE THE NAME IN WHICH THE VALLEY TELEPHONE COOPERATIVE MEMBERSHIP IS HELD OR YOUR BALLOT WILL BE REJECTED. For example, if the membership is held in a single name, the signature of the spouse of the member will not be valid. This name should match the addressee of the annual meeting package. If membership is held jointly, the signature of only one of the joint members will be sufficient.

Information regarding propositions:

Proposition 1: Action to Approve Minutes of 2022 Annual Meeting

Should the Board of Directors be authorized to waive the reading of the minutes of the 2022 Annual Meeting, note appropriate additions and corrections and otherwise approve the minutes of the 2022 Annual Meeting of Valley Telephone Cooperative, Inc.?

Comment: A "Yes" vote would allow the Board of Directors to take necessary action on the minutes of the previous year's Annual Meeting. A "No" vote would prevent the Board from acting on the minutes without a separate mail-in ballot to make any additions or corrections.

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Safe, Secure & Peace of Mind

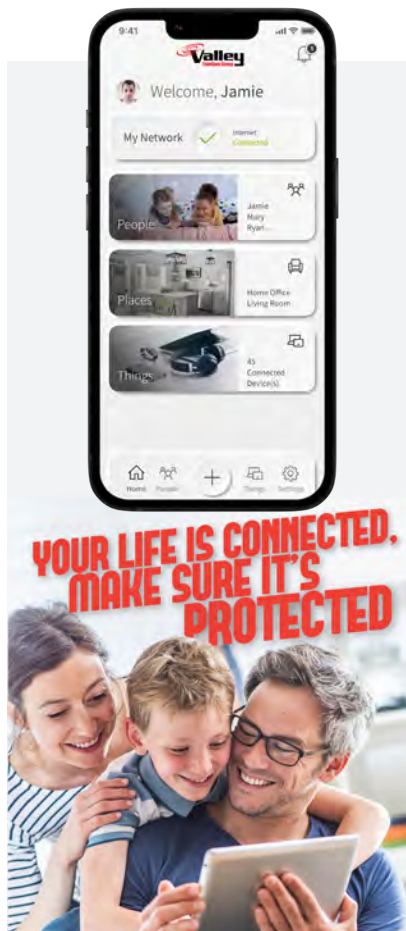
The new security dashboard powered by Protect IQ shows you total threats, intrusions, viruses blocked over time. You even can see protected devices and total protection uptime.

Device & Activity Priority

My Priorities powered by Experience IQ gives you the power to set which devices should be priorities over others. Plus you can prioritize activity such as work, to make sure your quality of service is maintained for team calls.

People, Places & Things

You can easily create profiles, group devices by location and connect devices.



Financials

VALLEY TELEPHONE COOPERATIVE, INC.
Willcox, Arizona

CONSOLIDATED BALANCE SHEET DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Working Funds	\$	14,578,275
Telecommunications and Other Accounts Receivable		1,887,645
Materials and Supplies		1,722,198
Prepayments and other Current Assets		1,502,961
		<u>19,691,079</u>

NONCURRENT ASSETS

Investments in Associated Organizations		446,948
Investments in Subsidiaries		2,634,224
Other Assets		1,350,019
		<u>4,431,191</u>

PLANT, PROPERTY, AND EQUIPMENT

		<u>56,190,790</u>
	\$	<u>80,313,060</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Current Maturities of Long-Term Debt	\$	2,637,361
Accounts Payable		2,141,349
Customer Deposits		28,083
Accrued Operating Taxes		424,679
Other Current Liabilities		1,418,431
		<u>6,649,903</u>

LONG-TERM LIABILITIES

Long-term Debt, Net of Current Maturities		1,699,260
Deferred Income Taxes and other Long-term Liabilities		9,391,535
		<u>11,090,795</u>

EQUITIES

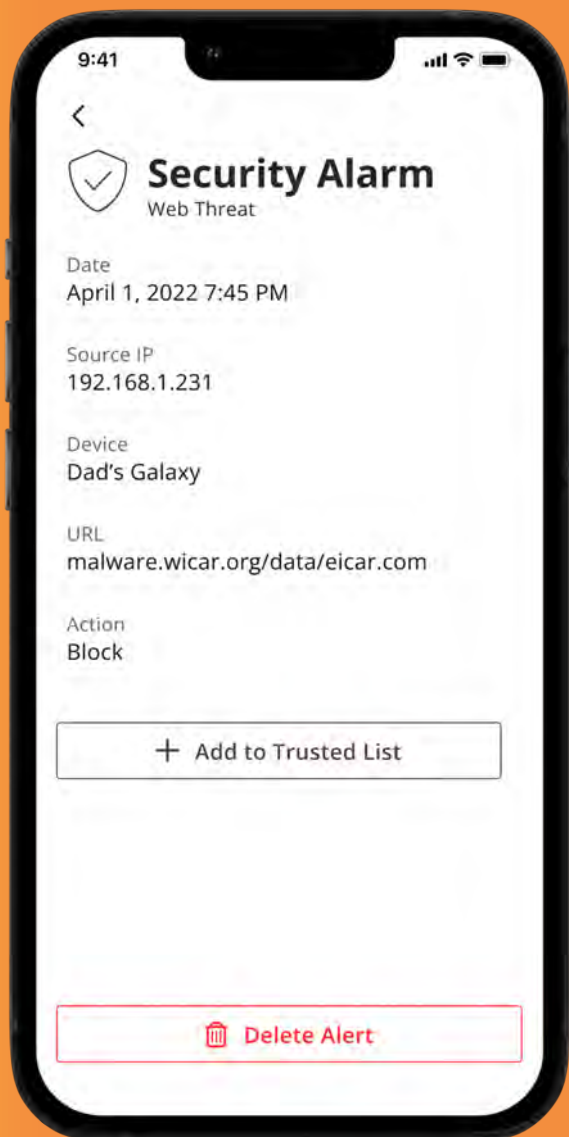
Patronage Capital		14,505,769
Other Equities		48,066,593
		<u>62,572,362</u>
	\$	<u>80,313,060</u>

Financials

VALLEY TELEPHONE COOPERATIVE, INC.
Willcox, Arizona

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES		
Local Network	\$	1,110,490
Network Access and Long Distance		14,737,499
Miscellaneous		1,114,052
Internet		7,829,551
Other Nonregulated		1,096,451
Uncollectible		(35,500)
Total Operating Revenues		<u>25,852,543</u>
OPERATING EXPENSES		
Plant Specific Operations		4,950,814
Plant Non-specific Operations		3,133,252
Depreciation and Amortization		5,845,062
Customer Operations		2,759,259
Corporate Operations		3,304,217
Operating Taxes		794,374
Internet		1,151,595
Other		177,222
Total Operating Expenses		<u>22,115,795</u>
NET OPERATING MARGINS		<u>3,736,748</u>
OTHER INCOME		
Interest And Dividend Income		15,638
Equity Earnings of Affiliated Organization		2,561,667
Interest Expense		(242,864)
Other Nonoperating Income		437,463
Income Tax Expense		(534,142)
Total Other Income		<u>2,237,762</u>
NET MARGINS	\$	<u>5,974,510</u>



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