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NEW APPLICATION

BEFORE THE ARIZONA CORPORATION C

COMMISSIONERS

ORIGINAL RECEIVED

MIKE GLEASON, CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

2007 JUN 28 P 4: 22

AZ CORP COMMISSION T-01847A-07-0392
DOCKET CONTROL T-02727A-07-0392
T-04169A-07-0392
DOCKET NO: T-02739A-07-0392

IN THE MATTER OF THE REORGANIZATION OF
VALLEY TELEPHONE COOPERATIVE, INC.,
COPPER VALLEY TELEPHONE, INC., VALLEY
CONNECTIONS, LLC, AND VALLEY
TELECOMMUNICATIONS COMPANY, INC.

**NOTICE OF INTENT TO
ORGANIZE A PUBLIC
UTILITY HOLDING
COMPANY**

Pursuant to A.A.C. R14-2-803, Valley Telephone Cooperative, Inc. ("Cooperative"), Copper Valley Telephone, Inc. ("Copper Valley"), Valley Connections, LLC ("Valley Connections"), and Valley Telecommunications Company, Inc. ("VTC") submit this Notice of Intent to (1) organize a public utility holding company and (2) reorganize the ownership interest of Valley Connections ("Notice of Intent") to the Arizona Corporation Commission ("Commission"). This Notice of Intent proposes to organize VTG Holdings, Inc. ("VTG Holdings") as a holding company of Cooperative's existing affiliates.

I. THE PARTIES.

Cooperative is an Arizona cooperative with its principal place of business in Willcox, Arizona. Cooperative is an incumbent local exchange carrier ("ILEC") providing local exchange and exchange access services to its members in Arizona. Cooperative owns two conduits and a long-haul fiber optic connection from El Paso, Texas to Tucson, Arizona. Cooperative is currently the parent company of Copper Valley, VTC, and Valley Connections. Hereinafter, Copper Valley, VTC, and Valley Connections will be referred collectively as the "Affiliated Companies."

VTG Holdings' Articles of Incorporation were filed January 24, 2005. VTG Holdings' by-laws were recently adopted by the board of directors at the organizational meeting of VTG Holdings. A copy of the VTG Holdings' by-laws is attached as Exhibit 1.

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 Copper Valley is an Arizona corporation with its principal place of business in Willcox,
2 Arizona. Copper Valley is an ILEC providing local exchange and exchange access service in
3 Arizona. Cooperative currently owns 100 percent of the ownership interest (equal to 100 shares
4 of common stock) in Copper Valley.

5 VTC is an Arizona corporation which owns six long-haul conduits and resells wireless
6 service. In addition, VTC has other non-regulated investments, including an ownership in RSA5
7 in New Mexico. VTC is not currently engaged in any operations or services that are regulated by
8 the Commission. Cooperative currently owns 100 percent of the ownership interest (equal to 100
9 shares of common stock) in VTC.

10 Valley Connections is an Arizona limited liability company with its principal place of
11 business in Willcox, Arizona. Valley Connections provides competitive local exchange and
12 interexchange services in Arizona and offers voice, long distance, video, business systems, and
13 broadband Internet services in Willcox, Safford, and Thatcher, Arizona. In addition, Valley
14 Connections is a wireless reseller. Valley Connections was originally owned by Cooperative and
15 Copper Valley, with each owning a 50 percent membership interest. However, with Cooperative
16 owning 100 percent of Copper Valley, Cooperative had control over the management and
17 operations of Valley Connections. Copper Valley transferred its membership interest to
18 Cooperative at the end of 2006; thus, Cooperative became the direct owner of all of the stock of
19 Valley Connections. This change occurred so that Copper Valley does not have to show Valley
20 Connections' start-up losses on Copper Valley's financials. Because there was no change of
21 control, Copper Valley and Cooperative did not believe it needed to notify the Commission of
22 this de minimis organizational change. However, if the Commission determines that the transfer
23 of Valley Connections' stock from Copper Valley to Cooperative requires Commission approval,
24 then the applicant's request approval for the change in this Application.

25 **II. THE PROPOSED REORGANIZATION.**

26 The current corporate structure of Cooperative and the Affiliated Companies is attached as
27 Exhibit 2, and the proposed reorganized corporate structure is attached as Exhibit 3. To
28

1 reorganize the corporate structure as depicted in Exhibit 3, Cooperative and the Affiliated
2 Companies requests the Commission to approve the following:

- 3 (1) Copper Valley's transfer of its membership interest in Valley Connections to Cooperative,
4 resulting in Cooperative having 100 percent of the membership interest in Valley
5 Connections;
- 6 (2) Organization of VTG Holdings as a public utility holding company with Cooperative
7 owning 100 percent of the stock of VTG Holdings; and
- 8 (3) Cooperative's transfer of all of its ownership interest in the Affiliated Companies to VTG
9 Holdings, resulting in VTG Holdings becoming the holding company of the Affiliated
10 Companies.

11 After securing the approval requested above, Cooperative will direct Copper Valley and
12 VTC to each cancel all 100 shares in common stock held by Cooperative and to reissue the 100
13 shares of common stock to VTG Holdings. Attached as Exhibit 4 are the proposed letters from
14 Cooperative to Copper Valley and VTC and the proposed stock certificates to be issued to VTG
15 Holdings. Cooperative also will execute the "Assignment of LLC Membership Interest"
16 ("Assignment"), which will assign all of Cooperative's membership interests of Valley
17 Connections to VTG Holdings. A copy of the Assignment is attached as Exhibit 5. Upon the re-
18 issuance of Copper Valley and VTC shares in common stock to VTG Holdings and the execution
19 of the Assignment, VTG Holdings will issue 1,000 shares to Cooperative. Attached as Exhibit 6
20 is the proposed stock certificate to be issued to Cooperative.

21 **III. A.A.C. R14-2-803 CRITERIA.**

22 **A. The Names and Business Address of the Proposed Officers and Directors of**
23 **the Holding Company.**

24 The officers of VTG Holdings are: David Thompson, President; Thomas M. Kuykendall,
25 Vice President; and Carrol Miller, Secretary/Treasurer. The business address for VTG Holdings'
26 officers is P.O. Box 970, Willcox, Arizona 85644.

27 The Board of Directors of VTG Holdings comprises of: David Thompson, Thomas M.
28 Kuykendall, Carrol Miller, George May, William Swift, Ruby Sipes, Candace I. Roll, Jyme

1 Stoner, and Joseph Chapin. The business address for VTG Holdings' directors is P.O. Box 970,
2 Willcox, Arizona 85644.

3 **B. The Business Purposes for Establishing the Holding Company.**

4 VTG Holdings was primarily formed to more efficiently manage the Cooperative's
5 ownership interest in the Affiliated Companies. The benefit of establishing VTG Holdings is that
6 the assets of VTC, a non-regulated entity, may be used to finance the operations of another
7 affiliate without using and pledging the assets of Cooperative like it has been done in the past. In
8 addition, the proposed reorganization allows the Affiliated Companies and VTG Holdings to file
9 one consolidated income tax return on an annual basis, which streamlines and simplifies the filing
10 of tax returns for the companies.

11 **C. The Proposed Method of Financing of the Holding Company and the**
12 **Resultant Capital Structure.**

13 Cooperative proposes to capitalize VTG Holdings by transferring Cooperative's
14 ownership interest in the Affiliated Companies to VTG Holdings in exchange for 100 percent of
15 VTG Holdings' stock. The transfer qualifies under Section 351 of the Internal Revenue Code and
16 does not result in the recognition of gain or loss to either the Cooperative or VTG Holdings, since
17 only Cooperative's ownership interest will be transferred. Cash or other assets from the
18 Affiliated Companies will not be transferred to VTG Holdings. Therefore, the resultant capital
19 structure of Cooperative and the Affiliated Companies remain the same as before the
20 reorganization.

21 **D. The Resultant Effect on the Capital Structure of the Public Utility.**

22 The reorganization has no effect on the capital structure of Cooperative and Affiliated
23 Companies.

24 **E. An Organization Chart of the Holding Company that Identifies all Affiliates**
25 **and their Relationships within the Holding Company's Subsidiaries.**

26 The reorganization is depicted in the chart attached as Exhibit 3.

27 **F. The Proposed Method for Allocating Federal and State Income Taxes to the**
28 **Holding Company's Subsidiaries.**

1 The companies will allocate federal and state income tax liabilities or credits based upon
2 their respective contributions of net income or net loss to the consolidated net income or net loss
3 as reflected on the holding company's consolidated income tax return for each taxable year. If
4 one or more of the companies individually reflects a net loss, it will receive a credit for income
5 taxes by a calculation of the benefit of that loss in reducing the overall tax liability of the group.

6
7 **G. The Anticipated Changes in the Utility's Cost of Service and the Cost of
Capital Attributable to the Reorganization.**

8 The reorganization will not have a material impact on the cost of service and cost of
9 capital for Cooperative and Affiliated Companies.

10 **H. A Description of Diversification Plans of Affiliates of the Holding Company.**

11 Valley Connections continues to construct its broadband network in the rural communities
12 of Willcox, Safford, and Thatcher, Arizona. Other than the new services offered by Valley
13 Connections, Cooperative and Affiliated Companies have no further plans for diversification.

14 **I. Copies of all Relevant Documents and Filings with the United States
15 Securities and Exchange Commission and other Federal or State Agencies.**

16 Cooperative, VTG Holdings, and the Affiliated Companies are not publicly traded
17 companies; thus, no filings with the Securities Exchange Commission are necessary. A copy of
18 the proposed amendment to the Articles of Incorporation for Valley Connections is attached as
19 Exhibit 7. The Articles of Incorporation for Cooperative, Copper Valley, VTC, and VTG
20 Holdings do not require amendments.

21 **J. The Contemplated Annual and Cumulative Investment in each Affiliate for
22 the Next Five Years in Dollars and as a Percentage of Projected Net Utility
23 Plant and an Explanation of the Reasons Supporting the Level of Investment
24 and the Reasons this Level will not Increase the Risks of Investment in the
Public Utility.**

25 The reorganization described in this Application will not have any effect on the budgets of
26 Cooperative and the Affiliated Companies. Cooperative and Copper Valley will continue to use
27 internally generated funds for its capital investments, and neither anticipates issuing any
28 additional debt or equity. VTC anticipates no new investment during the next five years. In

1 addition, consistent with the Commission order authorizing the certificate of convenience and
2 necessity for Valley Connections, Cooperative and Copper Valley are prohibited from investing
3 in Valley Connections. As a result, any additional investment in Valley Connections will come
4 from VTC; however, VTC has not made any investment decisions or plans at this time.

5 **K. An Explanation of the Manner in which the Utility Can Assure that Adequate**
6 **Capital Will Be Available for the Construction of Necessary New Utility Plant**
7 **and for Improvements in Existing Utility Plant at No Greater Cost than If the**
8 **Utility or Its Affiliate Did Not Organize the Holding Company.**

9 Cooperative and Affiliated Companies will still be eligible to borrow money from the
10 Rural Utilities Service ("RUS") of the United States Department of Agriculture which offers
11 many loan programs to the private sector for the development, planning, and financing of
12 telecommunications and broadband infrastructure in rural communities. RUS issues such loans at
13 low interest rates, which ensures that Cooperative and Affiliated Companies can continue to make
14 improvements at low costs. The reorganization proposed in this Notice of Intent has no effect on
15 Cooperative and Affiliated Companies' available capital and does not inhibit Cooperative and
16 Affiliated Companies from applying to the RUS for financing.

17 **IV. CONCLUSION**

18 The reorganization described in this Application is a simple one with no changes to the
19 existing operations of Cooperative and Affiliated Companies. Cooperative and Affiliated
20 Companies will remain separate affiliates, operating with the same capital structure and same
21 manner as they currently operate. Therefore, for the reasons set forth in this Notice of Intent,
22 Cooperative, Copper Valley, Valley Connections, and VTC request the Commission to:

23 (a) Approve, if necessary, the transfer of Copper Valley's membership interest in
24 Valley Connections to Cooperative pursuant to A.A.C. R14-2-803;

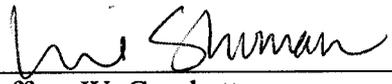
25 (b) Approve the organization of VTG Holdings as the holding company of Copper
26 Valley, Valley Connections, and VTC; approve the transfer of Cooperative's ownership interests
27 in its affiliates to VTG Holdings; and approve the reorganization structure as depicted in Exhibit
28 3 pursuant to A.A.C. R14-2-803.; and

(c) Approve items (a) and (b) expeditiously and without a hearing.

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DATED this 28th day of June, 2007.

SNELL & WILMER



Jeffrey W. Crockett
Marcie A. Shuman
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for Valley Telephone Cooperative, Inc.,
Copper Valley Telephone, Inc.,
Valley Connections, LLC, and
Valley Telecommunications Company, Inc.

ORIGINAL and thirteen (13) copies
filed with Docket Control this 28th
day of June, 2007.



1979513.4

Snell & Wilmer

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LAW OFFICES
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Phoenix, Arizona 85004-2202
(602) 382-6000

EXHIBIT 1

**BY-LAWS
OF
VTG HOLDINGS, INC.**

**ARTICLE I
OFFICE**

Section 1.01 *Principal Place of Business.* The principal place of business of the corporation shall be the address designated in the Articles of Incorporation. This address may be changed from time to time by the Board of Directors in the manner provided in the Arizona Revised Statutes and without amending the Articles of Incorporation.

**ARTICLE II
SHAREHOLDER AND SHAREHOLDER MEETINGS**

Section 2.01 *Single Shareholder.* These By-Law contemplate a single shareholder. If at any time it is proposed that the stock of the corporation be vested in more than one entity, these By-Laws shall be amended to accommodate such multiple ownership.

Section 2.02 *Annual Meetings.* The annual meeting of the shareholder shall be held on a date within sixty (60) days following the annual meeting of the members of Valley Telephone Cooperative, Inc., which currently is fixed under Articles II, Section 1 of its By-Laws to be held on a date within fifteen (15) days before or after the first Saturday in May of each year, or such other time as may be set by the Board of Directors from time to time, for the purposes of electing directors and for the transaction of such other business as may properly come before the meeting. If the election of directors is not held on the day designated herein for any annual meeting of the shareholder, or any adjournment thereof, the directors shall cause the election to be held at a special meeting of the shareholder as soon thereafter as convenient.

Section 2.03 *Special Meetings.* Special meetings of the shareholder may be held at the principal place of business of the corporation whenever called in writing by the President, the Vice President, the General Manager/Chief Executive Officer or a majority of the Board of Directors.

Section 2.04 *Notice and Conduct of Meetings.* All meetings of the shareholder shall be noticed and conducted in accordance with Arizona Revised Statutes §§10-701 through 10-708, and all voting shall be conducted in accordance with A.R.S. §§10-720 through 10-728.

**ARTICLE III
BOARD OF DIRECTORS**

Section 3.01. *Management.* The business and affairs of the corporation shall be managed by its Board of Directors, which may exercise all powers of the corporation and do all such lawful acts and things that do not require action by the shareholder as specified by statute, the Articles of Incorporation or these Bylaws.

Section 3.02. *Number, Election and Removal.* The number of directors shall be fixed from time to time by resolution of the Board of Directors but in no case shall there be less than five members of the Board of Directors. The directors shall be elected at the annual meeting of shareholder or by other action of the shareholder in accordance with Article II hereof. Each director elected shall hold office until a successor shall be qualified and elected unless sooner displaced as specified in these By-Laws. Subject to the limitations imposed by applicable law, and any notice requirements for a meeting under these By-laws, the shareholder may remove a director or directors (or all directors) at any time, with or without cause.

Section 3.03 *Vacancies.* In case of any vacancy in the Board of Directors, the remaining members of the Board of Directors may elect a successor director or directors to hold office until the next meeting of the shareholder.

Section 3.04 *Meetings.*

(a) *General.* The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Arizona; and such meetings may be held by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to such communication shall constitute presence in person at such meeting.

(b) *Annual Meeting.* A regular annual meeting of the Board of Directors shall be held immediately after the adjournment of each annual shareholder's meeting at the place at which such shareholder's meeting was held. No notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. If such meeting is not held at such time and place, or in the event a unanimous written consent of shareholder shall be filed in lieu of the annual meeting of shareholder, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

(c) *Regular Meetings.* Regular meetings, other than the annual meeting, shall be held at regular intervals at such places and at such times as the Board of Directors may from time to time by resolution provide.

(d) *Special Meetings.* Special meetings of the Board of Directors shall be held whenever called by the President, the Vice President, the General Manager/Chief Executive Officer, or by a majority of the Board of Directors, at any time or place.

(e) *Notice.* Notice of all calls and meetings of the Board of Directors shall be as provided in Article VI of these By-Laws.

(f) *Quorum.* A quorum for the transaction of business at any meeting of the directors shall consist of a majority of the Board of Directors. In the absence of a quorum, the chairman of the meeting may adjourn the meeting from time to time without notice, other than by announcement at the meeting, until a sufficient number of directors are present to constitute a quorum. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

(g) *Action Without Meeting.* Any action required or permitted to be taken at a meeting of the Board of Directors may be effected by an instrument in writing setting forth such action, executed by all the directors, which instrument shall be filed at the principal office of the corporation or with the minutes maintained for meetings of Board of Directors.

Section 3.05 *Committees.* The Board of Directors may designate, change or dissolve one or more committees. Each committee to consist of one or more directors and shall act in an advisory capacity to the Board of Directors. The Board of Directors may establish an Executive Committee which shall have the power to exercise the power and authority of the Board of Directors in the management of the business and affairs of the corporation, provided, however, that any decision or action not specifically delegated to such Executive Committee shall be subject to ratification at the next regularly scheduled meeting of the Board of Directors or a special meeting called for that purpose. Any action of the Executive Committee shall be recorded in minutes but other committees need only report their findings and recommendations to the Board of Directors.

Section 3.06 *Compensation of Directors.* The directors may be paid their actual expenses, if any, of attending meetings of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors as may be set by resolution of the Board of Directors. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation for such service. Members of committees may similarly be allowed compensation for attending committee meetings.

ARTICLE IV OFFICERS

Section 4.01 *Officers.* The Board of Directors shall elect from its members, the officers of the corporation, which shall consist of a President, Vice President, Secretary and Treasurer; provided, however, that the office of the Vice President may remain vacant and the office of the Secretary and Treasurer may be held by the same person. Such election shall regularly take place at the first meeting of the directors immediately following the annual meeting of the shareholder; provided, however, that elections of officers may be held at any other meeting of the Board of Directors.

Section 4.02 *Additional Officers*. The Board of Directors may elect or appoint such other officers, in addition to the officers expressly named in these By-laws, as it shall deem necessary, who shall have such authority to perform such duties as may be prescribed from time to time by the Board of Directors or by the President.

Section 4.03 *General Manager/Chief Executive Officer*. The Board of Directors shall elect or appoint a General Manager/Chief Executive Officer who shall be the chief executive of the corporation, and shall exercise general day-to-day supervision over its property and affairs under such policies as may be established by the Board of Directors from time to time. The responsibilities of the General Manager/Chief Executive Officer shall specifically include but not be limited to a delegation of authority to sign, on behalf of the Board of Directors, all documents pertaining to construction and service agreement contracts and reports to various state and federal governmental agencies.

Section 4.04 *Removal*. All officers and agents shall be subject to removal at any time by the affirmative vote of the majority of the members of the Board of Directors.

Section 4.05 *President*. The President shall preside at meetings of the shareholder and Board of Directors and shall be *ex officio* a member of all committees. The President shall exercise all executive power for the corporation not specifically delegated to the General Manager/Chief Executive Officer, or all of such executive power in the absence or disability of the General Manager/Chief Executive Officer. The President shall sign on behalf of the corporation all certificates of stock. The President shall receive such compensation for services as may be fixed or approved by the Board of Directors.

Section 4.06 *Vice President*. If the President is absent or unable to act, the Vice President shall have the powers of the President. The Vice President shall perform such other duties as the Board of Directors may impose upon the Vice President, and shall receive such compensation as may be fixed or approved by the Board of Directors.

Section 4.07 *Secretary*. The Secretary shall keep the minutes of the corporation, its stock transfer books and such books and records as these By-Laws or any resolution of the directors may require the Secretary to keep. The Secretary shall perform such other services as the Board of Directors may fix or approve. An Assistant Secretary may, at the discretion of the Board of Directors, be elected, and may perform the duties and functions of the Secretary if the Secretary is absent or unable to act.

Section 4.08 *Treasurer*. The Treasurer shall have the custody and control of the funds of the corporation, subject to the action of the Board of Directors and shall, when requested by the President, report the state of the finances of the corporation at each annual meeting of the shareholders and at any meeting of the Board of Directors. The Treasurer shall perform such other services as the Board of Directors may require of the Treasurer and shall receive such compensation as the Board of Directors may fix or approve.

ARTICLE V
DISALLOWED COMPENSATION

Section 5.01 *Reimbursement.* Any payments made to an officer or director of the corporation, such as salary, per diem payment, commission, bonus, interest or rent, or entertainment expense incurred by such officer or director which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service, shall be reimbursed by such officer or director to the corporation to the full extent as determined by the Board of Directors. In lieu of payment by the officer or director, subject to the determination of the Board of Directors, proportionate amounts may be withheld from any future compensation payable to such officer or director until the amount owed to the corporation has been recovered.

ARTICLE VI
CALLS AND NOTICES OF MEETINGS

Section 6.01 *Shareholder Meetings.* Except for the annual meeting of the shareholder fixed under Section 2.01, at least ten (10) but not more than fifty (50) days (inclusive of the date of meetings) before the date of any meeting of the shareholder, the Secretary shall cause a written notice setting forth the time, place and general purpose of the meeting, to be posted in the principal place of business of the corporation.

Section 6.02 *Directors Meetings.* Notice of special meetings of the Board of Directors shall be given to each director, orally or in writing, at least twenty-four (24) hours before the time fixed for the meeting, and such notice shall advise each director as to the time, place and general purpose of the meeting, and shall be delivered personally, or by telephone, facsimile transmission or electronic mail, or mailed, postage prepaid to each director at the applicable address or number for such director as it appears on the books of the corporation. No notice need be given of regular meetings of the Board of Directors, or of special meetings called by unanimous consent of the Board of Directors.

Section 6.03 *Waiver.* Nothing shall prevent the shareholder or the directors from meeting without notice; provided that a waiver of call and notice is signed by the shareholder or all the directors, whichever the case. The attendance at a meeting of directors shall not constitute a waiver of notice where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VII
INDEMNIFICATION

Section 7.01 *Authorization.* The corporation is empowered to indemnify any and all of its directors, officers, employees, agents or former directors, officers, employees or agents against expenses incurred by them, including legal fees, or judgment or penalties rendered or levied against any such person in a legal action brought against them for actions or omissions alleged to

have been committed by any such person while acting within the scope of his or her employment, provided that the Board of Directors shall determine in good faith that such person did not act, fail to act, or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action. This provision shall not limit any right of the corporation to indemnify all acts or alleged acts and failure to act or alleged failures to act as provided by law.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.01 *Issuance of Dividends.* Dividends on the issued and outstanding stock from the unreserved and unrestricted earned surplus, or the unreserved and unrestricted net earnings of the current fiscal year and the next preceding fiscal year taken as a single period of the corporation may be declared by the Board of Directors from time to time (except where the corporation is insolvent or the payment thereof would render the corporation insolvent), payable to the shareholder of record at such date as the Board of Directors may specify.

Section 8.02 *Fiscal Year.* The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 8.03 *Seal.* A corporate seal shall not be requisite to the validity of any contract, instrument or document executed by or on behalf of the corporation. The corporate seal, if any, shall have inscribed thereon the name of the corporation, and the year of its organization. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

ARTICLE IX
AMENDMENT AND REPEAL

Section 9.01 *Amendment.* These By-Laws may be amended or repealed, or new By-Laws may be adopted, at any meeting of the shareholder, by a resolution adopted by the holders of a majority of the issued and outstanding shares. These By-Laws may also be amended or repealed, or new By-Laws be adopted, at any meeting of the Board of Directors.

Section 9.02 *Necessity.* No notice need be given of any action concerning these By-Laws previous to any meeting if the proposed amendment, repeal or adoption of new By-Laws is one of necessity arising at such meeting, and is in furtherance of the legitimate aims of the corporation.

ATTESTED:

_____, Secretary

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EXHIBIT 2

VALLEY TELECOM GROUP - CORPORATE STRUCTURE
CURRENT STRUCTURE:

VALLEY TELEPHONE COOPERATIVE, INC.

Nonprofit AZ Corporation

Board of Directors: Carrol Miller, Joe Chapin, Thomas M. Kuykendall, Jyme Stoner
Wm. "Bunch" Swift, Candace I. Roll, David Thompson, Ruby Sipes, George May

VALLEY TELECOMMUNICATIONS COMPANY

Profit AZ Corporation

Shareholder: Valley Telephone Cooperative, Inc.

BOD: Same as Valley Telephone Cooperative, Inc. BOD
Authorized to issued 500,000 shares at \$1.00 par value
100 Shares Issued

VALLEY TELEVISIONS SERVICES COOPERATIVE, INC.

Nonprofit AZ Corporation

BOD: Same as Valley Telephone Cooperative, Inc. BOD

COPPER VALLEY TELEPHONE, INC.

Profit NV Corporation

Shareholder: Valley Telephone Cooperative, Inc.

Authorized to issued 500,000 shares at \$1.00 par value
BOD: Same as Valley Telephone Cooperative, Inc. BOD
100 Shares Issued

VALLEY TELEPHONE COOPERATIVE FOUNDATION

Nonprofit AZ Corporation

BOD: Same as Valley Telephone Cooperative, Inc. BOD

VALLEY CONNECTIONS, L.L.C., AZ LLC

Manager: Valley Telephone Cooperative, Inc.

Sole Member: Valley Telephone Cooperative, Inc.

EXHIBIT 3

NEW STRUCTURE:

VALLEY TELEPHONE COOPERATIVE, INC.

Nonprofit AZ Corporation

Board of Directors: Carol Miller, Joe Chapin, Thomas M. Kuykendall, Jyme Stoner
Wm. "Bunch" Swift, Candace I. Roll, David Thompson, Ruby Sipes, George May

VTG HOLDINGS, INC.

AZ Profit Corporation

Sole Shareholder: Valley Telephone Cooperative, Inc.

BOD: Same as Valley Telephone Cooperative, Inc. BOD
1,000 shares authorized at no par value & 1,000 shares issued

VALLEY TELEPHONE COOPERATIVE FOUNDATION

Nonprofit AZ Corporation

BOD: Same as Valley Telephone Cooperative, Inc. BOD

VALLEY TELECOMMUNICATIONS COMPANY

Profit AZ Corporation

Sole Shareholder: VTG Holdings, Inc.

BOD: Same as Valley Telephone Cooperative, Inc. BOD
500,000 shares authorized at \$1.00 par value & 100 shares issued.

COPPER VALLEY TELEPHONE, INC.

Profit NV Corporation

Sole Shareholder: VTG Holdings, Inc.

BOD: Same as Valley Telephone Cooperative, Inc. BOD
500,000 shares authorized at \$1.00 par value & 100 shares issued.

VALLEY CONNECTIONS, L.L.C., AZ LLC

Manager: Valley Telephone Cooperative, Inc.

Sole Member: VTG Holdings, Inc.

VALLEY TELEVISIONS SERVICES COOPERATIVE, INC.

Nonprofit AZ Corporation

BOD: Same as Valley Telephone Cooperative, Inc. BOD

EXHIBIT 4

VALLEY TELEPHONE COOPERATIVE, INC.
752 E. Maley, P O. Box 970
Willcox, AZ 85644
(520) 384-2231 (520) 826-1064 (fax)

June __, 2007

Carrol Miller, Corporate Secretary
Copper Valley Telephone, Inc.
752 E. Maley, P.O. Box 970
Willcox, AZ 85644

Dear Mrs. Miller:

Please cancel Stock Certificate No. 1 in the amount of 100 shares of common stock at no par value, issued in the name of Valley Telephone Cooperative, Inc., an Arizona nonprofit corporation. Please reissue the 100 shares of common stock at no par value to VTG Holding, Inc., an Arizona corporation.

Thank you for your assistance and please feel free to contact me with any questions or concerns.

Yours Truly,

David Thompson
President

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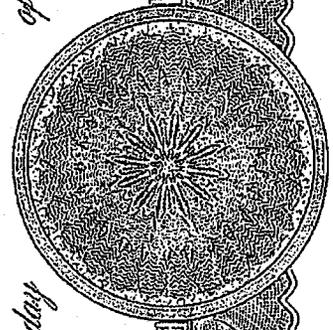


INCORPORATED UNDER THE LAWS OF THE STATE OF ARIZONA
COPPER VALLEY TELEPHONE, INC.
 THIS CORPORATION IS AUTHORIZED TO ISSUE AND TO SUE UPON SUCH SHARES OF COMMON STOCK AS ARE HEREIN PROVIDED FOR.

This Certificate *VTG Holdings, Inc.* is the _____
 registered holder of *One Hundred and 00/100* ----- Shares

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate, properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers, and its Corporate Seal to be hereunto affixed
 this _____ day of _____ A. D. 20 07



David Thompson, President

Carol Miller, Secretary

VALLEY TELEPHONE COOPERATIVE, INC.
752 E. Maley, P.O. Box 970
Willcox, AZ 85644
(520) 384-2231 (520) 826-1064 (fax)

June __, 2007

Carrol Miller, Corporate Secretary
Valley Telecommunications Company
752 E. Maley, P.O. Box 970
Willcox, AZ 85644

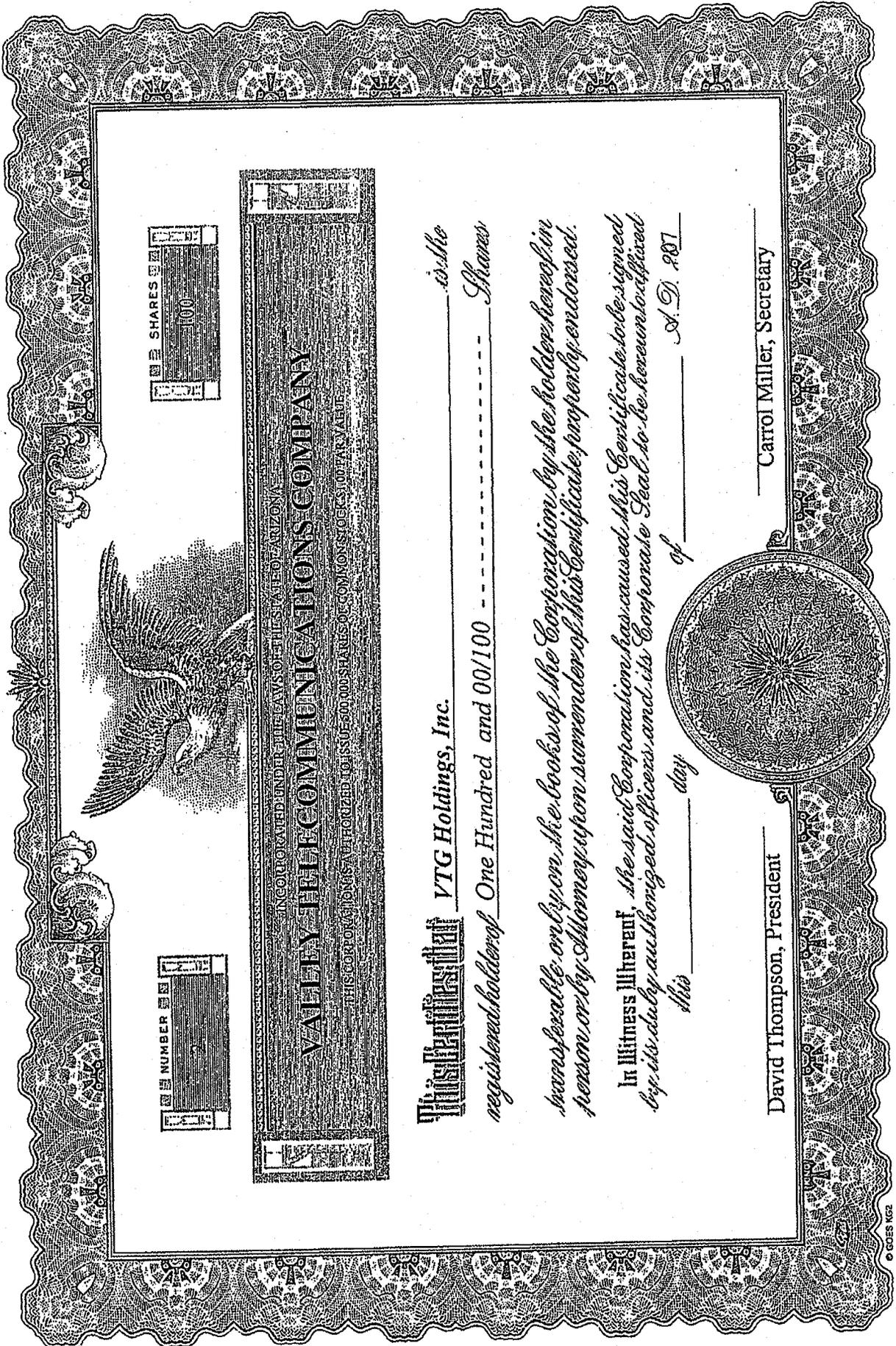
Dear Mrs. Miller:

Please cancel Stock Certificate No. 1 in the amount of 100 shares of common stock at \$1.00 par value, issued in the name of Valley Telephone Cooperative, Inc., an Arizona nonprofit corporation. Please reissue the 100 shares of common stock at \$1.00 par value to VTG Holding, Inc., an Arizona corporation.

Thank you for your assistance and please feel free to contact me with any questions or concerns.

Yours Truly,

David Thompson
President

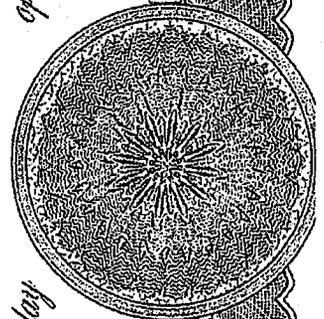


INCORPORATED UNDER THE LAWS OF THE STATE OF ARIZONA
VALLEY TELECOMMUNICATIONS COMPANY
 THIS CORPORATION IS AUTHORIZED TO ISSUE 500,000 SHARES OF COMMON STOCK OF PAR VALUE

This Certificate *is the* _____ *Shares*
registered holder of One Hundred and 00/100

transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate, properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed
this _____ *day*
of _____ *A. D. 19* 37



David Thompson, President

 Carrol Miller, Secretary

EXHIBIT 5

Assignment of LLC Membership Right
VALLEY CONNECTIONS, L.L.C.

THIS ASSIGNMENT OF LLC MEMBERSHIP INTEREST (this "Assignment"), is made effective this ___ day of June, 2007, by and between VALLEY TELEPHONE COOPERATIVE, INC., an Arizona corporation (the "Assignor"), having an address at 752 E. Maley St., Willcox, Arizona, and VTG HOLDINGS, INC. (the "Assignee"), having an address at 752 E. Maley St., Willcox, Arizona.

RECITALS

WHEREAS, the Assignor is the owner of a one hundred percent (100%) Membership Right (the "Membership Right") in VALLEY CONNECTIONS, L.L.C., an Arizona limited liability company (the "Company");

WHEREAS, the Company is governed by the provisions of an Amended and Restated Operating Agreement dated June 22, 2005 (the "Operating Agreement"); and

WHEREAS, the Assignor desires by this Assignment to assign to the Assignee, all of its Membership Rights, and the Assignee desires by this Assignment to accept the same,

NOW, THEREFORE, FOR AND IN CONSIDERATION of the payment by the Assignee to the Assignor of the sum of ten dollars (\$10.00) and for other good and valuable consideration, the receipt and adequacy of which are acknowledged by each party, the parties agree as follows:

1. ASSIGNMENT.

Effective as of _____, 2007, (the "Effective Date") the Assignor assigns to the Assignee and the Assignee accepts and assumes from the Assignor, the Membership Right, and any and all right, title, and interest which the Assignor has under the provisions of the Operating Agreement, or in and to any of the Company's assets, with respect to the Membership Right so assigned.

2. REPRESENTATIONS.

2.1. By Assignor. To induce the Assignee to accept the delivery of this Assignment, the Assignor hereby represents and warrants the following to the Assignee on the date hereof and at the time of such delivery;

2.1.1. The Assignor is the sole legal and beneficial owner of the Membership Right. The Assignor has not sold, transferred, or encumbered any or all of the Membership Right. Subject to the provisions of the Operating Agreement, the Assignor has the full and sufficient right at law and in equity to transfer and assign the Membership Right, and is transferring and assigning the Membership Right to the

Assignee free and clear of any and all right, title, or interest of any other person whatsoever.

2.1.2. The Assignor has been given no notice of any default by the Assignor in performing its obligations under the provisions of the Operating Agreement and, to the best of the Assignor's knowledge, information, and belief, the Assignor is not in default in performing those obligations.

2.2. By Assignee. The Assignee covenants, warrants, and represents to the Company and the Manager of the Company, (a) that the Membership Right is being acquired for investment for the Assignee's own account and not with a view to offering it for sale or otherwise to distributing it, after or in connection with such assignment to it; and (b) that the Assignee has read the Operating Agreement and agrees to be bound by the Operating Agreement, including, but not limited to, the appointment of the Manager as the attorney-in-fact for the Members.

2.3. By Each Party. Each party represents and warrants to the other that it has been duly authorized to execute and deliver this Assignment, and to perform its obligations under this Assignment.

3. INDEMNIFICATION.

3.1. Assignor. The Assignor shall defend, indemnify, and hold harmless the Assignee from and against any and all liability, claim of liability, or expense arising out of (a) any default by the Assignor in performing its obligations under the provisions of the Operating Agreement occurring before the Effective Date, (b) any and all liability or expense of the Company arising before the Effective Date, and (c) any failure of the Assignor's representatives contained in Section 2 to be true and complete in all material respects.

3.2. By Assignee. The Assignee shall defend, indemnify, and hold harmless the Assignor from and against any and all liability, claim of liability, or expense arising out of (a) any default by the Assignee in performing its obligations under the provisions of the Operating Agreement occurring after the Effective Date, and (b) any and all liability, claim of liability, or expense of the Company arising after the Effective Date. The Assignee, on behalf of the Company, also hereby releases any and all claims the Company has or may have against the Assignor, except to the extent inconsistent with Section 3.1 hereof.

4. CONSENT OF COMPANY. This Assignment is subject to and conditioned upon the Company's delivery of its consent hereto.

5. NOTICES. Any notice, demand, consent, approval, request, or other communication or document to be provided hereunder to a party hereto shall be (a) in writing and (b) deemed to have been provided (i) forty-eight (48) hours after being sent as certified or registered mail in the United States mail, postage prepaid, return receipt

requested, to the address of the party set forth in this Agreement or to any other address in the United States of America as the party may designate from time to time by notice to the other party; or (ii) upon being given by hand or other actual delivery to the party

6. MISCELLANEOUS.

6.1. Effectiveness. This Assignment shall become effective on and only on its execution and delivery by each party.

6.2. Complete Understanding. Subject to the provisions of the Operating Agreement, this Assignment represents the complete understanding between the parties as to the subject matter hereof, and supersedes all prior negotiations, representations, guarantees, warranties, promises, statements, or agreements, either written or oral, between the parties hereto as to the same.

6.3. Amendment. This Assignment may be amended by and only by an instrument executed and delivered by each party.

6.4. Waiver. No party shall be deemed to have waived any right which it holds hereunder unless the waiver is made expressly and in writing (and, without limiting the generality of the foregoing, no delay or omission by any party in exercising any such right shall be deemed a waiver of its future exercise). No waiver shall be deemed a waiver as to any other instance or any other right.

6.5. Applicable Law. All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed hereby shall be governed by the laws of the State of Arizona without regard to conflicts of laws principals.

6.6. Headings. The headings of the Sections, subsections, paragraphs, and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

6.7. Construction. As used herein, (a) the term "person" means a natural person, a trustee, a corporation, a partnership, and any other form of legal entity; and (b) all reference made (i) in the neuter, masculine, or feminine gender shall be deemed to have been made in all genders; (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well; and (iii) to any Section, subsection, paragraph, or subparagraph shall, unless therein expressly indicated to the contrary, be deemed to have been made to such Section, subsection, paragraph, or subparagraph of this Assignment.

6.8. Assignment. This Assignment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and assigns hereunder.

6.9. Severability No determination by any court, governmental body or otherwise that any provision of this Assignment or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other provision thereof, or (b) that provision in any circumstance not controlled by the determination. Each such provision shall be valid and enforceable to the fullest extent allowed by and shall be construed wherever possible as being consistent with applicable law.

6.10. Further Assurances. The parties shall cooperate with each other and shall execute and deliver, or cause to be delivered, all other instruments and shall take all other actions, as either party hereto may reasonably request from time to time in order to effectuate the provisions hereof.

6.11. Assumption and indemnification. From and after the Effective Date, the Assignee shall (a) be bound by the provisions of the Operating Agreement, as if the Assignee were a party thereto and a Member of the Company; and (b) indemnify the Company against any expense incurred by it in connection with the Assignee's admission and substitution as a Member including, by way of example rather than of limitation, any expense incurred in preparing and filing for record any amendment of the Operating Agreement or the Company's Articles of Organization, and any other instrument, if necessitated by the admission and substitution.

IN WITNESS WHEREOF, each party has executed this Assignment of Member Interest effective on the dated recited above.

ASSIGNOR:
Valley Telephone Cooperative, Inc.

ASSIGNEE:
VTG Holdings, Inc.

By: _____
David Thompson, President

By: _____
David Thompson, President

Consented and agreed to by the undersigned in its capacity as the Manager of Valley Connections, LLC this ____ day of June, 2007.

Valley Telephone Cooperative, Inc.

By: _____
David Thompson, President

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EXHIBIT 6



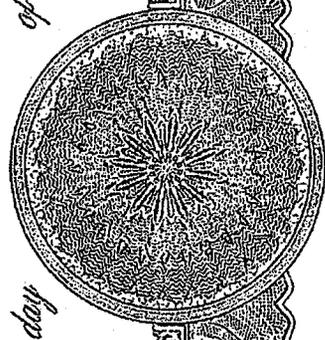
INCORPORATED UNDER THE LAWS OF THE STATE OF ARIZONA
YTC HOLDINGS, INC.

THIS CORPORATION IS AUTHORIZED BY THE BOARD OF DIRECTORS TO ISSUE UP TO 100,000 SHARES OF COMMON STOCK AT 100 CENTS PER SHARE

This Certificate is the registered holder of Valley Telephone Cooperative, Inc. is the Share registered holder of One Thousand and 00/100

transferable only on the books of the Corporation, by the holder hereof in person or by Attorney upon surrender of this Certificate, properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers, and its Corporate Seal to be hereunto affixed this _____ day _____ A. D. 20__



David Thompson, President

Carrol Miller, Secretary

EXHIBIT 7

**ARTICLE OF AMENDMENT TO
ARTICLES OF ORGANIZATION**

1. The name of the limited liability company is Valley Connections, LLC.
2. No. 5 of the Articles of Organization is amended to delete Valley Telephone Cooperative, Inc. as a member owning 20% or greater interest in the capital or profits of the limited liability company and to substitute VTG Holdings, Inc., an Arizona corporation, whose address is P.O. Box 970, Willcox, AZ 85644, as the member owning 20% or greater interest in the capital or profits of the limited liability company.

DATED this ____ day of _____, 2007.

MANAGER:

Valley Telephone Cooperative, Inc.

By: _____
David Thompson, President