

PEÑASCO VALLEY TELEPHONE COOPERATIVE, INC.
4011 WEST MAIN
ARTESIA, NEW MEXICO 88210-9566

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(Revised May 2, 2009)

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**BYLAWS OF
PEÑASCO VALLEY TELEPHONE
COOPERATIVE, INC.**

ARTICLE I

MEMBERSHIP

SECTION 1. Eligibility. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Peñasco Valley Telephone Cooperative, Inc. (hereinafter called the “Cooperative”) upon receipt of telecommunications and information services (hereinafter referred to simply as “services”) from the Cooperative. Membership is automatic and instantaneous upon receipt of service; however, each member shall:

- (a) Make a written application for membership for the Cooperative’s records;
- (b) Agree to purchase services from the Cooperative in accordance with established tariffs, as well as pay other charges for services that the member uses and the Cooperative is obligated by law or contract to collect; and
- (c) Agree to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the directors.

The status of all memberships shall be as reflected upon the books of the Cooperative and no membership certificates will be issued.

Definitions and Classifications.

- (a) Membership in the Cooperative is effected by procuring the Cooperative’s central office dial tone.
- (b) Exchange and interexchange carriers who participate with the Cooperative in the provision of telecommunications services to members are neither members nor patrons by virtue of division of revenue contracts, settlement or access arrangements and other charges these carriers pay in the provision of services to their end users. The board as the authority to determine all questions dealing with member or patron status as well as capital credit allocation issues for exchange and interexchange carriers as users of the Cooperative’s facilities.
- (c) Each time sharing or interval ownership premises is considered as a single corporate member. The owner of seasonal, recreational and short-interval rental properties will be deemed to hold the membership.

No member may hold more than one membership in the Cooperative. No membership in the Cooperative shall be transferable, except on the books of the Cooperative and as provided for in these Bylaws.

SECTION 2. Joint Membership. Each residence or business location that is receiving services from the Cooperative shall be entitled to only one membership; however, two persons, who are eighteen years or older, may apply for a joint membership for any such residence or business location and, subject to their compliance with the requirements of Sections 1 and 2 of this Article, may be accepted for such membership. For a joint membership associated with a residence, each of the joint members must live and reside in the residence, and if a joint member moves from the residence, that person’s joint membership shall automatically terminate as of the date that the joint member moves from the residence. For a joint membership associated with a business location, each of the joint members must work at the location, and if a joint member ceases to work at the location, that person’s joint membership will automatically terminate as of the date that the joint member ceases to work at such location. The term “member” as used in these Bylaws shall be deemed to include joint members, and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership except as

otherwise provided herein. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute notice of both;
- (d) Notice of either shall constitute notice of both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or director, if individually qualified.

SECTION 3. Conversion of Membership

- (a) A membership may be converted to a joint membership upon the written request of the holder of such membership and the agreement of such holder and the proposed other joint member to comply with the Articles of Incorporation and conversion, Bylaws, and rules and regulations adopted by the board.
- (b) Upon the death of a joint member or the termination of the membership of one of the joint members, as provided in Section 2 of this Article, such membership shall be converted to a single individual membership; however, the terminated joint member or, if deceased, his or her estate shall not be released from any debts due to the Cooperative. Upon the termination of the membership of one of the joint members by death or as provided in Section 2 of this Article, the remaining member and, in the case of a Section 2 termination, the terminated member shall immediately give written notice to the Cooperative of such termination, and until such notice is received by the Cooperative, the Cooperative shall continue to accrue and pay membership benefits to the joint membership, without obligation to readjust such benefits for the period from the termination of the joint membership to the date of the notice.

SECTION 4. Purchase of Services. Each person who applies for service shall, as soon as service is available, take service from the Cooperative. The member shall pay therefor monthly at rates in accordance with either established tariffs as fixed by the directors, or, for the services rendered by other carriers, at the rates which the Cooperative is obliged to bill and collect by contractual arrangements with other carriers. It is expressly understood that amounts received by the Cooperative for all services in excess of cost are furnished by members from the moment of receipt as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. However, the Cooperative is not obligated to furnish such credits for services which are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative. Each member shall pay the above amounts owed by him/her to the Cooperative as and when the same shall become due and payable.

SECTION 5. Requirements for Membership. The board will determine under rules and/or policies of general application the types and amounts of revenue streams, or the types and amounts of patronage that give rise to the privileges of membership and to the allocation of patronage credits.

Exchange carriers, interexchange carriers, and other telecommunications entities are eligible for membership and patronage allocation to the extent they utilize the Cooperative's basic telecommunications services in the ordinary course of administrative affairs of their business. However, neither such entities nor their customers are eligible for Cooperative membership or patronage allocation by virtue of their:

1. Purchase of local access or toll access services,
2. Purchase of equipment,
3. Joint participation with the Cooperative in the provision of telecommunications services,
4. Payment of access or regulatory support program fees or assessments,
5. Payment of interconnection fees, or
6. Purchase for resale of any of the Cooperative's services.

SECTION 6. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the directors may prescribe. The directors may, by the affirmative vote of not less than 2/3 of all the members of the board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the directors, but only if such member shall have been given notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the directors or by vote of the members at any annual or special meeting.
- (b) Upon the withdrawal, death, cessation of service or expulsion of a member, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative nor do unpaid bills release a member from his/her obligations under these Bylaws or rules and regulations approved by the directors.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative may deduct from the capital credits of the member, at such time as they are paid by the Cooperative, the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE II

***RIGHTS AND LIABILITIES OF THE
COOPERATIVE AND THE MEMBERS***

SECTION 1. Service Obligations.

- (a) The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services nor will it always be able to provide every service desired by each individual member.
- (b) The members pledge to purchase all services from the Cooperative to the extent that its services are able to meet the members' needs.

SECTION 2. Cooperation of the Members in the Extension of Services. The cooperation of members of the Cooperative is imperative to the successful, efficient and economical operation of the Cooperative. Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property as mutually agreed to by both parties to construct, operate, maintain, replace or enlarge telephone and/or communications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein

owned or leased or controlled by said member for the furnishing of telephone or communication service to said member, or any other member, at no cost to the Cooperative. When requested by the Cooperative, the member does agree to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

SECTION 3. Non-liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

SECTION 4. Property Interest of Members. Upon dissolution, after:

- (a) All debts and liabilities of the Cooperative shall have been paid; and
- (b) All capital furnished through patronage shall be retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each member and former member bears to the total patronage of all such members and such former members on the date of dissolution unless otherwise provided by law.

ARTICLE III

MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held at a date and place within the counties of Chaves, Eddy, Lincoln or Otero as selected by the directors, and shall be designated in the notice of the meeting for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

SECTION 2. Special Meetings. Special meetings may be demanded by a majority vote of the directors or by written petition of at least one-tenth of the members, in which case it shall be the duty of the Secretary to call such meeting to take place within thirty (30) days after such demand. Special meetings of the members may be held at any place within either the counties of Eddy, Chaves, Lincoln or Otero, State of New Mexico, specified in the notice of the special meetings.

SECTION 3. Notice of Members' Meetings. Written notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose of purposes for which the meeting is called, shall be delivered not less than fifteen (15) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Postponement of a Meeting of the Members. In the event of inclement weather or the occurrence of a catastrophic event, the meeting of the members may be postponed by the President. Notice of the adjourned meeting shall be given by the President in any media of general circulation or broadcast serving the area.

SECTION 5. Quorum. Business may not be transacted at any meeting of the members unless there are present in person at least fifty (50) members or two percent (2%) of the then total members of the Cooperative, whichever is greater, except that, if less than quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date; provided that, the Secretary shall cause any absent members to be notified of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.

At all meetings of the members, whether a quorum be present or not, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

SECTION 6. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. An active member must be receiving service at least two (2) weeks before the time for voting. Voting by members other than members who are natural persons shall be allowed upon presentation to the Cooperative, prior to each member meeting, satisfactory evidence entitling the person presenting the same to vote. Cumulative voting is not permitted. All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. In the election of directors, a voice vote may be permitted if there is no competition for the seat or seats to be filled.

SECTION 7. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon unless minutes presented for approval shall have been furnished by a timely mailing or have been distributed at the meeting to all active members present. In such case, the President may entertain a motion from the floor to dispense with the reading of such minutes.
4. Audit report of outside auditors, or a summary thereof.
5. Election of directors.
6. Presentation and consideration of reports of officers, directors, and committees.
7. Unfinished business.
8. New business.
9. Adjournment.

Notwithstanding the foregoing, the directors or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business; provided that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV

DIRECTORS

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

SECTION 2. Election and Tenure of Office. For the purpose of geographically distributing the members of the Board of Directors, six districts are hereby created:

No. 1 – The area served by the Cottonwood Exchange

No. 2 – The area served by the Hondo Exchange

No. 3 – The area served by the Hope Exchange

No. 4 – The area served by the Lakewood Exchange

No. 5 – The area served by the Loco Hills Exchange

No. 6 – The area served by the Mayhill Exchange

One director to be elected from each district and three directors to be elected at large, with no more than two directors elected from any one of the six areas.

Directors shall be elected by secret ballot unless there is no one nominated in opposition and the director is thereupon elected by acclamation and shall hold office for a term of three years. A director shall be elected for three years or until their successors shall have been elected and shall have qualified, with the following exceptions:

In the event there are not enough members present at any annual meeting to constitute a quorum, the incumbent directors whose terms of office are expiring shall be automatically re-elected.

SECTION 3. Qualifications to be Nominated, to Become, or Remain a Director. Any member shall be eligible to be nominated, elected and remain a director of the Cooperative who:

- (a) Resides in the geographic area from which he or she is elected, and has resided there for more than two hundred forty (240) days during the last twelve (12) month period.
- (b) Is NOT an employee of the Cooperative who has been employed within two hundred forty (240) days or has a financial interest in a competing enterprise or business engaged in selling communication services or communication supplies or maintaining communication facilities.
- (c) Will NOT be serving with an incumbent director who is closely related and is NOT closely related to an employee of the Cooperative. As used here, “closely related” means a person who is related to the principal person by consanguinity or affinity, to the third degree or less, and includes grandparents, parents, husband, wife, children, grandchildren, brothers, sisters, aunts, uncles, nephews and nieces, by blood, by marriage, by adoption or by step-relationship, and spouses of any of the foregoing. However, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if he or she becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage to which he or she was not a party. Neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a director because of a marriage to which he or she was not a party.

To remain a director, the incumbent must attend two-thirds (2/3) or more of the regular meetings during each twelve (12) month period beginning with the month of his/her election. Upon establishment of the fact that a director or nominee is in violation of any of the provisions of this Section, that office or nomination shall be deemed vacant.

Nothing in this Section shall affect in any manner whatsoever, the validity of any action taken at any meetings of the directors.

SECTION 4. Nominations. It shall be the duty of the directors to appoint, not less than forty (40) nor more than ninety (90) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different areas so as to insure equitable representation. No member of the board, employee, or relative of either, may serve on such committee. A quorum of the committee may act, and, if less than a quorum is present, the meeting may be adjourned from time to time to a date, time and place specified and the chairman shall cause the absent members to be notified. The committee, keeping in mind the principle of representation provided by Article IV, Section 2 of these Bylaws, shall prepare and post at the principal office of the Cooperative at least thirty (30) days before the meeting a list of nominations for directors which shall include at least one candidate for each director to be elected. No member of the committee can be nominated by the committee. Any fifteen (15) or more members acting together may make other nominations by petition not less than twenty (20) days prior to the meeting and the Secretary shall cause to be posted such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall cause to be mailed with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee and the nominations made by petition, if any. The ballot to be used at the election shall list the names of the candidates nominated by the committee and the names of the candidates nominated by petition, if any. The chairman, or his/her designee, shall call for additional nominations from the floor. No member may nominate more than one (1) candidate.

SECTION 5. Removal of Director by Members and Resignations. Any member may bring charges, relating to the duties and responsibilities of his/her position, against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percent (10%) of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel to present evidence in respect to the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members. No director shall be removed from office unless by a vote of two-thirds (2/3) of the members present. Any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

A director may resign at any time by written or oral (preferably written) notice delivered to the directors, the President or Secretary of the Cooperative. A resignation is effective when the notice is delivered, unless the notice specifies a future date. The pending vacancy may be filled by the directors before the effective date but the successor shall not take office until the effective date.

SECTION 6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the board shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the directors within sixty (60) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with foregoing provisions in respect to nominations. However, any successor, whether chosen by the directors or the members, must reside in the same district as the vacant directorship and have the same qualifications for office as set forth in Section 3. If a director duly elected by the membership at large (not individual district) moves his/her residence to another district of the Cooperative, he/she may continue to serve as director for his/her former district until the next regular election for the district.

SECTION 7. Compensation. Directors shall, as determined by resolution of the directors, receive a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the directors. If authorized by the board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the directors in lieu of detailed accounting for some of these expenses. Directors who elect to participate may be extended various forms of liability and accident insurance as well as participation in benefits provided to employees except for benefits based on salary. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director of his/her close relative shall have

been certified by the directors as an emergency measure. For purpose of this section, close relative includes grandparents, parents, husband, wife, children, grandchildren, brothers, sisters, aunts, uncles, nephews and nieces, by blood, by marriage, by adoption or by step-relationship, and spouses of any of the foregoing.

SECTION 8. Rules and Regulations. The directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation, or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 9. Accounting Systems and Reports. The directors shall cause to be established and maintained a complete accounting system, approved by RUS, of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The directors may authorize special audits, complete or partial, at any time and for any specified period of time.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the directors shall be held without notice after the annual meeting of the members, if this is deemed convenient by a majority of the board as constituted after the annual meeting. A regular meeting of the directors shall also be held monthly at such time and place in Eddy, Chaves, Lincoln or Otero County, New Mexico, as the directors may provide. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof. Unless specifically prohibited by law, meetings may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

SECTION 2. Special Meetings. Special meetings of the directors may be called by the President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or directors calling the meeting shall fix the time and place for the holding of the meeting. Special meetings may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

SECTION 3. Notice of Directors' Meetings. Written notice of the time, place (or telecommunications conference event) and purpose of any special meeting of the directors shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 4. Quorum. A majority of the directors shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall cause notice to be given to any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors.

SECTION 5. Unanimous Consent in Writing. Unless otherwise prohibited by law, board actions may be taken without a meeting and without a vote if unanimous consent of the directors is obtained in writing setting forth the action taken in detail and the detail is signed by all directors entitled to vote.

ARTICLE VI

OFFICERS

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

SECTION 2. Election and Term of Office. The officers shall be elected by secret ballot, unless there is no one nominated in opposition and the officer is thereupon elected by acclamation, annually by and from the directors at the meeting of the directors held after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the directors following the next succeeding annual meeting of the members or until his/her successor shall have been elected and shall have been qualified. Except as otherwise provided in these Bylaws, the vacancy in any office shall be filled by the directors for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by the Directors. Any officers or agent elected or appointed by the directors may be removed from office by the directors for cause related to position whenever in its judgment the best interests of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the directors' meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity.

SECTION 4. President. The President shall:

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

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

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

- (a) Keeping the minutes of the meetings of the members and of the directors in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) The safekeeping of the corporate records and of the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) Keeping a register of the names and post office addresses of all members;

- (e) Keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative forward a copy of the Bylaws and of all amendments thereto to each member; and
- (f) In general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the directors.

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

- (a) Custody of all funds and securities of the Cooperative;
- (b) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such institutions as shall be selected in accordance with the provisions of these Bylaws; provided, however, that the Treasurer shall have authority, with the approval of the directors, to delegate to the general manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and
- (c) The general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the directors; provided, however, with respect to the duties and responsibilities of the Treasurer, the Cooperative shall indemnify and hold the Treasurer harmless against any and all losses, claims and/or damages which may be asserted against the Treasurer, in his/her official capacity, unless such claim is a result of an act personally committed or omitted by the Treasurer resulting in loss to the Cooperative.

SECTION 8. General Manager. The directors shall appoint a general manager, who may be, but who shall not be required to be, a member of the Cooperative. The general manager shall perform such duties as the directors may from time to time require and shall have the authority as the directors may from time to time vest in him/her.

SECTION 9. Delegation of Responsibilities. Notwithstanding the duties, responsibilities and authorities of the officers provided for in these Bylaws, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular and routine administration of, one or more of such officers' duties to one or more agents or other officers of the Cooperative who are not directors.

SECTION 10. Bonds. The directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the directors shall determine. The directors in their discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 11. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed or approved by the directors, subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

SECTION 12. Reports. The officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

SECTION 1. Scope of Indemnification. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by, or in the right of the Cooperative) by

reason of the fact that such person is or was a director, officer, employee or agent of the Cooperative or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), adjustments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon pleas of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

SECTION 2. Indemnification for Good Faith Action. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to, any threatened, pending or completed action or suit by, or in the right of, the Cooperative to procure a judgment in its favor by reason of the fact that such person is, or was, a director, officer, employee or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a director, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative. No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

SECTION 3. Cost of Defense Indemnified. To the extent that a director, officer, employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Sections 1 and 2, in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith.

SECTION 4. Amount of Indemnification. Any indemnification under Sections 1 and 2 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 1 and 2. Such determination shall be made:

- (a) By the directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceedings; or
- (b) If such quorum is not obtainable, or even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion;
- (c) By the members.

SECTION 5. Expenses Advanced. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding, as authorized by the directors in the specific case, upon receipt of a firm commitment by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he/she is entitled to be indemnified by the Cooperative as authorized in this Article.

SECTION 6. Rights of Person Indemnified. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to action in his/her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a

director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. Insurance Coverage. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of the Article.

ARTICLE VIII

NON-PROFIT OPERATION

SECTION 1. Definitions. In this Article:

- (a) "Patron" means a "Member" of the Cooperative who is eligible to receive capital credits resulting from the purchase of telecommunications and information services from the Cooperative as defined in Article I of these Bylaws.
- (b) "Patronage Business" means the business done for or with patrons to which there is a pre-existing obligation to allocate to those patrons the margins generated from the furnishing of telecommunications and information services. This includes any amount of non-operating margins or losses that are directly related to the Cooperative's primary activity of furnishing telecommunications and information services to its patrons.

SECTION 2. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 3. Patronage Capital. In the furnishing of patronage business, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable in excess of costs and expenses properly chargeable against the furnishing of all forms of patronage business. All such amounts in excess of costs and expenses for patronage business, hereinafter called "margins," at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay, by credits to a capital account for each patron, all such amounts in excess of costs and expenses derived from patronage business. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron for patronage business is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though it had been paid to the patron in cash pursuant of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

Notwithstanding any provision in Article VIII, the margins in excess of costs and expenses from patronage business shall be the greater of regular federal taxable income or alternative minimum taxable income as determined before the exclusion for patronage allocations under federal law. The Board of Directors, however, does have the authority to adopt a reasonable alternative in lieu of federal or alternative minimum taxable income.

All non-operating income (margins), except those derived from patronage business as defined in Section 1(a) above, shall be used by the Cooperative, insofar as permitted by law, to (1) pay any income or other taxes attributable to the operations of the Cooperative, (2) offset any losses incurred during the current or any prior fiscal year, (3) establish a non-operating margin reserve, and (4) to the extent not needed for these purposes, be allocated

on a patronage basis to the patrons. Any non-operating margin reserve established as permanent capital is not assignable to patrons prior to the dissolution of the Cooperative. However, if the Cooperative receives any dividends or distributions from subsidiary corporations related to margins that are included in the reserve, the board, at its discretion, may allocate the dividends or distributions received to the Cooperative's patrons on a patronage basis. Any amount so allocated shall be included as part of the capital to be allocated to the accounts of the patrons in an equitable manner as provided by the board.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the directors shall determine that the financial condition of the Cooperative will not be impaired thereby the capital then credited to patrons' accounts may be retired in full or in part. All allocations or retirements of capital shall be at the discretion of the directors.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or in part of such patrons' premises served by the Cooperative unless the directors, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons. At the time of retirement of capital credits by the Cooperative, it may deduct from such capital credits the amount of any debts or obligations owed by a member, former member or patron to the cooperative.

Notwithstanding any other provision of these Bylaws, the directors, at their discretion, shall have the power at any time upon the death of any natural patron to retire all capital credited to any such patron upon such terms and conditions as the directors shall determine, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

When the capital credits of any patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the directors, the same shall be retired in full with such retirements made only when and at the same time that a general retirement to other patrons is made.

During a general capital credits retirement, no checks shall be issued to any patron receiving service from the Cooperative for less than a fixed amount determined by the directors, and the amount of such unretired capital credits will be retired in the first following year when the total amount of capital credits qualifying for retirement exceeds that amount set by the directors, including the amount carried over. All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron, and further, between all the patrons themselves individually. Both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions with the Cooperative and each of its patrons. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its patrons.

SECTION 4. Creation of Charitable Trust. Sections 5, 6, 7, 8 and 9 shall become effective when allowed by State law.

SECTION 5. Special Rights to Assign. Any member or patron may assign all or any portion of his/her patronage capital earned or credited in the future, to the Peñasco Valley Telephone Education Foundation, a charitable tax exempt trust, effective as of the date of assignment, subject in all cases to the Cooperative's prior lien for unpaid charges.

SECTION 6. Assignment by Failure to Provide Address. Notwithstanding any other Bylaw provisions, capital credits and capital credit payments, notice or delivery of which cannot be made for failure of a patron or former patron to claim the same in person, or to furnish an effective mailing address, for a period of two (2) years after the Cooperative has mailed the same with sufficient postage to the last known address and to the last address provided to the Cooperative, or after the Cooperative has in good faith attempted to deliver such notice or payment, shall be and constitute an irrevocable gift by the patron to Peñasco Valley Telephone Education Foundation, a charitable tax exempt trust, of such credit or payment remaining after the Cooperative's prior claim for charges due has been satisfied.

SECTION 7. Charitable Trust. It shall be the duty of the Cooperative to take the necessary steps to establish said tax exempt charitable trust and to obtain approval of the Internal Revenue Service of the United States and the Bureau of Revenue of New Mexico and to cause to be named as directors the officers from time to time of the Cooperative, being the President, Vice President, the Secretary and Treasurer, who are to serve as directors without compensation.

SECTION 8. Priority of Cooperative's Claim for Amounts Due from Patron. Nothing contained in this Article shall be construed to deprive the Cooperative of its first lien against any capital credits to satisfy any unpaid telephone bill of the patron; only that portion of a capital credit or payment which is not needed to satisfy an unpaid balance for telephone service may be transferred to the Peñasco Valley Telephone Education Foundation under the provisions hereof for the purpose of educational grants or scholarships to our present active members' immediate families.

SECTION 9. Savings Clause. If any portion of this Article shall be held invalid or not effective to accomplish its purposes, the remaining portions of the Article shall not be affected thereby, and in no event shall this Article be construed to adversely affect the exemption of the Cooperative from liability for payment of income taxes on its revenues from the distribution of telephone service to its patrons.

ARTICLE IX

DISPOSITION OF PROPERTY

The Cooperative may not sell, convey, lease, exchange, transfer or otherwise dispose of all or any substantial portion of its property unless such sale, conveyance, lease, exchange, transfer or other disposition is authorized at a duly held meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained or any other provisions of law, the Board of Directors of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging, assignment for security purposes or encumbering of any or all the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative.

Supplementary to the foregoing paragraphs of this Section and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer, or other disposition within a single calendar year, of physical plant of the Cooperative with net value in excess of ten percent (10%) of the Cooperative's total assets, based upon the most recent audit of the Cooperative, shall be authorized except in conformity with the following:

(1) If the directors look with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer, or other disposition, it shall first cause three (3) independent non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer, or other disposition, and as to any other terms and conditions which should be considered. The three (3) independent appraisers shall be designated by a district court resident judge for the judicial district in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the directors.

(2) If the directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determine that the proposals should be submitted for consideration by members, it shall first give, by notice in appropriate publications, other cooperatively organized entities an opportunity to submit competing proposals. Any interested cooperatively organized entity shall be sent copies of any proposals which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such other interested cooperatively organized entities shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(3) If the directors then determine that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than sixty (60) days before noticing a special meeting of the members thereon or, if such be the case, the next annual member meeting, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less than ten (10) days after the giving of notice of such meeting.

(4) Any fifty (50) or more members, by so petitioning the directors not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the directors have made.

The provisions of (1), (2), (3) and (4) above shall not apply to a sale, lease, lease-sale, exchange, transfer, or other disposition to one or more telephone or electric cooperatives if the substantive or actual legal effect thereof is to merge or consolidate with such other one or more telephone or electric cooperatives.

ARTICLE X

SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal of New Mexico."

ARTICLE XI

FINANCIAL TRANSACTIONS

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

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the directors.

SECTION 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such institutions as the directors may select.

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

ARTICLE XII

MISCELLANEOUS

SECTION 1. Membership in Other Organizations. The Cooperative may become a member or purchase stock in other profit or non-profit organizations, associations, partnerships, or joint ventures when the directors find that the general or long-term interests of its membership will be served by such investments or participation.

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

ARTICLE XIII

AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

STATEMENT OF NONDISCRIMINATION

Peñasco Valley Telephone Cooperative, Inc. has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VII of the Civil Rights Act of 1964, and the Rules and Regulations of the Department of Agriculture issued hereunder, to the end that no person in the United States shall on the grounds of race, color, sex, national origin, age, marital or veteran status, disability or handicap or any other legally protected status, be excluded from participation, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under the Assurance, this organization is committed not to discriminate against any person on the grounds of race, color, sex, national origin, age, marital or veteran status, disability or handicap or any other legally protected status in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of the organization.

Any person who believes himself/herself, or any specific class of individuals to be subjected by this organization to discrimination prohibited by Title VII of the Act and the Rules and Regulations issued hereunder may, by himself/herself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C., or this organization, or all, a written complaint. Such complaint must be filed not later than 180 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complainants will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations.