

Your Connection

51st ANNUAL MEMBERSHIP MEETING
JULY 8, 2004

Message from the Chairman of the Board of Directors



On behalf of Perry-Spencer Rural Telephone Cooperative, Inc., d/b/a PSC, it is my pleasure to invite you to PSC's 51st Annual Meeting on July 8, 2004, at the Ferdinand Community Center.

It has been another good year for PSC and we are excited to share our results with you. Come and enjoy the evening's program and learn about your cooperative and the issues facing us today. I know you will find it most enlightening.

Even though the year 2003 was commercially sound for the cooperative, PSC entered the new year knowing the "ride was going to get bumpy". 2004 presents a significant period of challenge for all independent telephone companies; so much so, that a leading industry

analyst recently noted 2004 will begin a period of "change and challenges", the likes never seen before in our industry. What's happening right now in our industry is a total change that is bigger than all prior changes combined. The pace and expense of technological advances, the mounting competitive pressures over our entire product base and the detrimental effect of regulatory rulings on our traditional means of revenue and support, are all major issues facing our industry today.

How we address these challenges however, is what will set PSC apart from other companies. We are committed to this cooperative and are ready to turn these threats into opportunities. We will continue to meet your communication needs today and into the future, by properly planning and preparing for all these changes. Strategic planning is

not an event that just occurs at annual retreats, it happens daily at PSC. This daily review enables the cooperative to keep pace with our rapidly changing environment.

We look forward to you joining us at the Annual Meeting and learning more about PSC's future. In addition, we will have entertainment and prize give-aways, and will be conducting the usual business of the cooperative, including the election of Directors for the Saint Mark's Exchange, Lamar Exchange, and the At-Large seat.

Please come join us July 8th and participate in our annual celebration.

Richard Roos

Message from the President/CEO



In October of 1991, a storm stronger than any in recorded history hit the coast off Gloucester, Massachusetts. This "Perfect Storm", so called because it was three storms combined into one, created an almost apocalyptic situation in the Atlantic Ocean, where boats encountered waves of 100+ feet. One such boat lost in the storm was the Andrea Gail, of whose fate and that of her courageous crew has well been documented in book and film, both

entitled "The Perfect Storm".

What, may you ask, does the story of the Andrea Gail have to do with PSC? Just like it, we find ourselves battling what many industry experts have labeled "The Perfect Storm". The rural telephone industry is rapidly approaching a crossroads, with pressures converging almost like the perfect storm, including regulation, new technologies and encroaching competitive threats.

On the regulation "front", we are

battling to ensure that rural telecommunication providers can carry on their legacy of providing rural communities with state-of-the-art services. Recent FCC initiatives have made this a daunting task, especially in lieu of PSC's traditional revenue and support dollars erosion.

On the technology "front", we continue to stay abreast of the latest technology being offered in the communications marketplace

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Message from the President/CEO

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today. This progressiveness, however, comes at a great cost and can be a significant drain on resources, both dollars and human. In addition, new "broadband-type" services such as the co-op's DSL service, PSC's fixed high-speed wireless internet service and our upcoming digital cable service, all have huge upfront costs with limited returns until the product line matures.


On the competition "front", we are battling to retain and grow our customer base against a myriad of competitors, both large and small. The deregulation of our industry has opened the door for just about anyone. Competition is healthy, it makes you operate more efficient and smarter...it makes you better. But make it a fair and even playing field. Many telephone companies today are competing against communication providers of all sorts (voice, Internet, wireless, etc.) who are riding our networks for free...a network that has come at a great expense for us to create and maintain.

And so, PSC does find itself in its own "Perfect Storm". But this is where our comparison to the Andrea Gail comes to an end... for unlike the ship we will weather through this stormy period. With a watchful eye on our bottom-line, we will continue to navigate through our three "fronts" by remaining resourceful, progressive and above all else, committed to this great cooperative with the sole purpose for its creation...modern, affordable communication services.

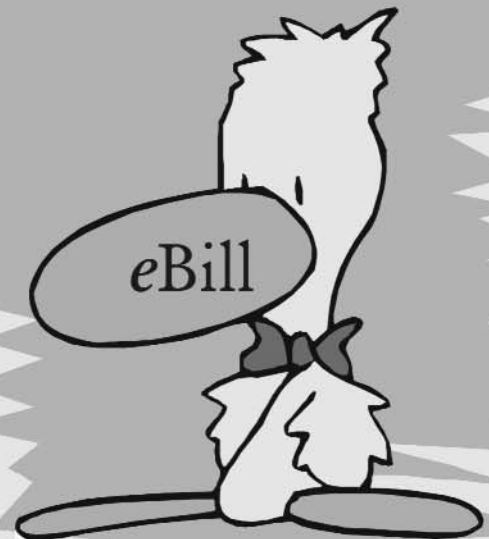
I eagerly invite all of you to this year's Annual Meeting to learn more about the future of PSC and your cooperative. We look forward to seeing you there.



High-Speed Internet
(RapidAccess ADSL)

is available from 

Check out
our
NEW
eBill
at the
Annual
Meeting!





District #3 - Saint Mark's

Tim Denu

Tim and his wife, Julie, reside in rural Perry County and are the parents of a one-year-old daughter, Kelsi.

Tim is a full time farmer with a farrow-to-finish swine operation, 800 acre grain farm, and a cow/calf operation.

Tim was a supervisor of the Perry County Soil and Water Conservation District from 1991-1996 and was named Soil Conservationist of the year in 1997. Tim is also a past member of the Lincoln Hills RC&D Fish & Wildlife Committee.

Tim enjoys spending time with family and playing cards with friends when time allows.

Mary Fortwendel

Mary and her husband, Jody, reside in Perry County. They are the parents of three children: Sara, Emily and Neil and have two grandchildren, Cole and Kaden. Mary is an Investment Representative with SunAmerica Securities, Inc.

Mary is a member of St. Isadore Catholic Church and serves on the Church Council. She also serves on the boards of the Perry County Chamber of Commerce, Tell City Deanery Catholic Charities and Perry County Community Foundation.

Mary enjoys spending time with family and friends and babysitting for her grandsons.

District #4 - Lamar

Alan Polster

Alan is the incumbent director seeking re-election from District #4. He has been on the Board for 22 years and is currently serving as Secretary-Treasurer.

He and his wife, Becky, reside near Evanston. They are the parents of three children: Allison, Kyle and Christopher.

Alan is a self-employed mechanic at Polster Sales & Service.

He is a member of St. John's Lutheran Church.

Alan served in the U.S. Army stationed in Korea from 1969 to 1970.

His hobbies include fishing and golf.

At-Large District

Marvin Rogier

Marvin is the incumbent director seeking re-election for the District At-Large seat. He has been on the Board for 19 years and is currently serving as Vice-Chairman. He also serves as a member of the TCED/PSC Riverside Communications Committee and is a member of the Perry County Redevelopment Commission.

He and his wife, Norma Jean, reside near St. Mark's. They are the parents of two sons: Greg and Marty.

Marvin is a retired boilermaker. He is a member of Saint Mark's Catholic Church and also is a member of the Knights of Columbus.

Marvin enjoys fishing, sports, spending time with his grandchildren, and watching television.

2003 Annual Meeting Minutes

MINUTES OF THE 2003 ANNUAL MEMBERSHIP MEETING OF PERRY-SPENCER RURAL TELEPHONE COOPERATIVE, INC.

The 50th Anniversary Annual Membership Meeting of Perry-Spencer Rural Telephone Cooperative, Inc. (PSRTC), was held July 10, 2003 at 7:30 PM EST at the Ferdinand Community Center, Ferdinand, Indiana.

Chairman Richard Roos called the meeting to order and thanked the Gibson/Lynch Community Band for providing the pre-meeting entertainment. (Of special note, the members of the Gibson/Lynch Community Band requested that their stipend for providing the pre-meeting entertainment be donated to the American Cancer Society.)

Chairman Roos announced that a quorum was present and called on Father Brendan Moss to give the Invocation. Following the Invocation, Victoria Saalman was called on to sing the National Anthem.

Chairman Richard Roos introduced Attorney Chris Goffinet for the reading of the "Notice of Mailing" of the annual meeting to the membership.

The next item of business was a report by Secretary-Treasurer Alan Polster regarding the minutes of the 49th annual meeting of the membership. A motion was made by Dan Bertke and seconded by James Chesterfield to dispense with the reading of the minutes. Motion carried by voice acclamation. A motion was then made by Bob Rodenhouser and seconded by Phyllis Boeglin to approve the minutes as mailed to the membership. Motion carried without dissent.

Attorney Chris Goffinet conducted the director election for District 2. Incumbent Nick Dilger was asked to stand and be recognized as the only candidate for District 2. A motion was made by Robert Harding and Regis

Porter to elect Nick Dilger for another 3-year term. Leo Tretter seconded the motion and Nick Dilger was re-appointed by voice acclamation by the membership.

Chairman Roos then called upon President/CEO Jim Dauby to give his report to the membership. President/CEO Dauby first welcomed the membership to the 50th PSRTC Annual Membership Meeting. He then proceeded with the 2002 financial report which was included in their door prize/informational packet. Overall it was another successful year with the net margin at \$1,300,014 showing a gain over the previous year. Items pointed out in the operating revenues were: Universal Service Funds included in the "Network Access Services" will no longer be funded by large independent exchange carriers but will now be funded by the customer; "Directory" revenue dollars in the future may be changing due to switch to new publisher-Alltel Publishing; and the negative amount under "Uncollectibles" was due to the WorldCom bankruptcy.

Referencing the Balance Sheet, President/CEO Dauby noted we have approximately \$23,000,000 in assets, a gain of approximately \$1,000,000 over the previous year due to our debt being reduced and also we retained money managers to assist us this year. The Operating Statement and Balance Sheet have been audited by our new accounting firm of Kehlenbrink, Lawrence & Paukner (KLP). KLP specializes in small independent companies, including cooperatives, and has been a tremendous asset to PSRTC. A motion was made by Star Scherzer and seconded by Dick Betz to approve the Statement of Operations and Balance Sheet. Motion carried by member acclamation.

President/CEO Dauby then called upon Dan Curtner, Central Office Technician, to come forward to receive a special presentation for his 25 years of employment with PSRTC.

President/CEO Dauby then introduced Brett Beard, an employee and Union Steward with CWA Local 4700. Brett made a special presentation to Chairman Richard Roos and President/CEO James Dauby on behalf of the Communication Workers of America for PSRTC's 50 years of excellent service to the members of our Cooperative and a vision for the Cooperative's next 50 years.

To reflect on PSRTC's anniversary celebration, a special video, "The 50 Years of Perry-Spencer Rural Telephone Cooperative, Inc.," was produced and enjoyed by all members present.

Following the video, President/CEO Dauby recognized three individuals for their leadership roles over these past 50 years: Norb Peter, first General Manager from 1953-1973; Jerry Blesch, member of the Board of Directors, 1959-1993, and Board President from 1962-1993; and Dave Lasher, Executive Vice President/General Manager from 1973-2001. All current and past directors and employees were also asked to stand and be recognized.

The next item on the agenda was the awarding of prizes. President/CEO Dauby, along with Board of Director assistance, announced and presented the winners with their prizes.

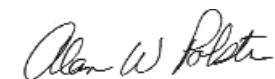
There being no further business to come before the group, President/CEO Dauby adjourned the meeting "With Faith and Confidence in the Future" at 8:45 pm EST.

Attest:

Richard Roos, Chairman



Alan Polster, Secretary-Treasurer



**Perry-Spencer Rural Telephone Cooperative, Inc. d/b/a PSC
Ferdinand Community Center - Ferdinand, Indiana
July 8, 2004**

Refreshments & Registration of Members	6:00 - 7:30 p.m. EST
Entertainment - Gibson/Lynch Community Band	6:15 - 7:15 p.m. EST
Declaration of Quorum and Call to Order	7:30 p.m. EST Richard Roos, Chairman of Board
Invocation	Father Adrian Burke, OSB Pastor, St. Meinrad, St. Boniface (Fulda), St. Martin of Tours (Siberia)
National Anthem	PSC Employees - Angie, Carol, Daren, Dave, Katie, Mary & Mary Kay
Notice of Mailing	Chris Goffinet, Cooperative Attorney
2003 Annual Meeting Minutes	Alan Polster, Secretary-Treasurer
Introduction of Candidates	Chris Goffinet
Director Elections - District 3, 4 & At Large	Chris Goffinet
President/CEO's Report	Jim Dauby
District Election Results	Chris Goffinet
Attendance Prize Drawings	Jim Dauby
Closing Remarks and Adjournment	Jim Dauby

PRIZE DRAWING

Prizes To Be Given Away!

(Must be an eligible voting member and present to win.)



GRAND PRIZE:

TV/DVD Combo



Each of the first 400 members that register will receive free gifts, which will include an automatic \$10 Credit on every attendee's account (1 per membership)

"Working Together . . . Making A Difference"



2003 Balance Sheet

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,310,702	\$ 4,548,700
Investments in Marketable Securities	214,974	120,500
Accounts Receivable	728,951	869,425
Income Tax Receivable	104,195	0
Materials and Supplies	114,357	129,498
Other Current Assets	107,205	40,839
TOTAL CURRENT ASSETS	3,580,384	5,708,962
NONCURRENT ASSETS		
Investments in Marketable Securities	5,004,416	2,060,057
Other Investments	385,521	94,521
Other Assets	27,863	35,970
TOTAL NONCURRENT ASSETS	5,417,800	2,190,548
PROPERTY AND EQUIPMENT		
In Service	30,038,249	28,926,879
Under Construction	61,130	106,261
	30,099,379	29,033,140
Less Accumulated Depreciation	(15,158,591)	(13,797,968)
TOTAL PROPERTY AND EQUIPMENT	14,940,788	15,235,172
TOTAL ASSETS	\$ 23,938,972	\$ 23,134,682
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 121,802	\$ 145,504
Accounts Payable	244,826	336,820
Customer Deposits	23,539	25,739
Accrued Income Taxes	0	32,455
Other Accrued Taxes	235,292	363,236
Accrued Wages	24,346	90,018
Accrued Expenses	332,310	310,367
Unearned Internet Revenue	203,637	362,726
Patronage Capital Credits Payable	142,569	127,428
TOTAL CURRENT LIABILITIES	1,328,321	1,794,293
LONG-TERM LIABILITIES		
Mortgage Notes Payable	1,057,637	1,179,889
Deferred Income Tax	53,019	0
Post-Retirement Benefits	213,822	200,000
TOTAL LONG-TERM LIABILITIES	1,324,478	1,379,889
MEMBERS' EQUITY		
Memberships	54,370	54,370
Patronage Capital	12,521,388	10,940,813
Retained Earnings	8,484,939	8,951,933
Accumulated Other Comprehensive Income	225,476	13,384
TOTAL MEMBERS' EQUITY	21,286,173	19,960,500
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 23,938,972	\$ 23,134,682

	2,003	2,002
OPERATING REVENUE		
Local Network Services	\$ 1,301,883	\$ 1,536,133
Network Access Services	4,135,159	3,794,587
Internet Access Services	2,466,898	2,215,666
Long Distance Services	733,558	622,289
Billing and Collection Services	39,201	48,955
Directory	210,218	204,239
Miscellaneous Revenues	111,639	143,538
Uncollectibles	<u>2,066</u>	<u>(56,254)</u>
TOTAL OPERATING REVENUES	<u>9,000,622</u>	<u>8,509,153</u>
OPERATING EXPENSES		
Plant Specific Operations	1,410,893	1,311,002
Plant Nonspecific Operations	339,078	377,059
Depreciation and Amortization	1,955,988	1,413,355
Customer Operations	1,190,147	1,134,592
Corporate Operations	2,049,442	1,568,454
Operating Taxes	160,992	420,253
Purchased Long Distance	479,751	384,533
Internet Leased Facilities	<u>560,703</u>	<u>620,050</u>
TOTAL OPERATING EXPENSES	<u>8,146,994</u>	<u>7,229,298</u>
OPERATING MARGIN	853,628	1,279,855
OTHER MARGINS		
Interest and Dividends	224,918	182,601
Gain (Loss) on Sale of Investments	15,920	(55,418)
Other	<u>224,725</u>	<u>5,044</u>
MARGIN BEFORE INTEREST AND INCOME TAX	<u>1,319,191</u>	<u>1,412,082</u>
INTEREST ON LONG-TERM DEBT	<u>40,205</u>	<u>41,105</u>
MARGIN BEFORE INCOME TAX	1,278,986	1,370,977
INCOME TAX	<u>(119,193)</u>	<u>70,963</u>
NET MARGIN	\$ 1,398,179	\$ 1,300,014



Stop by our booth at the
 Perry, Spencer & Dubois
 4-H Fairs.



PSC
 11877 E State Road 62
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 Saint Meinrad, IN 47577

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PRIZES

Please clip the mailing address label and bring it to the annual meeting, as this will register you for the meeting. A variety of attendance prizes will be given away. To be eligible you must be a member on record, properly registered for the meeting and in attendance.

2004 ANNUAL MEETING NOTICE

The 51st annual meeting of the members of the Perry-Spencer Rural Telephone Cooperative, Inc. d/b/a PSC will be held in the **Ferdinand Community Center**, located in Ferdinand, Indiana. (See map below.)

Thursday, July 8, 2004
at 7:30 pm, Eastern Standard Time
TO TAKE ACTION ON THE FOLLOWING MATTERS:

1. Report of officers, directors and committees;
2. The election of three (3) directors of said cooperative to fill the vacancy for the members of said Board of Directors whose terms expires during the year; and
3. Any other business that may come before the meeting on any adjournment or adjournments thereof.

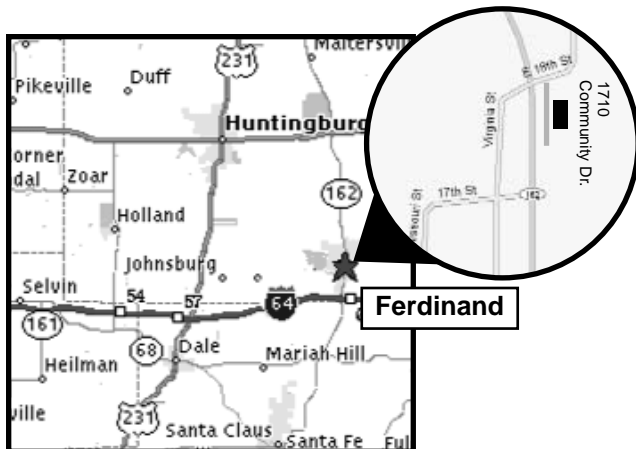
Registration begins at 6:00 pm (EST). A member must be present to vote. The clip-out mailing address on this newsletter will be used for registration. Only members or their spouses are eligible to register. If a person's name is drawn, they must be present to accept the prize. **Be sure to clip the mailing label to present at the registration desk.**

Refreshments will be served prior to the meeting.

The Board of Directors encourages your attendance and participation at the 51st Annual Meeting.

Perry-Spencer RTC, Inc. d/b/a PSC

Alan Polster, Secretary/Treasurer



Directions to Ferdinand Community Center:

From the North: On Highway 162, turn East (left) onto 18th Street in Ferdinand. Go approximately 2 blocks, the Community Center will be on your right.

From the South: On Highway 162, turn East (right) onto 18th Street in Ferdinand. Go approximately 2 blocks, the Community Center will be on your right.