

# Your Connection

52nd ANNUAL MEMBERSHIP MEETING  
JULY 14, 2005

## 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 52nd Annual Meeting on July 14, 2005, at the Ferdinand Community Center.

PSC has another informative and entertaining evening prepared for all in attendance. Come hear about our successful 2004, and all

the exciting events going on in 2005. It is indeed the most fascinating, exciting and challenging period in our Cooperative's rich history.

We look forward to you joining us at the Annual Meeting and learning about PSC's future. A special invitation goes out to our newest members to come join our cooperative family members who have made this meeting an annual tradition. Yes, the usual business of the

cooperative will be conducted, including the election of Directors for the Bandon, Holland and Santa Claus exchanges. But, we will also have entertainment, prize giveaways, refreshments, and yes... a wonderful environment to meet and relax with family and friends.

Come join us on this very special evening!

Richard Roos

## Message from the President/CEO



Summer has arrived and with it the coming of another PSC Annual Meeting. A warm welcome goes out to all our cooperative members and our hopes you will be able to join us on Thursday, July 14th, at Ferdinand.

2004 was another rewarding year for PSC in spite of the dizzying array of challenges in the telecommunications industry. 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 PSC today, and into the future.

Proper planning will be paramount for a company our size to combat these challenges. Even more important will be how we execute these plans and deliver on our

promise in being this area's leader in telecommunication services. PSC will need to continue to research, develop and market new services not only to our existing customer base, but an ever expanding one as well.

One such product will be our new video service, PSCtv. (See page 3) Through our ownership in the Indiana Fiber Network (IFN) and the Indiana Video Network (IVN), PSC will be able to offer this state-of-the-art digital TV service in the near future. It will be a wonderful addition to our local and long distance phone services, and high-speed DSL Internet offerings. Plans are to rollout PSCtv this summer in Christmas Lake Village and Saint Meinrad later this year. Other cooperative areas will see deployment in 2006 and beyond.

Another exciting product to be introduced this summer is the high-speed Internet satellite offer-

ing through Cooperatives ONE, LLC. Cooperatives ONE is our strategic partnership with Southern Indiana REC and Dubois REC. This satellite service will be the first of what I hope will be many offerings from Cooperatives ONE, and will help us fulfill PSC's mission of bringing broadband services to all Perry, Spencer and Dubois County residents through our DSL, fixed-wireless and satellite product offerings. Quite an amazing accomplishment.

One other major event this summer will be PSC's cutover to the IFN network. Currently, PSC connects with SBC-Ameritech and delivers all our communications traffic to the SBC point-of-connection. Beginning in late July, this traffic will flow through the IFN network. This will be no easy undertaking, but necessary due to

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**Perry-Spencer Rural Telephone Cooperative, Inc. d/b/a PSC  
 Ferdinand Community Center - Ferdinand, Indiana  
 July 14, 2005**

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	Rev Paul (Chip) Jahn St. Peter's United Church of Christ-Trinity Lamar
National Anthem	PSC Employees - Angie, Carol, Daren, Dave, Katie, Mary, Mary Kay & Michelle <i>Accompanied by Lauren Sergesketter on the keyboard</i>
Notice of Mailing	Chris Goffinet, Cooperative Attorney
2004 Annual Meeting Minutes	Alan Polster, Secretary-Treasurer
Introduction of Candidates	Chris Goffinet
Director Elections - District 1, 5 & 6	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 DRAWINGS**

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



**GRAND PRIZE:**

Computer



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"*



### District #1 - Bandon

#### Hubert Harpenau

Hubert is the incumbent director seeking re-election from District #1. He has served on the Board for 30 years. He and his wife, Ruth Ann, reside in Bristow. They have one son, Craig, and three grandchildren. Hubert is retired from Alcoa-Warrick Operations. He is a member of St. Isidore Catholic Church and currently is serving as Chairman of the Church Cemetery and Maintenance. Hubert spends his spare time fishing and golfing.

### District #5 - Holland

#### Lynn Kahle

Lynn is the incumbent director seeking re-election from District #5. He has served on the Board for 12 years. He and his wife, Brenda, reside near Holland. They have two children: Sheena and Ty.

Lynn is the owner and President of the Wilbur Kahle Agency, Inc., an insurance agency in Holland. He has been associated with the agency for the past 34 years. Lynn is a member of Augustana United Church of Christ in Holland. Lynn enjoys umpiring high school and summer league baseball and enjoys a quiet moment of fishing in his spare time.

### District #6 - Santa Claus

#### Richard Roos

Richard is the incumbent director seeking re-election from District #6. He has served on the board for 12 years. He is currently serving as Chairman of the Board. He and his wife, Bonnie, reside on the family farm, northeast of Lamar. They have three children: Angela, Sheila and Daniel. They also have five grandchildren. Richard retired from the Tell City-Troy Township School Corporation after 40 years of service. He is a life-time member of the National Education Association. He is also a member of the Masons, Farm Bureau and St. Peter's United Church of Christ. Richard's hobbies consist of fishing, gardening, reading and enjoying quality time with family and friends.

#### Jim Hicks

Jim and his wife of thirty-six years, Marsha, reside in Christmas Lake Village. Although a native of Owensboro, Kentucky, they have lived in Spencer County for six years. They are the parents of two daughters and two grandchildren: Jennifer and husband Tan, and daughters Gabby and Grace, are residents of Christmas Lake Village; and Melissa and husband Steve reside in Bowling Green, KY.

Following college graduation Jim taught school for 2+ years and then redirected his career to the electrical field. He has worked for Industrial Contractors in Evansville for over twenty years, where he is currently employed as a senior electrical estimator on heavy industrial and power plant projects.

Jim enjoys playing golf with family and friends, spending time with his grandchildren at home and Holiday World, and walking his two white boxers, Taylor and Callaway. Jim is involved in community events such as CLV's Festival of Lights and volunteering at West Baden during special events. He is an active member of the Historic Landmark Foundation of Indiana.

Jim stated, "I am intrigued with the concept of a cooperative phone utility and believe this post would be an area that my skills could be utilized".

#### FYI

This summer, PSC will be performing fiber upgrades in various areas of rural Perry County. Construction crews will be working to install new fiber optic cable in or around Magnet, Bristow, Rome and several other locations. This is all part of PSC's continuous efforts to provide top-of-the-line telecommunication products and services to our members.

## 2004 Annual Meeting Minutes

The 51st Annual Meeting of the membership of PSC was held July 8, 2004 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 a donation be made to the Relay For Life in lieu of a contribution to their band for providing entertainment.)

Chairman Roos announced that a quorum was present and called on Father Adrian Burke to give the Invocation. Following the Invocation, the National Anthem was sung by 7 employees of PSC accompanied by student Lauren Sergesketter on the keyboard.

Chairman Richard Roos introduced Attorney Chris Goffinet for the reading of the "Notice of Mailing" which was previously sent to PSC's membership.

The next item of business was a report by Secretary-Treasurer Alan Polster regarding the minutes of the 50th annual meeting of the membership. A motion was made by Dan Bertke and seconded by Paul Harpenau to dispense with the reading of the minutes. Motion carried by voice acclamation. A motion was then made by Larry Harpenau and seconded by Robert Harding to approve the minutes as mailed to the membership. Motion carried without dissent.

Attorney Chris Goffinet introduced the following candidates vying for the following director positions:

District 3 - Tim Denu and Mary Fortwendel

District 4 - Al Polster

At Large - Marvin Rogier

Ballots were then collected with results being tabulated by Sandra Collignon and Raphael Greulich.

Chairman Roos then called on President/CEO James Dauby to give his annual report. First, President/CEO Dauby recognized and thanked former director Larry Harpenau for his 18 years of service to the Cooperative.

As for the 2003 financials, the Balance Sheet and Income Statement were both very positive for the year. President/CEO Dauby indicated the Balance Sheet remains particularly strong, with good cash reserves and minimal debt. A motion was made by Dick Betz and seconded by Richard Waninger to approve the Balance Sheet and Statement of Operation as presented. Motion carried unanimously.

President/CEO Dauby reported to the membership that PSC is going through challenging times and weathering what many industry experts have titled "The Perfect Storm". The storm, he continued, consists of challenges needing to be met on three fronts: regulatory, technology and competition.

On the regulatory front, President/CEO Dauby discussed Access Reform, Universal Service Fund (USF) dependency, state regulatory issues and other regulatory hurdles, effecting both PSC and its' customers.

On the technology front, President/CEO Dauby discussed the ongoing advancement in technology and the pressure on resources, both dollars and human, to stay abreast of these changes. Items discussed were broadband, wireless, and services over IP, including Voice (VoIP) and video.

On the competition front, President/CEO Dauby discussed that competition is being felt over all PSC's product lines from both large and small companies. He discussed the need to have regulation parity amongst all competitors, and that the "playing field" needs to be level as to who is allowed to compete, and that competitors should

have to pay for the use of PSC's network if they use it.

In order to "weather the storm", President/CEO Dauby stated PSC needs to be proactive and persistent. It is imperative that we watch both sides of the ledger and look for cost containment measures in addition to pursuing additional revenue sources, such as PSC's upcoming digital video rollout.

In summary, President/CEO Dauby noted PSC employees are proud of the products we provide; we plan to continue working with other companies to strength PSC and our surrounding communities; and we ask the PSC membership to join us in these endeavors because we need everyone "Working Together".

Attorney Chris Goffinet then reported the election results as follows:

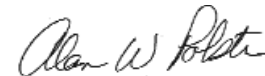
District 3 - Tim Denu

District 4 - Al Polster

At-Large - Marvin Rogier

The next item on the agenda was the drawing of attendance 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 at 8:45 PM EST emphasizing our quest to continue "Working Together--Making a Difference".



Alan Polster, Secretary-Treasurer

Attest:



Richard Roos  
Chairman



## Coming Soon . . . PSCtv

As announced at the 2004 Annual Meeting and discussed again in this newsletter's "Message from the President/CEO", PSC is introducing a digital television service, PSCtv, this summer. PSCtv will be a "planned" rollout throughout the cooperative area, being offered initially in limited areas. But, we wanted to give everyone a glimpse of what it entails.

Listed is the PROPOSED channel line-up and pricing for PSCtv. We are still in negotiation for some of these channels and it may be that the actual line-up will differ slightly from that shown. Changes in the line-up may occur even after the roll-out. But, be assured that PSC will do its utmost to offer the channels that our members want.

Please note, prices on these packages will be offered at substantial discounts when purchased in a bundle with other PSC services (i.e., local and long distance phone services, Internet, etc.).

PSCtv will also offer Pay-Per-View and/or Video-on-Demand in the near future, along with other channel subscription offerings.

More information will be sent to you as PSCtv is offered in your area.

## Message from the President/CEO *continued from page 1*

the distinct advantages and security of sending traffic over a network in which we have ownership.

As you can tell, this summer will be very challenging for PSC, probably the most challenging in its 52 year history. Today's competitive marketplace dictates we meet these challenges and continue to bring value to our entire customer base. On behalf of the entire PSC staff, we are up for the challenge.

We look forward to seeing you on the 14th.

## PROPOSED PSCtv Line-Up

**PSCtv Broadcast Basic \$14.95/month**  
Weather Channel· PAX· NBC· ABC· CBS· WAZE 19· PBS· FOX  
WVUT Vincennes · QVC· Inspirational Life· WGN· C-SPAN  
Home Shopping Network· Shop NBC· WJTS/UPN 27· KET  
C-SPAN2· EWTN · PSC Channel

**PSCtv Prim \$39.95/month**  
Includes all of the PSCtv Broadcast Basic Channels PLUS  
CNBC· MSNBC· CNN· Fox News· CNN Headline News  
CNN Espanol· Bloomberg· ESPN· ESPN2· Fox Sports Ohio  
Fox Sport Midwest· ABC Family· Boomerang· Cartoon Network· TBS  
USA· Disney· Toon Disney· TV Land· Nickelodeon· BET· A&E  
E!· Comedy Central· FX· TNT· Bravo· Lifetime· Sci-Fi· Spike  
Court TV· Lifetime Real Woman· G4 Tech TV · Discovery  
Animal Planet· Discovery Health · Discovery Espanol· History  
The Learning Channel· Travel Channel· HGTV· Food Network · AMC  
Lifetime Movie Network· MTV· MTV2 · VH1· Music Choice (47 channels of music)

**PSCtv Preferred \$49.95/month**  
Includes all of PSCtv Prime Channels PLUS  
Newsworld International· ESPN Classic· ESPN News  
Fox College Sports (Pacific)· Fox College Sports (Central)  
Fox College Sports (Atlantic)· Golf· Speed· Outdoor Channel  
Outdoor Life· Hallmark· Nick Gas· Noggin· Nick Toons TV  
BBC America· Biography· Oxygen· Style · Game Show Network· DIY  
Discovery Kids· Discovery Home· Discovery Times· Military Channel  
Discovery Science· Fit TV· History International· National  
Geographic· Fine Living· American Life TV· Fox Movies  
Turner Classic Movies· Independent Film Channel

**PSCtv Premiere \$89.95/month**  
Includes all of PSCtv Preferred Channels PLUS ALL Four Movie Multiplex Channels

Movie Multiplex Channels:  
HBO (10 channels) Cinemax (10 channels)  
Showtime (12 channels) Starz! Encore (13 channels)

**Optional Movie Channel Selections**  
One Multiplex channel Two Multiplex channels  
\$13.95/month \$11.95/month each  
Three Multiplex channels Four Multiplex channels  
\$10.95/month each \$ 9.95/month each



## 2004 Balance Sheet

	December 31, 2004	December 31, 2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,241,337	\$ 2,310,702
Investments in Marketable Securities	139,693	214,974
Accounts Receivable	875,580	728,951
Income Tax Receivable	10,000	104,195
Materials and Supplies	108,273	114,357
Other Current Assets	119,722	107,205
TOTAL CURRENT ASSETS	3,494,605	3,580,384
<b>NONCURRENT ASSETS</b>		
Investments in Marketable Securities	6,290,315	5,004,416
Other Investments	535,521	385,521
Other Assets	27,863	27,863
TOTAL NONCURRENT ASSETS	6,853,699	5,417,800
<b>PROPERTY AND EQUIPMENT</b>		
In Service	31,484,954	30,038,249
Under Construction	676,006	61,130
	32,160,960	30,099,379
Less Accumulated Depreciation	(16,941,253)	(15,158,591)
TOTAL PROPERTY AND EQUIPMENT	15,219,707	14,940,788
<b>TOTAL ASSETS</b>	<b>\$25,568,011</b>	<b>\$ 23,938,972</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 120,415	\$ 121,802
Accounts Payable	749,442	244,826
Customer Deposits	24,439	23,539
Other Accrued Taxes	244,549	235,292
Accrued Wages	41,744	24,346
Accrued Expenses	297,437	332,310
Unearned Internet Revenue	0	203,637
Patronage Capital Credits Payable	160,419	142,569
TOTAL CURRENT LIABILITIES	1,638,445	1,328,321
<b>LONG-TERM LIABILITIES</b>		
Mortgage Notes Payable	936,676	1,057,637
Deferred Income Tax	8,977	53,019
Post-Retirement Benefits	213,822	213,822
TOTAL LONG-TERM LIABILITIES	1,159,475	1,324,478
<b>MEMBERS' EQUITY</b>		
Memberships	54,370	54,370
Patronage Capital	13,913,261	12,521,388
Retained Earnings	8,479,891	8,484,939
Accumulated Other Comprehensive Income	322,569	225,476
TOTAL MEMBERS' EQUITY	22,770,091	21,286,173
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$25,568,011</b>	<b>\$ 23,938,972</b>

	<b>2004</b>	<b>2003</b>
<b>OPERATING REVENUE</b>		
Local Network Services	\$ 1,428,635	\$ 1,301,883
Network Access Services	4,597,981	4,135,159
Internet Access Services	2,413,173	2,466,898
Long Distance Services	739,591	733,558
Billing and Collection Services	34,356	39,201
Directory	205,362	210,218
Miscellaneous Revenues	162,005	111,639
Uncollectibles	(24,150)	2,066
<b>TOTAL OPERATING REVENUES</b>	<b>9,556,953</b>	<b>9,000,622</b>
<b>OPERATING EXPENSES</b>		
Plant Specific Operations	1,461,791	1,410,893
Plant Nonspecific Operations	373,407	339,078
Depreciation and Amortization	2,019,585	1,955,988
Customer Operations	1,360,603	1,190,147
Corporate Operations	2,131,383	2,049,442
Operating Taxes	260,283	160,992
Purchased Long Distance	444,079	479,751
Internet Leased Facilities	590,728	560,703
<b>TOTAL OPERATING EXPENSES</b>	<b>8,641,859</b>	<b>8,146,994</b>
<b>OPERATING MARGIN</b>	<b>915,094</b>	<b>853,628</b>
<b>OTHER MARGINS</b>		
Interest and Dividends	303,054	224,918
Gain (Loss) on Sale of Investments	(3,857)	15,920
Other	140,692	224,725
<b>MARGIN BEFORE INTEREST AND INCOME TAX</b>	<b>1,354,983</b>	<b>1,319,191</b>
<b>INTEREST ON LONG-TERM DEBT</b>	<b>33,321</b>	<b>40,205</b>
<b>MARGIN BEFORE INCOME TAX</b>	<b>1,321,662</b>	<b>1,278,986</b>
<b>INCOME TAX</b>	<b>(118,534)</b>	<b>(119,193)</b>
<b>NET MARGIN</b>	<b>\$ 1,440,196</b>	<b>\$ 1,398,179</b>



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



PSC  
 11877 E State Road 62  
 PO Box 126  
 Saint Meinrad, IN 47577



PRSR STD  
 US POSTAGE  
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 47577  
 PERMIT NO 33

## 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.

## 2005 ANNUAL MEETING NOTICE

The 52nd 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 14, 2005**  
**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.

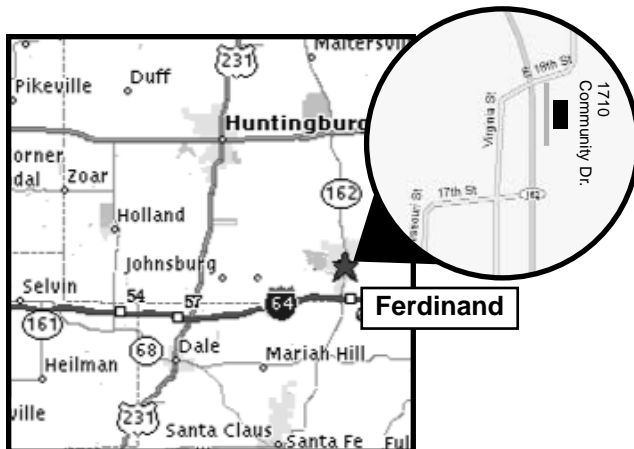
Registration begins at 6:00 pm (EST). A member must be present to vote. The clip-out mailing address on this newsletter will be used for registration. Only members or their spouses are eligible to register. If a person's name is drawn, they must be present to accept the prize. **Be sure to clip the mailing 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 52nd 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.