

Your Connection

55th Annual Membership Meeting

JULY 10, 2008



Richard Roos

Richard Roos, Chairman of the Board



James M. Dauby

James M. Dauby, President and CEO

Letter to Our Members

Because We Care

On behalf of Perry-Spencer Rural Telephone Cooperative, Inc., d/b/a PSC it is our pleasure to invite you to PSC's 55th Annual Meeting on July 10th, at the Ferdinand Community Center. We hope you can join us for another informative and entertaining evening.

Our quest of becoming the area's premiere communications provider continued in 2007. Be it delivering our cooperative members advanced telecommunications services, pushing fiber optics to surrounding communities and economic development parks, or just being a caring, giving corporate citizen, we continued to strive to be a leader in our field.

It is important we continue to be passionate about being such a leader. "Why?"...some may ask. The answer, though simple in nature is powerful in meaning....***Because we care!***

Because we care...PSC cooperative members have consistently been introduced to the newest and best telecommunications services. In keeping to that commitment, PSC will begin construction of a multi-million, multi-year Fiber-to-

the-Home (FTTH) project that will bring the most state-of-the-art broadband network to our cooperative. The future of rural America is dependent upon getting access to this high-speed broadband network. Although there is a risk in building such an infrastructure in rural areas, we believe there is a greater risk in not doing it. In doing so, PSC cooperative members will have at their fingertips a powerful network, delivering awesome speed and content to their phone, computer, TV or whatever device the future has in store for us.

Because we care...Surrounding communities are now benefiting from PSC's fiber-optic build-out into Perry, Spencer and Dubois counties. Our Ferdinand Competitive Local Exchange Carrier (CLEC) operation is completed and the customer acceptance of our products and services has exceeded our wildest expectations. Our regional fiber network (R-Net) has reached the communities of Jasper, Huntingburg, Troy and Tell City and is providing some of the highest speeds capable today to mid-to-large size businesses, hospitals and

numerous school corporations. For the cooperative it is a win-win situation. We are promoting community and economic development in surrounding areas, while utilizing cooperative assets and resources. In doing so, we have created a new and ever-increasing revenue source and built operative efficiencies into how our assets are used.

Because we care...In addition to providing these latest telecommunication services, sound planning and investment has allowed the cooperative to be one of the areas largest participants in charitable activities through donations, contributions, scholarships and other gifts. The employees and directors of PSC have tirelessly given their time and expertise to organizations and groups that strengthen the communities in which we work, live, and play.

Because we care...It's what drives our cooperative!

To learn more about this spirit of caring and about PSC's future plans, please join us July 10th. We look forward to seeing you at our annual celebration!

District #1 - Bandon



Hubert Harpenau

Hubert is the incumbent director seeking re-election from District #1. He has served on the Board for 33 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 15 years. He and his wife Brenda reside near Holland. They have two children, Sheena and Ty.

Lynn is the owner and President of the Wilber Kahle Agency, Inc., an insurance agency in Holland. He has been associated with the agency for the past 37 years. Lynn is a member of the Augustana United Church of Christ in Holland, and the Holland Kiwanis Club. In his spare time Lynn enjoys a quiet moment of fishing.

District #6 - Santa Claus



Richard Roos

Richard is the incumbent director seeking re-election from District #6. He has served on the board for 15 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 six 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.

The Bundles are coming!

The Bundles are coming!





Perry Central High School

**Todd Gehlhausen
&
Kyle Mitchell**

Heritage Hills High School

**Kristen Fischer
&
Megan Schipp**



Southridge High School

Kacie Klem

Forest Park High School

**Courtney Mehling
&
Craig Schlachter**





2007 Annual Meeting Minutes

MINUTES OF THE 2007 PERRY-SPENCER RURAL TELE- PHONE COOPERATIVE, INC. d/b/a PSC ANNUAL MEMBERSHIP MEETING

The 54th Annual Meeting of the membership of PSC was held July 12, 2007 at 7:30 PM EST at the Ferdinand Community Center, Ferdinand, Indiana.

Chairman Richard Roos called the meeting to order and announced that a quorum was present. Chairman Roos thanked Leo Gronquist for providing the pre-meeting entertainment and then called on Rev. Cindy Geisen to give the invocation. Following the invocation, the National Anthem was sung by employees of PSC accompanied by Lauren Sergesketter on the keyboard.

Chairman Richard Roos called on Attorney Chris Goffinet for the reading of the "Notice of Mailing". Attorney Goffinet read the Notice of Mailing and acknowledged proper and due notice was given to PSC's membership.

The next item of business was approving the minutes of the 53rd annual membership meeting (July 13, 2006). Secretary/Treasurer Lynn Kahle entertained a motion to dispense with the reading of the minutes if the membership found the minutes to be acceptable as mailed. A motion was made and seconded to dispense with the reading of the minutes and approve as mailed. Motion carried by voice acclamation.

Attorney Chris Goffinet introduced the candidates vying for the 2007-2008 director seats: District 3 - Saint Marks, Tim Denu; District #4 - Lamar, Alan Polster; and Director At-Large, Marvin Rogier. Since the directors' seats were uncontested, Attorney Goffinet ask for a motion to approve re-electing the three directors to serve on the Board for the 3-year term (2007-2010). The motion was made by Robert Harding and seconded

by Kenny LaGrange and motion carried by voice acclamation.

Chairman Roos then called on President/CEO James Dauby to present his annual report.

President/CEO Dauby outlined to the membership details of the 2006 Financial Statement which was included in the Annual Meeting program. President Dauby stated that the Balance Sheet indicates assets that will serve PSC well into the future. The 2006 Balance Sheet indicated an increase of \$1,484,080 in Total Assets over the previous calendar year for total assets of \$27,597,084. The 2006 Statement of Operations showed a Net Income of \$1,627,000 highlighted by a gain on the sale of PSC's Rural Telephone Bank shares of over \$900,000. A motion was made by David Lindauer and seconded by Dan Bertke to approve the Balance Sheet and Statement of Operations as presented. Motion carried unanimously.

Following the financial report, President/CEO Dauby spoke to the membership and expressed how the Cooperative's future relies on the adage "Grow...or Die perhaps better stated as Change...or Struggle". With the traditional revenue streams from Local Service and Access Revenue declining each year and declining number of telephone lines, along with the future stability of the Universal Service Fund in question, it is imperative that we seek additional means of revenue. The building out of a fiber network that includes the area of Ferdinand, Huntingburg, Jasper and Tell City is vital for future services and to provide additional revenues for the Cooperative. PSC will be offering telephone, video and broadband services in the Town of Ferdinand this Fall. Ferdinand has a potential customer base of almost 1,000 customers. President Dauby reported that during the first two weeks of promoting this service PSC has received approximately 35% penetration.

This will provide additional revenue to the membership which in-turn will permit PSC to continue to improve products and services in the Cooperative area, including providing PSCtv access to approximately 70% of the Cooperative membership by the end of 2008. President Dauby also stressed the need to grow PSC's current DSL customer base from approximately 35% penetration to 75% penetration of our Cooperative membership.

Following President/CEO Dauby's report was the drawing of attendance prizes. President/CEO Dauby, along with Board of Director assistance, announced and presented the winners with their prizes.

President/CEO Dauby concluded the Annual Meeting at 8:35 PM EST by thanking the membership for attending the annual membership meeting and also extended a thank you to the Board and Employees of PSC for their enthusiasm and courage in "Charting PSC's Course" to grow and enable PSC to continue to be a progressive provider of telecommunications service and products.

Lynn Kahle, Secretary-Treasurer

Attest:
Richard Roos
Chairman



**Perry-Spencer Rural Telephone Cooperative, Inc. d/b/a PSC
Ferdinand Community Center - Ferdinand, Indiana
July 10, 2008**

Refreshments & Registration of Members	6:00 - 7:30 p.m. Central Time
Entertainment - "A Joyful Noise"	6:15 - 7:15 p.m. Central Time
Declaration of Quorum and Call to Order	7:30 p.m. Central Time Richard Roos, Chairman of Board
Invocation	Fr. Jeremy King St. Meinrad Archabbey
National Anthem	"A Joyful Noise"
Notice of Mailing	Chris Goffinet, Cooperative Attorney
2007 Annual Meeting Minutes	Lynn Kahle, Secretary-Treasurer
Introduction of Candidates	Chris Goffinet
Director Elections - Districts 1, 5 & 6	Chris Goffinet
President/CEO's Report	Jim Dauby
Attendance Prize Drawings	Jim Dauby
Closing Remarks and Adjournment	Jim Dauby

PRIZE DRAWINGS

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

TOP PRIZES:



Flat Panel TV



Wii System



Each of the first 400 members that register will receive an automatic \$15 Credit on their account (1 per membership).



2007 Balance Sheet

	December 31, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 803,763	\$ 1,550,955
Investments in Marketable Securities	682,552	517,671
Accounts Receivable	795,791	541,339
Materials and Supplies	108,866	116,634
Other Current Assets	43,421	63,215
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TOTAL CURRENT ASSETS	2,434,393	2,789,814
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NONCURRENT ASSETS		
Investments in Marketable Securities	6,205,952	6,882,759
Other Investments	827,443	716,648
Deferred Income Taxes	572,896	226,965
Cash Surrender Value of Annuity	0	29,559
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TOTAL NONCURRENT ASSETS	7,606,291	7,855,931
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PROPERTY AND EQUIPMENT		
In Service	39,330,748	36,102,089
Under Construction	1,288,220	400,686
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	40,618,968	36,502,775
Less Accumulated Depreciation	(21,230,462)	(19,551,436)
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TOTAL PROPERTY AND EQUIPMENT	19,388,506	16,951,339
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TOTAL ASSETS	\$ 29,429,190	\$ 27,597,084
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LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 126,255	\$ 122,724
Line of Credit	1,127,000	0
Accounts Payable	657,694	504,316
Customer Deposits	26,364	30,464
Other Accrued Taxes	276,720	237,277
Accrued Wages	60,142	48,254
Accrued Expenses	273,206	322,838
Other Current Liabilities	0	25,364
Patronage Capital Credits Payable	167,360	125,136
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TOTAL CURRENT LIABILITIES	2,714,741	1,416,373
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LONG-TERM LIABILITIES		
Mortgage Notes Payable	566,660	693,527
Post-Retirement Benefits	316,368	235,355
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TOTAL LONG-TERM LIABILITIES	883,028	928,882
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MEMBERS' EQUITY		
Memberships	54,370	54,370
Patronage Capital	17,949,481	16,619,210
Retained Earnings	7,478,066	8,196,054
Accumulated Other Comprehensive Income	349,504	382,195
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TOTAL MEMBERS' EQUITY	25,831,421	25,251,829
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TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 29,429,190	\$ 27,597,084
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2007 Statement of Operations

	2007	2006
OPERATING REVENUE		
Local Network Services	\$ 1,125,126	\$ 1,127,183
Network Access Services	5,605,423	5,260,960
Video Services	198,619	106,258
Internet Access Services	2,710,990	2,610,372
Long Distance Services	658,688	726,199
Billing and Collection Services	12,360	15,652
Directory	255,387	251,046
Miscellaneous Revenues	200,370	203,985
Uncollectibles	(18,197)	(87,039)
TOTAL OPERATING REVENUES	<u>10,748,766</u>	<u>10,214,616</u>
OPERATING EXPENSES		
Plant Specific Operations	3,869,088	3,618,716
Plant Nonspecific Operations	459,464	299,937
Depreciation and Amortization	2,481,787	2,416,621
Customer Operations	1,878,560	1,746,324
Corporate Operations	1,972,359	2,076,071
Operating Taxes	299,798	229,141
TOTAL OPERATING EXPENSES	<u>10,961,056</u>	<u>10,386,810</u>
OPERATING MARGIN	(212,290)	(172,194)
OTHER MARGINS		
Interest and Dividends	417,388	397,372
Gain (Loss) on Sale of Investments	2,368	1,052,106
Other	382,429	233,472
MARGIN BEFORE INTEREST AND INCOME TAX	<u>589,895</u>	<u>1,510,756</u>
INTEREST ON LONG-TERM DEBT	<u>9,105</u>	<u>20,451</u>
MARGIN BEFORE INCOME TAX	580,790	1,490,305
INCOME TAX	<u>(370,558)</u>	<u>(136,701)</u>
NET MARGIN	<u>\$ 951,348</u>	<u>\$ 1,627,006</u>

Recent enhancements to PSCtv:

- ◆ Big 10 Network
- ◆ Wealth TV
- ◆ NFL Network

Now Premiering



psc tv



PSC
 11877 E State Road 62
 PO Box 126
 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.

2008 ANNUAL MEETING NOTICE

The 55th Annual Meeting of the members of the Perry-Spencer Rural Telephone Cooperative, Inc. d/b/a PSC will be held at the **Ferdinand Community Center**, located in Ferdinand, Indiana. (See map below.)

**Thursday, July 10, 2008
 at 7:30 pm, Central 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 expire during the year; and
3. Any other business that may come before the meeting on any adjournment or adjournments thereof.

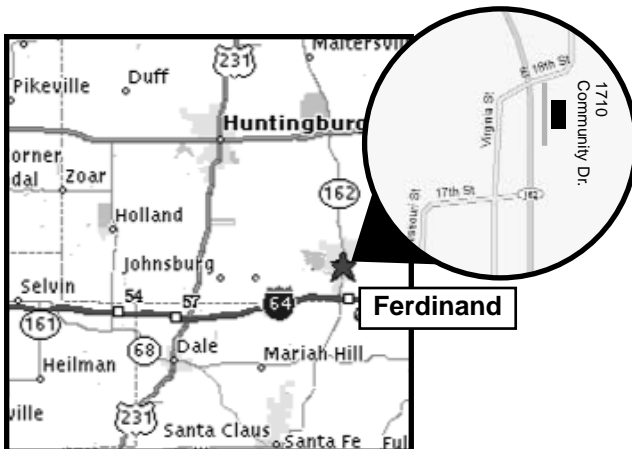
Registration begins at 6:00 pm (Central Time). A member must be present to vote. The clip-out mailing address on this newsletter will be used for registration. Only members or their spouses are eligible to register. If a person's name is drawn, they must be present to accept the prize. **Be sure to clip 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 55th Annual Meeting.

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

Lynn Kahle, 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.