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2015



ANNUAL



REPORT

Annual Meeting Agenda

Friday, July 10th 2015



Call to Order

Bill Merchant, Chairman of the Board

Welcome and Introductions

Bill Merchant

Reading of the Notice of the Annual Meeting

Gary Emmons, Secretary/Treasurer

Reading of the Minutes from 2014 Annual Meeting

Gary Emmons

Nominating Committee Report

Gary Emmons

Audit Report

Scott Daniels, Partner, CPA • AKT, LLP

President's Report

Paul Hauer, President

Old Business

Bill Merchant

New Business

Bill Merchant

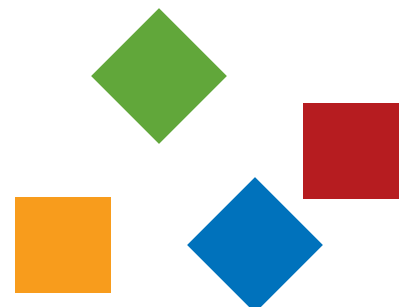
Results of Election (District 5)

Gary Emmons

2015 Scholarship Recognition

Tangee Summerhill-Bishop, Director of Marketing and Member Services

Adjournment



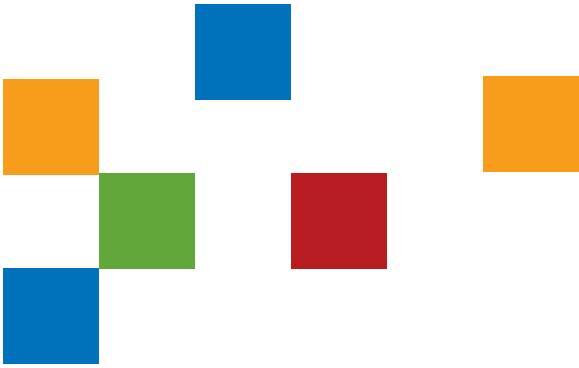
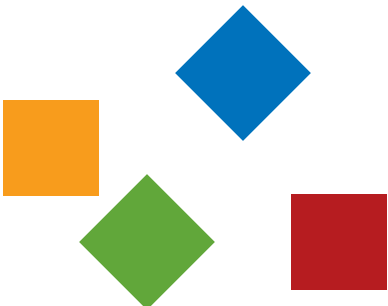


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President's Report



Over the past year, we have continued partnering with neighboring companies to improve BCT's efficiencies on a variety of levels. These partnerships have been going so well that it has provided a base model for other companies to come together and work toward common goals, something that has not happened in over 25 years. An example of BCT's successful partnerships is Consolidated Business Services, LLC (CBS) which continues to provide accounting, human resources, and regulatory services to BCT, Canby Telcom, Mt. Angel Telephone Company and Stayton Cooperative Telephone Company. CBS continues to have a positive financial impact with lower costs for the services provided to BCT.

In early 2016, we will be renegotiating our loans with the hope of freeing up working capital that will allow us to reinvest in our facilities in order to sustain telecommunication services far into the future. This allows us to implement the necessary changes to the networks and facilities to allow higher Broadband speeds.

BCT continues to manage its Cable TV network very intently; as programming contracts expire or channels change their programming we look to add more value by adding different channels to the channel lineup. The current Cable TV network is fixed in size and the number of channels offered cannot be expanded; however, we are working to upgrade the system. Once upgraded, BCT will be able to offer Cable TV and Broadband services over the same facilities allowing us to roll out more high definition channels as well as significantly faster broadband speeds.

As we look to the future there are exciting changes on the horizon! Leveraging our plant facilities provides ways to offer services such as an IP based phone service as well as Over-the-top (Internet delivered) video programming. This type of video programming would allow members to pay for what they want to watch, when they want to watch it. In addition, we are most excited about the introduction of 4G LTE mobile phone service! Implementation of 4G LTE results in exciting new handset selections.

All of this could not have been done without the tireless dedication of BCT employees. They have continued to move forward and have met the challenges that we have faced. They are the key to BCT's success now and in the future.

Thank you for your continued support,

Paul E. Hauer, President



Scholarship Winners

This marks the 25th consecutive year that BCT has recognized local students with its scholarship funds. Total scholarships awarded in 2015 totaled \$10,500. Since 1990, over \$370,000 has been awarded to promising students through BCT's scholarship program. This year's recipients are:

Dublin Nichols

\$1,500 Scholarship

Oregon State University or Willamette University
Physics

Emma Talley

\$1,500 Scholarship

Western Oregon University
Criminal Justice

Kenra DeAngelis

\$1,500 Scholarship

University of Portland
Mechanical/Biomedical Engineering

Lucy Kleiner

\$1,500 Scholarship

University of Oregon
Spanish and International Relations (Double Major)

Christopher Beebe

\$1,500 Scholarship

Seattle Pacific University
Computer Engineering

Daniel Stoddard

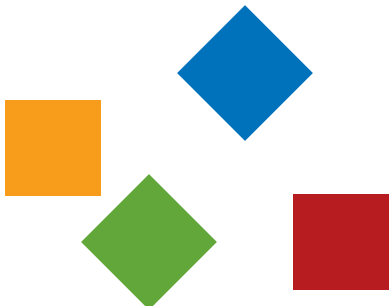
\$1,500 Scholarship

Oregon State University
Industrial Engineering

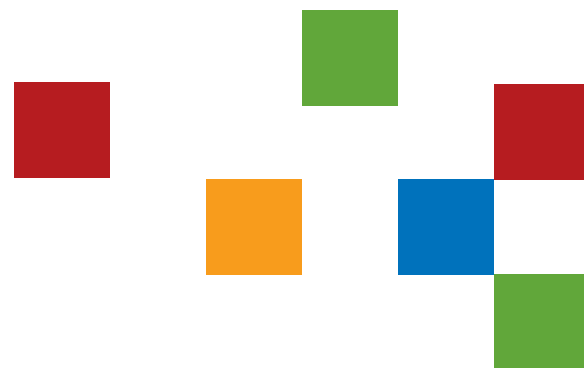
Christina Salisbury

\$1,500 Scholarship

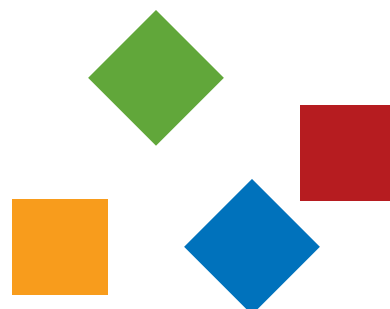
University of Oregon
Biology; Pre-Medicine



2014 Financial Highlights



Assets	2014	2013
Current Assets		
Cash and Cash Equivalents	\$23,156	\$56,579
Accounts Receivable	940,375	981,532
<i>(Less provision for doubtful accounts of \$12,000 at December 31, 2014 and 2013)</i>		
Materials and Supplies	165,122	185,096
Prepaid Expenses	81,206	119,187
Marketable Securities	75	112
Total Current Assets	1,209,934	1,342,506
Other Assets and Investments		
Investments	1,764,798	1,834,673
Other Assets	1,600	2,000
Deferred Income Taxes	-	129,817
Total Other Assets and Investments	1,766,398	1,966,490
Property, Plant, and Equipment		
Regulated Plant in Service	30,229,665	31,880,031
Non regulated Plant in Service	11,613,497	11,445,446
Total Property, Plant, and Equipment	41,843,162	43,325,477
Less Accumulated Depreciation	27,191,388	27,640,136
Net Property, Plant, and Equipment	14,651,774	15,685,341
TOTAL ASSETS	\$17,628,106	\$18,994,337





2014 Financial Highlights

Liabilities & Members' Equity	2014	2013
Current Liabilities		
Current Portion of Long-Term Debt	\$1,564,339	\$1,469,596
Current Portion of Capital Lease Obligations	39,114	-
Line of Credit Payable	1,969,986	200,000
Accounts Payable	685,606	311,372
Bank Overdraft	204,525	-
Advance Billing and Customer Deposits	452,772	282,450
Income Taxes Payable	713	562
Accrued Expenses	515,509	2,338,350
Deferred Revenue	-	42,500
Total Current Liabilities	5,432,564	4,644,830
Long-Term Liabilities		
Long-Term Debt	6,254,286	7,818,798
Capital Lease Obligation	111,250	-
Other Long-Term Liabilities	61,465	3,368
Total Long-Term Liabilities	6,427,001	7,822,166
Members' Equity		
Controlling Interest		
Memberships and Other Capital	86,822	99,072
Patronage Capital	5,741,597	6,516,704
Accumulated Other Comprehensive Loss	(25,478)	(25,441)
Total Controlling Interest	5,802,941	6,590,335
Non Controlling Interest	(34,400)	(62,994)
Total Members' Equity	5,768,541	6,527,341
TOTAL LIABILITIES & MEMBERS' EQUITY	\$17,628,106	\$18,994,337

2014 Financial Highlights

Revenues and Expenses	2014	2013
Operating Revenues		
Local Network Services	\$1,248,855	\$1,439,540
Network Access Services	3,034,359	3,360,627
Miscellaneous Operating	427,784	410,135
Internet	1,646,114	1,681,508
Long Distance	96,166	84,701
Wireless	213,659	177,604
Cable Television	1,587,361	1,424,570
Ad Insertion and Related Revenues	52,261	88,598
Total Operating Revenues	8,306,559	8,667,283
Operating Expenses		
Plant Specific	1,233,784	1,573,159
Plant Nonspecific	914,481	410,078
Customer	806,441	882,561
Corporate	953,943	998,800
Depreciation and Amortization	1,650,694	1,656,633
Other Taxes	190,909	225,817
Internet	722,591	777,130
Long Distance	242,962	199,138
Wireless	202,249	253,200
Cable Television	1,341,799	1,300,703
Ad Insertion and Related Costs	19,226	44,562
Other Non regulated Costs	66,113	42,242
Total Operating Expenses	8,345,192	8,364,023
Operating Margins	(38,633)	303,260
Other Income (Expense)		
Interest and Dividend Income	48,330	149,861
Other Income (Expense), Net	(2,825)	25,975
Interest Expense	(619,740)	(780,444)
Income Tax Expense	(130,287)	(839)
Total Other Income (Expense), Net	(704,522)	(605,447)
Loss Before Non Controlling Interest	(743,155)	(302,187)
Non Controlling Interest	(28,594)	(697)
NET LOSS	\$(771,749)	\$(302,884)



2014 Annual Meeting Minutes

July 11, 2014

The 80th annual meeting of Beaver Creek Cooperative Telephone Company (BCT) was called to order by Chairman William Merchant at 7:00 pm on Friday, July 11, 2014.

WELCOME AND INTRODUCTIONS

The Chairman of the Board, William Merchant, welcomed members and introduced the directors and BCT staff seated at the head table. Mr. Merchant thanked Mr. Bob George for his 22 years of service on the BCT Board of Directors and advised that Bob was not seeking re-election.

READING OF THE NOTICE OF THE ANNUAL MEETING

Mr. Gary Emmons, Secretary/Treasurer, announced that 43 members were in attendance and there is a quorum. Motion was made and seconded to dispense with the reading of the Notice of the Annual Meeting. Motion carried.

MINUTES OF 2013 ANNUAL MEETING

A motion was made by Mr. Chris Buzzini and seconded by Mr. Rick Caufal to dispense with the reading of the 2013 Annual Meeting minutes. Motion carried.

NOMINATING COMMITTEE REPORT

Chairman William Merchant announced the members of the nominating committee and thanked them for their service: Ms. Patty Johnson, Chair; Mr. Larry Flora; Ms. Lisa Normand; Ms. Nanette Miller; and Mr. Fred Kirchhofer. Mr. Gary Emmons, Secretary/Treasurer, read the Nominating Committee report.

A drawing was held for door prizes at this point.

AUDIT REPORT

Mr. Reinold Giesbrecht of the auditing firm Moss Adams, LLP, presented the audit report for BCT and its subsidiaries through December 31, 2013. His firm specializes in accounting for telecommunications companies. The team assigned to BCT is experienced in telecommunications and follows the U.S. Auditing standards. He noted that BCT received an unqualified opinion again this year and was free of material misstatements. He also stated it is his firm's responsibility to express an opinion and give reasonable assurance that all accounting practices are met. The audit does not relieve management from their responsibilities. Mr. Giesbrecht thanked BCT for using Moss Adams, LLP for the 2013 audit.

PRESIDENT'S REPORT

Mr. Paul Hauer opened his remarks by thanking members for attending the annual meeting. He thanked the Board and employees for all the work and dedication shown in 2013. Mr. Hauer advised that as of August 2013 he is managing CBS, Canby Telcom, Mt. Angel Telephone and BCT. It is exciting times in the industry. There is only one other management group that is similar and involves companies in Kentucky and Tennessee. Other companies are looking at the model of CBS to share resources.



2014 Annual Meeting Minutes

(Continued)

The focus for BCT for the upcoming year is looking at ways to improve the broadband speed and upgrade the cable system. Completion is projected to be in 2016. BCT is working with neighboring companies to increase efficiencies and cut costs. Two groups, besides CBS, have been formed. One group which consists of four local companies, are looking at sharing a switch to reduce their costs. The Oregon Cable Group has purchased ad insertion equipment that is shared. Two local companies have introduced new products and are joining with companies to promote and offer the products: Clear Creek Telephone, ClearView security systems and Canby Telcom, EZ Video (Over-the-top local broadcast television) and VoiceConnect, an IP based telephone.

Mr. Hauer thanked Bob George for his years of service as a board member and said he will miss his input. He presented Bob with a card and thank you gift.

A drawing was held for door prizes at this point.

OLD BUSINESS

Chair William Merchant advised that Ms. Susan Clark, District 4 board member, resigned in late 2013 as she moved out of the service area. The Board appointed Mr. Don Kelly to fill the remainder of the 3 year term.

NEW BUSINESS

Mr. Hauer reviewed the topic cards turned in by members.

Topic: Expansion. Why don't you expand to the Redland? CenturyLink and Comcast have the area sewed up.

BCT is currently focusing on its existing areas and services. We have chosen not to expand due to costs.

Topic: Member Profit Sharing – we used to get an annual check.

BCT has not operated at a profit the last few years and is unable to pay out past earnings due to the financial situation and covenants on bank loans prohibit any payout at this time. Talks have begun about a loan restructure in 2016. The Board has requested the payout for capital credits be addressed in the restructure.

An additional question and comment came from a customer that has not been paid for equities from 2000 and it is in both his and ex-wife's name. Is it the same for family of deceased members? Mr. Hauer again responded that our loan covenants prevent any type of payout. If a payout was made, the bank could call the entire amount of the loan due. BCT does not have the capital to cover the loan.

Topic: When are additional HD Channels going to be available?

BCT is upgrading each cable node from 550 to 750 which increases channel capacity and provides the ability to have a 2 way system. This will enable BCT to add channels and offer broadband with increased speeds.



2014 Annual Meeting Minutes

(Continued)

This is projected to be completed by the end of 2016. Even though there is increased capacity to offer additional channels, the cost of the programming is a major consideration.

Comment from a member stated that he wants stable service for Cable and Internet; it is not necessary to have the fastest speed (not everyone wants a racehorse). Mr. Hauer replied that we want to offer services for everyone whether it is the minimum or maximum.

Topic: Why is the connectivity so poor on my iPad (Facetime)?

Mr. Hauer will have the service department and technician follow up as there are many factors that can cause this.

Did the Government (Federal) mandate an increase in the minimum speed of DSL concerning the ability to stream movies, etc?

Mr. Hauer replied that the minimum requirement is 4MB down and 1MB upload. BCT is able to offer these speeds to 95% of our service area.

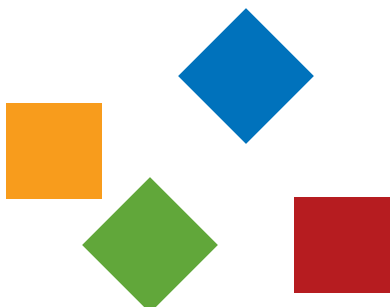
A comment was made that a customer is paying for 4MB but doesn't always get that speed. Mr. Hauer advised that we need to look at these issues on an individual basis as there can be many causes that affect speed.

Question from floor asked if the joining together with other companies will bring additional services. Mr. Hauer replied this will help increase efficiencies, share technologies and save costs.

Topic: Where does the money for scholarships come from?

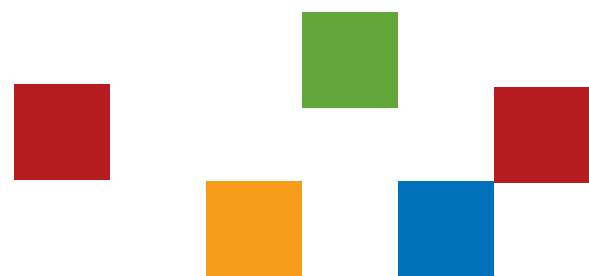
Mr. Hauer replied this was money set aside many years ago from "unclaimed" capital credits.

A drawing was held for door prizes at this point.



2014 Annual Meeting Minutes

(Continued)



RESULTS OF ELECTION FOR DIRECTOR

Gary Emmons, Secretary/Treasurer of the Board, read the results of the election for District 1 & 2 Directors.

District 1:

Rex Hagans 120

District 2:

William Merchant 127

Total Ballots 128

Rex Hagans was elected for District 1 for a three year term.

William Merchant was elected for District 2 for a three year term.

2014 SCHOLARSHIP RECOGNITION

Tangee Summerhill-Bishop, Director of Marketing and Member Services, announced the recipients of BCT's 2014 Scholarship Awards and had the students present at the meeting stand before the crowd. The recipients of 2014 scholarship awards are:

Adam Stephenson, \$2500 Scholarship
George Fox University
Elementary Education

Rachel Botsford, \$2500 Scholarship
Oregon Institute of Technology
Radiologic Science

Danielle Stevens, \$1500 Scholarship
Oregon State University
Biochemistry/Biophysics

Jessica Lindsey, \$1500 Scholarship
Portland State University
Mechanical Engineering

A drawing was held for the Grand Prize.

ADJOURNMENT

There being no further business before the membership, the meeting was adjourned at 7:58 PM.





BCT Management



PAUL HAUER, PRESIDENT

Paul Hauer began his career at BCT in 1998. Prior to working for BCT, Paul worked for the Portland based accounting firm, Yergen and Meyer, LLC. Paul has a vast amount of knowledge and experience in the accounting and management fields. He is a graduate of the University of Portland, where he received his Bachelor of Science degree in Accounting. Paul is not only a BCT employee, but is also a cooperative member.



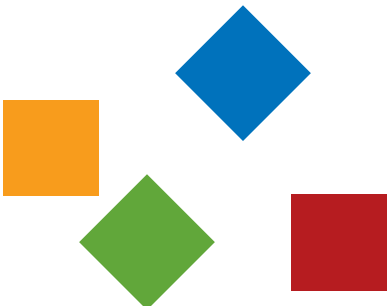
DAVID WARNER, VICE PRESIDENT OF ENGINEERING AND INFORMATION TECHNOLOGY

David Warner began his career as an Engineering Drafts person for BCT in 1979 and has since taken on many roles. Since becoming BCT's Engineer in 1993, he has played an important role in providing evolving technology to BCT members. David is not only a BCT employee, but is also a cooperative member.



TANGEE SUMMERHILL-BISHOP, DIRECTOR OF MARKETING & MEMBER SERVICES

Tangee has been in the telecommunication industry since 1995, and with BCT since 2002. She has an extensive educational background in business with a Bachelor degree in Business Administration from Western Washington University and a MBA from Washington State University.



BCT Board of Directors



BILL MERCHANT, CHAIRMAN OF THE BOARD

Bill Merchant has been an active member and leader in the Beaver Creek community for many years. While running his own marketing company, he has served on the Board of the Hamlet of Beaver Creek, as Chair of the County Planning Commission, and remains active in civic life. He was elected to BCT's board in 2011 and has been a cooperative member since 1984.



MATT CARLSON, VICE CHAIRMAN

Matt Carlson's ties to the community run deep, as he was raised in Beaver Creek and now is a teacher at Beaver Creek Elementary School. Matt takes a common sense approach to problem solving and puts the best interest of members first when making decisions. He has been on the board since 2007 and a cooperative member since 2001.



GARY EMMONS, SECRETARY / TREASURER

Gary Emmons was a BCT employee for over 23 years. Along with his extensive experience in the industry, Gary has lived in the BCT serving area for most of his life. He has been on the board since 2009 and a cooperative member since 1977.



DON KELLY, DIRECTOR

Don Kelly is a life-long resident of Beaver Creek. He is a Battalion Chief with Portland Fire and Rescue. Don was appointed to the board of directors in January 2014 to fill the position when it became vacant. He has been a cooperative member since 1995.



REX HAGANS, DIRECTOR

Rex Hagans has lived on and operated a 46 acre hazelnut farm near Beaver Creek since 1976. He was elected to BCT's board of directors in 2014 and has been a cooperative member since 1976.



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