

# INVESTING IN OUR FUTURE



2017 Member Report

# Meeting Agenda: Saturday, May 6, 2017

Registration & Reception: 9am .....	<i>Blackfoot Team</i>
Community Corner .....	<i>Boy Scouts of America, Montana Council</i>
Partner Spotlight.....	<i>Montana Telecommunications Association</i>
Pianist.....	<i>Anne Marie Brinkman</i>
Call to Order: 10:30am .....	<i>Tom Eggensperger, President</i>
Color Guard Presentation .....	<i>Boy Scouts of America, Montana Council</i>
Invocation .....	<i>Pastor Richard Lewis, Superior Assembly of God</i>
Welcome & Opening Remarks .....	<i>Tom Eggensperger, President</i>
Report on Quorum .....	<i>Tom Eggensperger, President</i>
Report on Notice & 2016 Minutes .....	<i>Cindy Lewis, Secretary/Treasurer</i>
Financial Report .....	<i>Stacey Mueller, CFO</i>
State of the Cooperative .....	<i>Jason Williams, CEO</i>
Scholarship Awards Presentation .....	<i>Jason Williams, CEO</i>
Old & New Business .....	<i>Tom Eggensperger, President</i>
Nomination & Election of Trustees ....	<i>Aaron Neilson, VP-General Counsel</i>
Prizes & Adjournment .....	<i>Blackfoot Team</i>

View this report online at [Blackfoot.com/2017report](http://Blackfoot.com/2017report)

**On the cover:** Roger Haines, veteran crew leader for our Network Technology Solutions team, has delivered great service for over 23 years. Thanks to Roger and all of our dedicated employees for ensuring our customers have an exceptional experience at every stop along their journey! From consultation to construction to broadband products and services, we are here for you.

Blackfoot's mission is to improve our customers' ability to communicate, collaborate and compete by delivering superior technology solutions through trusted relationships. We also strive to uphold these core values each day:



We are trustworthy, and at all times act with the highest integrity, transparency and personal accountability.



We are fiscally responsible.



We are committed to the success of our customers, owners, the communities we serve and each other.



Our vision: To enrich the lives of our customers, owners, and employees.

## Community Corner



BOY SCOUTS  
OF AMERICA®  
MONTANA COUNCIL

## Partner Spotlight



MONTANA  
TELECOMMUNICATIONS  
ASSOCIATION

# *In loving memory of* **Bill Squires**

*July 14, 1962-November 18, 2016*



Montana lost a great citizen, and Blackfoot a well-respected leader, when Bill Squires passed away on November 18, 2016 from complications of progressive muscular atrophy at the age of 54. Bill's career with Blackfoot started in 2001 in the role of Sr. Vice President and General Counsel. He was named CEO in 2012, and during his tenure achieved remarkable growth for the company, building Blackfoot as the regional provider of voice, data, cloud and IT services that we are today.

Bill was a prominent leader in the telecommunications industry, serving for many years as President of the Montana Telecommunications Association, the US Telecom Association's Leadership Committee, and the Industry & Policy Committee of NTCA - The Rural Broadband Association. Bill had incredible business acumen, which served him well on a wide variety of boards, including: Missoula Economic Partnership, VisionNet (Great Falls), Syringa Networks (Boise), Alaska Power and Telephone, and CoBank (Denver). He was a trusted advisor with state and federal policy makers and a passionate advocate for Blackfoot. Bill was also appointed as co-chair of Governor Steve Bullock's Broadband Key Industry Network Committee.

Bill was a graduate of Montana Tech with a B.S. in Chemistry (1984) and of The University Of Montana School Of Law (J.D., 1987). He remained engaged with both alma maters, receiving an alumni recognition award from Montana Tech in 1995.

Family was always first with Bill - and weekends at the cabin were especially cherished. Bill was generous with his time and supported the local Boy Scouts, Montana High School Golfers, Watson Children's Shelter and numerous other organizations. Bill was also a passionate Montana Grizzly football fan. He was well known for his sense of humor and his gift of genuinely engaging with others.

Bill is survived by the love of his life and wife, Sherry; son, Tucker; daughter, Ashton; and sister, Deb Koprivica (Keith) and numerous family and friends.

Bill greeted all of life with optimism, joy in the moment and grace. He will be missed by friends, family and all of us at Blackfoot.

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*It is my honor to give the utmost respect and praise for the life of Bill Squires. I look forward to seeing Bill's legacy live on throughout his family, friends, co-workers and the state of Montana. May our memories of Bill continue to guide us as we work towards building a Montana that is not only better connected at our places of work, but also to one another. -Governor Steve Bullock*

# Investments in our collective future.



## Message from Tom Eggensperger, Board President

Greetings! On behalf of your Board of Trustees, I'd like to welcome you to the 64<sup>th</sup> Annual Blackfoot Member Meeting.

We think the future will be very exciting for our member-owners – filled with innovation, growth and chances for you, your family and friends to use the robust suite of services from Blackfoot to reach out and “connect to more” as our new tagline promises.

Though the past year was bittersweet for Blackfoot, as we suffered a catastrophic loss in the unexpected and untimely death of CEO, Bill Squires, we also experienced tremendous growth and expansion – a fitting end-of-year tribute to Bill's legacy of success. Indeed, we were fortunate that Bill had a succession plan in place; and though we never expected to use it, that plan allowed us to keep Blackfoot on track and focused. We will forever be grateful for Bill's leadership and foresight in leading your company. I'm very pleased that at this year's meeting, you will have an opportunity to hear from our new CEO, Jason Williams. Jason will present his vision for Blackfoot's future and how we are well-positioned to invest and respond to the growing and demanding needs of our customers. Like Jason, your Trustees are expressly confident that Blackfoot is prepared to meet your needs now and in years to come.

For the coming year, we will continue our Annual Meeting theme “Investing in Our Future,” or better said, investing

in *your* future. With all of the incredible technological advancements, and all of the unique opportunities for you to use your myriad of services to reach out to others, expand your knowledge and engage in experiences, Blackfoot will be with you every step of the way. We are well positioned to meet our member-owners' needs.

We have a network that is second to none, reliable equipment, innovative software and – most importantly – a dedicated, local work force that is always there for you, to be on your side and put your needs first.

Although the landscape has changed from our original hard wired switchboard connections, your company's goals and commitment have never faltered. We continue to bring you the best possible services to meet all of your communication needs.

Tom Eggensperger  
Board President



**Blackfoot's Promise to Our Customers:** We are relationship focused. We advise our customers on the right solution, based on their individual needs. We live our vision every day, enriching the lives of our customers through reliable technology. We build lifelong relationships, because we care.

# Building on a strong foundation.



## Message from Jason Williams, Chief Executive Officer

Welcome cooperative members! Thank you for joining us today at Blackfoot's Annual Meeting. I am pleased to report that we had a very successful 2016, and that we are optimistic and excited for a positive year ahead.

As you know, our cooperative membership has steadily declined over the last decade, as we saw customers replace landline phones with mobile phones. In recent years, however, we have seen that trend reverse and are seeing growth in the number of cooperative members. We believe this is attributable to people "cutting the cord" on cable and satellite television and opting to get their video entertainment "over the top" via their Blackfoot broadband connection. This seems to be a trend nationally, and I am happy to report on that growth in our membership.

As we have shared with you in years past, federal universal service fund (USF) financial support has been a critical component of Blackfoot being able to provide voice and broadband services to our remote, rural service areas. For the last decade, we have lived in an unstable climate because of unpredictable levels and generally declining USF support. That all changed this year when the federal government revamped its rules, providing us with relative stability in the amount of USF we receive for the next 10 years.

This stability in USF is good news for Blackfoot as it gives us the certainty needed to execute on our long-term network

plan and invest in your future. Beginning this spring in our St. Ignatius exchange, we will invest millions of dollars to replace and update portions of our network that are nearing the end of their useful life. We plan on making similar investments in nearly all of our service area exchanges in the years to come.

With growth in cooperative membership and stability in USF, now is the perfect time for us to focus on investing in our future – and that's exactly what we're doing. Under the leadership of your Board of Trustees, and by listening and responding to our members' needs, Blackfoot is poised to deliver current and emerging communications technologies today and for decades to come.

Lastly, I would be remiss if I did not touch on the tragedy of Bill Squires' unexpected death. He was a brilliant leader and a dear friend. I am humbled by the trust that the Board of Trustees – and by extension, you the members – have placed in me to lead your cooperative. It is truly an honor to lead such a wonderful organization.

**Jason Williams**  
Chief Executive Officer



Thanks for giving us our highest rating yet for being *Trustworthy* in our latest annual Customer Satisfaction Survey.\* We received a 4.48 out of 5. We will continue to uphold the values of your Cooperative in the years ahead. \*Conducted by Pivot Group, LLC, 2016

# Our financial performance.



## Summary of Financial Results

Blackfoot Telephone Cooperative, Inc. produced solid financial results in 2016. The cooperative assets grew to \$106.6M, liabilities declined to \$42.1M and member equity grew to \$64.5M. The cooperative produced \$6.45m in net income, invested \$6.3M in plant assets, paid \$1.37M in capital distributions, \$3.5M in debt payments and increased member equity by \$4.8M.

## Letter from the Auditor

We are pleased to inform the members of Blackfoot Telephone Cooperative, Inc. that we have completed the 2016 audit of the Cooperative and its subsidiaries. We have issued an unmodified opinion dated February 18, 2017, that states that the audited consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended, present fairly, in all material respects, the consolidated financial position of the Cooperative in conformity with accounting principles generally accepted in the United States of America. The audited financial statements are available at the Cooperative office in Missoula for inspection by members of the Cooperative.

We also have the responsibility to report on various matters to the Board of Trustees that include any discovery of material

errors, irregularities or possible illegal acts. We did not have any such findings in the course of our 2016 audit.

*Moss Adams, LLP | Spokane, Washington | February 18, 2017*

## Message from Stacey Mueller, CFO

I'm pleased to inform our member-owners that we've delivered a strong financial performance over the past year, while continuing our extensive investment in network upgrades. The factors contributing to our success were good forecasting and management of expenditures, capitalizing on past investments and operating within budget. The Blackfoot Board of Trustees has reviewed our financial report and authorized a Capital Credit distribution of \$1.15 Million to be distributed directly to our valued membership. Thank you for your trust as we continue to be good stewards of your investment in Blackfoot.

**Stacey Mueller**  
Chief Financial Officer



2016  
Financial  
Highlights

**GREW ASSETS**  
TO  
**\$106.6 Million**

**INCREASED**  
MEMBER EQUITY BY  
**\$4.8 Million**

**CAPITAL CREDIT**  
MEMBER DISTRIBUTION OF  
**\$1.15 Million**

# Blackfoot leadership.



## Board of Trustees (L-R)

**Stuart Morton**, District 5 (St. Ignatius, Ravalli); **Geof Wilson**, *Board Vice President*, District 9 (Haugan, De Borgia, Saltese, St. Regis, Superior); **Jim Blush**, District 7 (Charlo, Moiese, Plains, Paradise); **Les Iverson**, District 3 (Avon, Elliston, Potomac, Greenough, Ovando); **John Teague**, District 6 (Alberton, Alberton South, Alta, Clinton, Powell, ID); **Jim Newberg**, District 4 (Arlee, Dixon); **Ross "Butch" Friede**, District 2 (Drummond, Gold Creek, Hall, Philipsburg); **Cindy Lewis**, *Board Secretary/Treasurer*, District 1 (Condon, Seeley Lake); **Tom Eggensperger**, *Board President*, District 8 (Noxon, Heron, Thompson Falls, Trout Creek)



## Election & Responsibilities of Trustees

Each year the Cooperative elects three trustees to serve on its nine-member Board of Trustees. This year Districts 1, 6, and 7 will be open for nomination and election. Nominations are made from the floor. Candidates must reside in the district and possess the qualifications for Trustee as specified in the Bylaws. The Cooperative Bylaws are printed in the Blackfoot Telephone Directory. Detailed voting procedures will be available at the Annual Meeting. The Board of Trustees is responsible to the Members for the overall management of

the Cooperative. Except for specific duties given to the officers (President, Vice President and Secretary/Treasurer), each Trustee shoulders equal responsibility for the conduct of the Cooperative's affairs. Since the Board normally meets only once a month and Trustees need not be technical experts in the telecommunications business, the Board employs a Chief Executive Officer to whom it delegates authority for the day-to-day management of the organization.

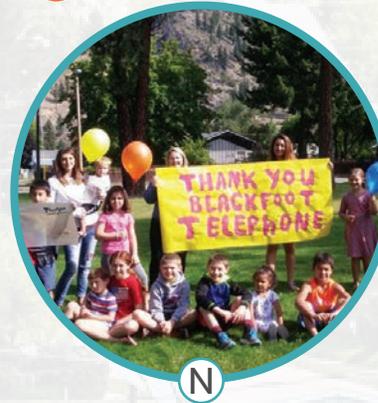
Our Trustees unite and connect Blackfoot with our communities. They are your voice. We invite you to contact your local Trustee at [boardoftrustees@blackfoot.com](mailto:boardoftrustees@blackfoot.com).

# Giving back to our communities.



**2016 Community Support Highlights:** **A)** Employee ambassador Ketty celebrating with a **Special Olympics Montana** athlete. As a silver corporate sponsor, Blackfoot donated over 250 employee hours to manage the softball, turbo javelin and shot put events. **B)** It's part of our Thanksgiving tradition to **donate to our local Food Banks**. Employee ambassador Judy dropped off a check to the Montana Food Bank Network. **C)** Team Blackfoot is always excited to participate in **Thompson Falls Beautification Days**. Blackfoot ambassadors Don, Jim, Frank and Charlie helped with tree pruning. **D)** Employees Holly, Barb, Brenda, Brian and Vicki organizing the cart of goodies for Blackfoot's annual travelling bake sale with all proceeds benefitting **Relay for Life**. Blackfoot also proudly supports relay teams for employees and Trustees who walk for the cause. **E)** Jason and Dean Shannon O'Brien from the **Missoula College** enjoy a moment at a Griz event, sponsored by Blackfoot. **F)** Employee ambassador Lacey with Trustee Tom at one of our favorite summer events, the **Trout Creek Huckleberry Festival**. **G)** Blackfoot gladly contributed \$5,000 to our friends at the **Trout Creek Senior Center**, employee ambassador Laura dropped off the donation.

**Our Motto: Giving back. Looking ahead.** Blackfoot looks for ways to invest in the long-term success of our communities. We actively support programs, projects and events that enhance the civic, educational, environmental and cultural well-being of the communities we serve.



**H)** Jason emcee's the breakfast kick-off event for the **United Way Day of Caring**. Blackfoot was the proud premiere sponsor. **I)** Trustees Les, John and Tom share the **NTCA's message** that "Cooperatives are Connected." **J)** We hosted our second annual **Great Give Back Contest** on Facebook and Animeals was voted by our fans as the most deserving non-profit to receive our \$500 award. Blackfoot ambassadors Michelle, Morgan, Kristin, Sally and Kina dropped off the prize and visited the no-kill adoption center. **K)** **Drummond Library's** story hour featured guest reader Bill. **L)** Blackfoot celebrated **National Cooperative Month** with our friends from Missoula Electric Coop. Keven and Dan from MEC with employee ambassador Marilee. **M)** Blackfoot supports many events throughout our communities, and we were proud to support the **Seeley Lake Pond Hockey** tournament. **N)** Blackfoot's Board donated \$5,000 to the **Mineral County Community Foundation** to support the Eva Horning Park in Superior. Blackfoot has a tradition of donating funds to provide safe playgrounds in our communities, and over the years have donated to playgrounds in Alberton, Clinton, Dixon, St. Ignatius and Trout Creek.

# Investments in education.



Our focus is about the future of the communities we serve. That's why education is an integral part of our commitment to local communities. To learn more about Blackfoot's investments in education and the programs below, visit [Blackfoot.com/Education](http://Blackfoot.com/Education).

## Missoula College

In 2014, Blackfoot pledged our largest-ever single donation to the newly constructed Missoula College. We believe that supporting higher education is part of our responsibility as a business leader, helping to impact our local job market and contributing to the economic success of students for many years to come. Our donation was recognized by the naming of the Blackfoot Cafe and Plaza at the college, opening fall 2017.

## Blackfoot Scholarships & Grants

Blackfoot annually provides over \$30,000 in academic scholarships via the Blackfoot Scholarship Fund to students graduating from local service area schools. In addition, we promote national scholarships such as the Foundation for Rural Service Youth Tour to Washington D.C. and the 3 Rivers Robert V. Killion Scholarship Fund. Blackfoot also provides library grants and contributes to many educational programs in schools, including Math Counts, Science Fairs and Close Up.

## August Institute

This fall, the August Institute will celebrate their 19<sup>th</sup> year. Blackfoot is proud to be the primary sponsor of this accredited conference, held at The University of Montana, that draws over



*Bill Squires, Dean Shannon O'Brien and Doug Jackson of Jackson Contractors during the construction of the new Missoula College. The school is now complete and set to open this year.*



*Students in Washington D.C. for the 2016 FRS Youth Tour. Blackfoot sponsored two high school students from our service areas Charlo and Thompson Falls.*



*Blackfoot supports teachers during a "Thinking Outside the Box" exercise at the 2016 August Institute. Blackfoot provided scholarships to local teachers to cover their conference fees.*

150 teachers and school administrators from across the state. This year's theme is *Technology Integration into Core Content Areas*. We value connecting with our local educators to find out how we can help schools better collaborate in innovative ways.

## EEE Program

The EEE program is a collaboration between Blackfoot, Missoula Electric Cooperative and Energy Partners. The program's mission is to help keep technology current in rural classrooms. Over \$550,000 worth of equipment has been donated to more than 70 schools since the program's inception in 1989. Each year, top students from many of the awarded schools and their teachers travel to Missoula

for a celebratory luncheon and to learn about the value of cooperatives. Learn more at [Blackfoot.com/EEE](http://Blackfoot.com/EEE).

## Easy Access Member Learning

Our Easy Access program was launched in 2009 as a cooperative member benefit. Our goal is to ensure that all of our members, regardless of age, have the opportunity to learn about and access the latest technology offerings. That's why each year, we deliver free Easy Access classes to teach computer basics to members in several of our service communities. Look for the Fall 2017 Easy Access class schedule at [Blackfoot.com/EasyAccess](http://Blackfoot.com/EasyAccess).



Blackfoot Trustee Jim Newberg with Arlee school students and teachers at the 2016 EEE Awards Luncheon.



Brian and Stephanie Morton at NinePipes Lodge where Blackfoot hosted one of our 2016 Access Classes.



Blackfoot members in Philipsburg pose after completing an Easy Access class with Denise Loran-Tripp from Watercolor Computer Training.

# Investing in Blackfoot's brand.



## Blackfoot delivers value through trusted relationships.

Our brand is a promise to our customers that can be summed up in four words:



### *Reliable*

More than just our fully-redundant fiber network, we deliver reliable technology by being reliable people.



### *Accountable*

We're here to solve, not point fingers. Blackfoot is accountable to our owners, customers and employees.



### *Accessible*

We provide access to live and local help, from our friendly receptionist to 24/7 local technical support.



### *Connected*

We keep our communities connected to the latest technologies, and stay connected to their needs.

**Named after the Blackfoot River**, our roots lie deep in the lasting relationships we've built with our members. Since 1954, Blackfoot has fostered a reputation based on exceptional customer service. This remains our focus today, as we expand our services and technology to better meet your needs. To scale for these new offerings, Blackfoot introduced a refreshed brand that is more relevant to our customers.

**Blackfoot's new brand** represents our story – both our rich heritage and our future strategy. We are proud to have united all of our companies under one brand and connect our customers to more. This also enables Blackfoot to streamline internal operations and deliver the same exceptional service to all customers. The new brand is also another way to bring value and excitement to our membership.

Follow us to stay connected to your cooperative!

