

Schedule and Agenda

10:30 a.m. - 1:00 p.m.

Registration; luncheon of pulled pork sandwiches, chips, baked beans, cole slaw, pie and beverage with entertainment by The Varlet Hearts.

1:00 p.m.

Meeting Called to Order and Introductions; Verification of Quorum

Doug Lensing, President

Notice of Meeting and Proof of Publication

Bennie Young, Secretary

Approval of Minutes of 2017 Annual Meeting

Doug Lensing, President

2017 Financial Reports

Marla McCowan, Controller

Approval of Financial Reports & President's Report

Doug Lensing, President

Election of Directors

Mokane Exchange: Jim Buffington, Mokane vs. Peggy Nalls, Mokane

Williamsburg Exchange: Jake Anderson, Williamsburg vs. Chuck Eckert, Williamsburg

At Large Southern Exchange: Henry Domke, New Bloomfield vs. Adam Elley, Mokane

These shareholders have been nominated by the Committee on Nominations appointed by the Board of Directors pursuant to the bylaws. Additional nominations may be made at the meeting.

General Manager's Report

Renee' Reeter, General Manager

Election Results, Old & New Business

Brydon, Swearngen & England General Counsel

Prize Drawing

Cash \$300, \$200, \$100, Roku Streaming Device, Hams and Turkeys

\$50 Cash Prize for Children 12 Years Old & Under and Children 13-18 Years Old

Adjourn

Doug Lensing, President

Notice of Annual Meeting 2018

The Annual Meeting of Shareholders of Kingdom Telephone Company, a corporation with its principal office in Auxvasse, Missouri, will be held at South Callaway R-II High School in Mokane, Missouri on March 10, 2018.



OFFICERS

(front, left to right)

Eugene “Butch” Richards, Vice-President, Tebbetts Exchange
Farmer, grain

Doug Lensing, President, Rhineland Exchange
Agent, American National Insurance Co.

Bennie Young, Secretary-Treasurer, Hatton Exchange
Owner, Young’s Welding & Machine Shop, Hatton

BOARD MEMBERS

(back, left to right)

Gene Eldringhoff, Big Spring Exchange
Owner, Eldringhoff Construction Co., Montgomery City

Jim Buffington, Mokane Exchange
Retired middle school teacher

Scott Whalen, At-Large Northern Exchange
Owner, Whalen Services, Auxvasse

Glen Horstman, At Large: Southern Exchange
Callaway Bank—Mokane; farmer, grain and cattle

Jake Baumgartner, Auxvasse Exchange
President, Baumgartner’s Furniture, Auxvasse

Jim Blacklock, Williamsburg Exchange
Retired teacher, coach, and auctioneer

Report: Board President Doug Lensing

As I ponder 2017 considering what I might share with our members, I find myself drawn to the topic of fiduciary responsibility. A Board of Directors of any company, whether a cooperative or just any “for profit” company, has a legal obligation to act in the best interest of the company and shareholders.

What does that mean? In the case of Kingdom Telephone, it means that we make sure we try to do what is best for our members. We hire a leader for the company who manages the day-to-day operations and makes valid recommendations to the Board for future expansion. We review the activities and financials on a monthly basis. We require our manager to do her due diligence on every investment. We make sure we do feasibility studies on future projects to help make decisions about spending current funds or borrowing new funds. In other words, we do our homework and take our jobs very seriously.



Kingdom is faced with our Federal Universal Service funds terminating in 2026. These funds have allowed Kingdom to build a network of services for our members that includes the latest technologies available. Since Kingdom started providing internet, we have invested over \$33 million in our member area. Of that, over \$24 million has been fiber. We hope to spend another \$25 million to finish upgrades. But, here is where the fiduciary responsibility comes into play. We have to make sure that we continue to serve our members for many decades to come. So, we have chosen not to borrow the last \$25 million but to cash flow the remaining upgrade projects. As mentioned in the General Manager’s report, the cost of paying just the interest on a \$25 million loan would require member rates to increase dramatically. This means it will take longer to complete but we think it is the responsible thing to do. We currently do not have any debt on the prior member area upgrades and do not choose to bury the company in debt for projects that won’t support the repayment of that debt without burdening our members.

Because we are faced with loss of federal funding, we are looking to expand our areas into denser populated locations where a profitable business case can be made. These projects will serve to offset the loss of federal funds in later years and make sure Kingdom is around for future generations of its members.

The future of our industry and company is changing day by day. Our competition has changed. We used to think of cellular telephone as our biggest threat, now we are faced with a local cooperative wanting to provide the same services we provide in our area. Who would have guessed that in the past? The Board of Kingdom Telephone has every confidence in our future. We have a dedicated and experienced workforce that will strive to meet members’ needs through these changing times. With their dedication and the support of our members, rest assured we will be looking out for the best interest of you, our members and the company. Thank you for the opportunity to serve as your Board President.

Report: General Manager Renee' Reeter

What a year 2017 has been. We continued our fiber upgrade projects in Auxvasse, but also added another crew in Mokane. We have completed engineering the remaining exchanges for fiber upgrades. We have a lot of people who seem anxious to get fiber internet, but as we build areas, we find that isn't the reality of the masses. Last year I shared with you that only 7% of our members in two of our complete fiber exchanges took advanced services that required the fiber upgrade. The good news is that number is climbing, but as an example, one route done in 2017 only had 22% take higher services.



We are working to improve our members' experiences with our internet services. We started a campaign whereby we pledged to give our copper customers as much speed as we could until we got them fiber. We have been able to give many as much as 30 Mbps which is obviously three times faster to any customer who is paying for a 10 Mbps package. For the average family this meets their current needs. In other areas that have fiber, we temporarily boosted all our 5 Mbps packages to 50 Mbps or ten times faster at no additional cost so our members could experience the higher speeds. I say temporarily but they will benefit from this speed increase until late 2018. In qualified areas we are permanently converting our 100 Mbps plans to 200 Mbps and increased our 500 Mbps to 600 Mbps plans. In addition, we have added a new 300 Mbps plan, giving our customers more options.

If you read my fourth quarter newsletter article, I talked about the time it takes and cost of building fiber. I feel this information is worth repeating.

First, the time it takes to build:

1. We bury our fiber which will result in a longer life and isn't subject to outages caused by ice and severe wind storms. This takes much longer than stringing it up on electric poles, but it is safer and more secure under ground.
2. We are not borrowing tens of millions of dollars, as this would result in our having to raise rates just to pay the interest on the loan! We currently cash flow all member area projects.
3. We use one contractor to bury the fiber who has been working for our company for over thirty years, and who we trust to build a quality network.
4. We use our experienced employees to service our members, many of which are your friends and neighbors.

Second, the cost to build:

Since Kingdom started providing internet, we have invested over \$33 million in our member area. Of that, over \$24 million has been fiber. We hope to spend another \$25 million to finish upgrades. Kingdom has no debt on these prior investments and plans to continue building in the member area without debt. If we were to borrow \$25 million in order to build fiber more quickly, we would have to increase service rates by more than \$30 per month for every single member just to pay the interest! In addition, we would have to hire many new contractors who we have no experience with, and our members might not get the quality they deserve for spending millions of extra dollars. Kingdom's Board of Directors and I believe that we are being fiscally responsible to our member owners by not burying the company in debt. In addition, 100% of our members can already receive internet service because we have spent millions over the past years upgrading our networks.

Internet usage is changing so much and demand for more speed is high. Television is leading much of that change. The world is looking for cheaper ways to watch television and all the providers are listening. The satellite guys have made new line-ups called “over the top” packages. Dish has one branded as “Sling” and Direct TV has one branded “DIRECTV NOW”. They aren’t the only ones; YouTube is getting involved, PlayStation Vue, and many others. These “over the top” applications simply use your connection to the internet. With smart TV’s or devices like Roku, Apple TV, Amazon Fire, just to name a few, you can stream your favorite shows over your internet connection. These applications are a lot cheaper because you don’t have to pay a monthly fee for equipment in every room. People hear us talk about streaming, and they seem afraid and don’t understand. So, let’s talk about Hulu and Netflix, many of you have been streaming TV for a long time using those services, and the others I have mentioned are no different. If you are still paying the high cost of TV from a traditional provider service, stop and cut the cord! I think you will find you can save a lot of money, and who doesn’t want to save money?

Kingdom Telephone employees and Directors are here to support our members’ needs. We appreciate the loyalty you have given us and hope you will allow us the honor to continue to be your technology provider into the future. Thank you and I hope to see you at the Annual Meeting.



cut the cord and join the streaming revolution

1. Start with a Kingdom internet plan.
2. Purchase a media player or streaming device from your local retailer or online.
Choose from Roku, Amazon Fire, Apple TV, Google Chromecast, PS4, Xbox, and others.
3. Choose streaming services for TV shows and movies like Netflix, Amazon Prime Video, Hulu, Sling TV, DirectTV Now, Playstation Vue, HBO Now, etc,
4. Save money!

Minutes: Annual Meeting 2017

The annual meeting of stockholders of Kingdom Telephone Company (hereinafter the “Company”), was held on March 4, 2017 at the North Callaway R-I High School in Callaway County, Missouri. At 1:00 p.m., Mr. Love announced that the meeting would be called to order, as all shareholders had time to register and receive a ballot for the record number of proxies and assignments. Mike Love, President of the Company, welcomed the stockholders to the 62nd annual meeting of the Company. Mr. Love stated that 290 stockholders were represented at the meeting, with 255 in person, 24 proxies and 11 assignments. He thereupon declared a quorum present for conducting of the Company’s business. Mr. Love thanked The Varlet Hearts, who are from the Auxvasse Exchange, for the entertainment. Doug Lensing, Secretary of the Company then read the notice of the meeting and proof of publication. The notice and proof of publication were ordered attached to these minutes. Mr. Love introduced Renee’ Reeter, General Manager of the Company; members of the Board of Directors; and Johnny Richardson, the Company’s attorney. Following a prayer by Mike Love, the attendees recited the Pledge of Allegiance. Wyatt Branson played the Star Spangled Banner.

On motion duly made, seconded and unanimously passed, reading of the Minutes of the March 6, 2016, meeting of stockholders was dispensed with and the Minutes were approved as reported in the 2016 Annual Report and 2017 Annual Meeting Notice. Mr. Love then referred the stockholders to the President’s Report that was printed on Page 3 of the 2016 Annual Report and 2017 Annual Meeting Notice. On motion duly made, seconded and unanimously passed, reading of the 2016 Financial Reports was dispensed with and the 2016 Financial Reports were approved as reported in the 2016 Annual Report and 2017 Annual Meeting Notice.

Mr. Love then asked Johnny Richardson to explain the voting procedures for the proposed bylaw changes. After discussion, the members decided to use the ballots provided rather than having a voice vote or with a show of hands. Mr. Richardson then announced that the meeting would turn to the election of directors. He explained the cumulative voting procedure that would be used for the election of directors. He also stated that three (3) directors were to be elected at this meeting, one from the Auxvasse Exchange, one from the Big Spring Exchange and one from the Tebbetts Exchange. He reported that the Nominating Committee had met and nominated Jacob Baumgartner and Norman Huls, both from the Auxvasse Exchange; Gene Eldringhoff and Mike Grosse, both from the Big Spring Exchange; and Eugene Richards and Henry Domke, both from the Tebbetts Exchange. Mr. Richardson then asked if there were any nominations from the floor. There being no further nominations, the stockholders were asked to mark their ballots and the inspectors collected the ballots and retired to count the ballots. The following served as the inspectors for the meeting: Don Huhman, Cheryl Benne, Joanne Mealy, Janet Wehrle, Debbie Hiatte, Cathy Crisp, Robert Korman, Ralph Wandersee and Ron Summers.

Renee Reeter, General Manager of the Company, then gave a report on the operations of the Company during the past year and answered questions from the floor. Mr. Richardson and the inspectors returned and announced the following results. All of the proposed bylaw changes were approved. Amending and updating references in the articles and bylaws to change the word “telephone” to “telecommunications” passed by a vote of 219 to 46. Amending Article III Meeting of Shareholders, Section 1, passed by a vote of 209 to 55. Amending Article IV Directors, Section 4, Nominations, passed by a vote of 228 to 32. Amending Article IV Directors, Section 5, Removal of Directors for Cause, passed by a vote of 233 to 28. Amending Article IV, Section 7 Compensation, passed by a vote of 177 to 83. Mr. Richardson announced the following results from the election of directors as recorded in the report of the inspectors:

Exchange	Nominee	Votes
<i>Auxvasse Exchange</i>	Jacob Baumgartner	227
	Norman Huls	56
<i>Big Spring Exchange</i>	Gene Eldringhoff	151
	Mike Grosse	57
<i>Tebbetts Exchange¹</i>	Eugene Richards	167
	Henry Domke	162

Mr. Richardson thereupon announced that Jacob Baumgartner, from the Auxvasse Exchange; Gene Eldringhoff, from the Big Spring Exchange; and, Eugene Richards, from the Tebbetts Exchange, having received the highest number of votes, had been elected directors of the Company for a term of three (3) years and until their successors are elected and qualified. The report of the inspectors of election was ordered attached to these minutes. Mr. Richardson then called for old business. There being none, Mr. Richardson then called for new business. There was none. Mr. Love then proceeded with the drawing for the attendance prizes. Thereafter, the meeting was adjourned.

1 On subsequent review, the ballots for nominee Richards were 169 and nominee Domke were 159 which did not change the outcome of the election.



West Des Moines, Iowa
April 5, 2017

We have audited the accompanying consolidated financial statements of Kingdom Telephone Company and subsidiary, which comprise the balance sheet as of December 31, 2016, and the related consolidated statements of operations, comprehensive income, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

We were unable to obtain audited financial statements for 2016 supporting the Company's investment in Missouri RSA #8 Limited Partnership and Missouri RSA #8 Tower Holdings, LLC, stated at \$992,149 and \$114,627, respectively, as of December 31, 2016, or its equity in the Missouri RSA #8 Limited Partnership and Missouri RSA #8 Tower Holdings, LLC's earnings of \$631,285 and \$7,404, respectively, which is included in net income for the year then ended as described in Note 3 to the consolidated financial statements; nor were we able to satisfy ourselves about the carrying value of the investment or the equity in its earnings by other auditing procedures. Consequently, we were unable to determine whether any adjustments to these accounts were necessary.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kingdom Telephone Company and subsidiary as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The 2015 consolidated financial statements were audited by other auditors and their report thereon, dated March 31, 2016, expressed a qualified opinion because the Company was unable to obtain audited financial statements for 2015 supporting the Company's investment in Missouri RSA #8 Limited Partnership, stated at \$1,037,325 as of December 31, 2015, or its equity in the Missouri RSA #8 Limited Partnership's earnings of \$671,472, which is included in net income for the year then ended as discussed in Note 3.

BKD, LLP