2014 ANNUAL REPORT TECHNOLOGY HERE SRT

SCHEDULE OF EVENTS IS HERE

4:00 Pre-show Entertainment

Jerry Schlag and the JMB Band

4:30 Doors Open

Registration & Voting Begin

4:30 - 7:00 Kids Zone with Inflatables, Games,

and Dizzy the Clown

5:00 - 7:00 Complimentary Meal

Catered by Homesteaders

5:30 - 5:50 SRT Tech Talks

5:55 - 6:55 Tin Star

Come listen for your favorites from every genre –

country, polkas, oldies and more!

7:05 Business Meeting



GENERAL MANAGER'S REPORT

"Technology Happens Here"

Rapid technological changes today affect every aspect of our lives, whether we are at home, work or play. For SRT, rapid technology changes mean networks that typically used to last 25 years, now can become outdated in a matter of a few years. Today we must invest millions of dollars into our networks each year to keep up with the current demands of our customers created by this new technology.

Fiber Optics

In order for us to provide a broadband Internet network that allows us to provide the latest advanced services customers now demand, we have committed to upgrading our cable plant with Fiber Optics. Fiber is widely considered to be the premier means for providing the fastest broadband Internet speeds to customers as well as the clearest voice service.

The fiber project was adopted in 2012 by the board of directors and we've made significant progress. Last year, we completed the fiber build-out in rural Berthold, Mohall, Deering, Sawyer and Velva. We are well into the construction phase for rural Towner, Karlsruhe, South Prairie, Donnybrook and Surrey. We are just approving the construction contracts to start building out rural Des Lacs, Sherwood, Glenburn, Butte and Antler.

We also continue to see major business and housing development growth throughout our service area. All new construction is done with Fiber Optics.

Advanced Services

These network changes are exciting in that they allow us to offer the latest advanced services including:

FiberNet, High-speed Internet

Perhaps you're still on the same speed from a few years ago, but you probably have changed how you use the Internet. FiberNet allows you to get the fastest uploads and downloads.



iPhone and Android wireless Smartphones

SRT is fortunate to offer the latest in Smartphone technology - Apple iPhones are the most popular Smartphone out there and we're one of a handful of smaller companies across the U.S. to offer it; Android phones are often seen as the better tech gadgets and we offer those too. We are able to give customers more options to suit their needs.

SRTVision

This TV service runs on our fiber optic cable. We offer hundreds of channels, offer interactive channel guides, search capabilities, and you can even get your favorite shows with our Watch TV Everywhere app on your smartphone or tablet.

Security Systems including Total Connect

Not only do we offer a variety of choices for a security system package, but with Total Connect, it enables your Smart Phone or Tablet to control your security system. System monitoring may be done by cellular and/or a phone line. And we're always just a phone call away if you ever have any issues.

2013 in Review

New Regulation: FCC Broadband Order

The rural industry as a whole continues to deal with the changes imposed by the FCC Broadband Order. Unfortunately, the FCC has adopted a Universal Service Order which inadequately supports the broadband and high-speed technology extensions they supposedly envision for the entire nation, including rural areas.

The order also implemented regulatory requirements affecting intercarrier compensation (how communications carriers compensate each other for use of networks), resulting in less revenue for rural

GENERAL MANAGER'S REPORT

companies while placing more of the financial burden on rural customers.

SRT is working with NTCA -The Rural Broadband Association to deliver the core message to Washington, DC Legislators that changes to Universal Service are placing an unfair burden on customers.

Our North Dakota Delegation has shown strong interest and support in the efforts of SRT (in concert with all the North Dakota rural companies) and NTCA to get aspects of the plan reconsidered.

Financial

The financial statements show that SRT's equity ratio remains strong at 68%. In fact, the 2013 patronage margin to members was just under \$3 million. However, our margins are feeling the effects of the FCC Broadband order that were discussed earlier. As a result, that means less revenue for rural companies.

SRT also received approval from RUS and our auditors to do a one-time write-off of the remaining goodwill from the Minot Purchase back in 1994. The write-off was done in a manner that did not involve patronage capital equity and accordingly, did not impact any individual patronage accounts.

2014 Plans

SRT has reinvested \$120 million back into the network since 2007 to keep up with new technology. For 2014, the capital budget rose to almost \$35 million.

The investment to place fiber and roll out advanced services throughout the SRT territory is high. It requires us to commit all of our internal cash

resources, along with our two RUS-approved loans, to accomplish this goal.

As a result, the SRT Board of Directors has chosen not to do a general retirement of capital credits until the fiber projects are complete. SRT will continue to retire Estate Capital Credits during this period.

SRT: Company in Transition

"Our mission is to provide competitively priced, high quality communications services which are responsive to the needs of our customers. We recognize that our employees are vital to the implementation of this mission, and we will strive to equip them with the tools necessary to attain our goals and objectives. We are committed to being good stewards of our owners' investment, to ensure long term financial viability."

At SRT we are a company in the midst of a undergoing a major transition which is the direct result of three significant factors we have already discussed:

- 1. Technology
- 2. New Regulation
- 3. Unprecedented Growth and New Construction

Fortunately, SRT is well-positioned to handle the transition in a manner that allows us to provide high quality communications services which are responsive to the needs of our customers today and well into the future.

Thank you members, Board of Directors, and employees for your support of SRT's technology-driven transition.

PRESIDENT'S REPORT

My name is Tom Wentz and I have the privilege of being a member of your board of directors as well as the current board president of SRT Communications.

Before I begin this evening, I want to thank everyone who made this great night possible as your annual meeting requires a tremendous amount of advance planning and hard work by your dedicated SRT staff members. Our theme for this year's annual meeting is Technology Happens Here. So let's all take a moment to thank the people who make our company so successful in bringing this technology to you and for this great event.

I certainly hope everyone has taken the opportunity to visit all the booths. For those of you who are first time attendees to our annual meeting – welcome, and we certainly encourage you to visit with staff members as well as the board of directors. I also want to quickly remind everyone that SRT is a nonprofit cooperative organized and owned by its customer members. As a board member, I am elected by you to make sure we are serving the interests of our customer members in the best and most efficient manner possible. This is important as our focus is service and quality before profits. We reinvest in the communities we serve to make sure that the technology you read about in the news or see on TV is actually available right here in North Dakota for your everyday use.

Our communities have seen amazing growth over the past several years and this past year has been no exception. In fact, nonstop construction seems to have become the new normal in our region. This growth has placed unprecedented demands on SRT not only financially, but also in the work load required of our employees to meet the new service requests; while at the same time maintain high service standards at a reasonable price. In order for our communities to remain leaders in energy, agriculture, education, healthcare as well as many other areas, it is absolutely necessary that our company continue to invest in equipment, technology and of course the people that make it all work. This past year we invested over \$20MM in new equipment to serve all the new businesses, homes and apartments



not only in Minot, but in all our surrounding communities including the Minot Air Force Base. This investment is not just plain old telephone service. We are well into our plan to replace our copper connections with fiber opitic technology, which will allow us to deliver voice, data, and television at not only first class speeds but also at the highest quality.

Much has changed over the years from when SRT simply offered voice telephone service and dial up connections to the internet. SRT still provides these services, but we also have over 16,000 Internet customers, nearly 12,000 wireless phone customers, almost 2000 cable television subscribers and we are approaching almost 10,000 fiber optic connections. Our products range from the Apple iPhone that puts not only the Internet, but unprecedented communication options in the palm of one's hand, to the Roku box allowing customers to stream millions of movies, TV shows and other types of entertainment over the Internet that just a few years ago was simply impossible. No other company has consistently invested as much time and money to make the latest technology happen right here in our communities as SRT has. This is something you can all be very proud of as we continue that investment. This will not only improve our communities, but will also secure our future in the areas of education, healthcare, energy, and agriculture since we have the same high quality services, latest products and best in class employees as anywhere in the world.

Our commitment to our member customers is to continue to invest the time and resources necessary to make sure our communities are connected by the best and latest technology.

I would like to thank everyone again for attending this evening.

PRESIDENT'S REPORT 3

BOARD OF DIRECTORS

SRT'S VISION STATEMENT:

"To be recognized by our customers, employees and the communities we serve as an innovative company, dedicated to making the lives of those we serve better by virtue of the services that we offer them."



ALLAN **Engh**Secretary/Treasurer
Sherwood • Distirct 1



DENNIS **Erber**Glenburn • District 2



GERALD **Henry** Newburg • District 3



DEANNA Klein Minot • District 4



ARDEL Rice
Mohall • District 1



JIM Newman Sawyer • District 2



JOHN Marshall Towner • District 3



TOM **Seymour** Minot • District 4



STANLEY **Vangsness**Vice *President*Berthold/Carpio • District 1



RONALD **Schepp**Asst. Secretary/Treasurer
Westhope • District 2



DENNIS Schott
Butte • District 3



TOM Wentz, Jr.

President
Minot • District 4

2014 Board Members up for Re-election: Stanley Vangsness, Ron Schepp, John Marshall, Deanna Klein

SRT'S RISING STARS

Jess Asheim Mohall-Lansford-Sherwood High School

Parents Lynn & Janet Asheim



S M

Shelbi Bahl Mohall-Lansford-Sherwood High School

Parents Kent & Ali Bahl

2014 SCHOLARSHIP WINNERS

The SRT Scholarship is based on community involvement, school activities, grade point average, and an essay. Each student will receive a \$1000 college scholarship.

Kolton Larson Minot High School Parents Mark & Denise Larson





Bryjett Nordmark
Rolla High School
Parents
Jason & Audry Nordmark

2014 YOUTH TOUR STUDENT One student from SRT's service area was selected to travel on the Foundation For Rural Service (FRS) Youth Tour to Washington, D.C.



Miranda Dyke
Surrey High School

Parents
Sherry and Branon Dyke

INTERNET

ELITE Internet Up to 30x2 Mbps

\$4495





WIRELESS

Nationwide

UNLIMITED Talk UNLIMITED Text UNLIMITED Pics 3GB Data*

a month

SECURITY

GET \$ 1200 CT FREE EQUIPMENT*





* Get \$1200 Free equipment with the SRT Defend package. Other packages available. Offer subject to change.

ENTERTAINMENT America's Top 120 Plus FREE Hopper Upgrade COMBO

SRT Elite Internet up to 30 Mbps

\$6994_{mo}

for 12 months

All DISH offers require 24 month commitment and credit qualification. Monthly DVR and receiver fees apply.

SRT | dish



\$9494_{mo}

Important Terms and Conditions: Promotional Offers: Require activation of new qualifying DISH service. All prices, fees, charges, packages, programming, features, functionality and offers subject to change without notice. After 12-month promotional period, then-currer everyday monthly price applies and is subject to change. ETF. If you cancel service during first 24 months, early termination fee of \$20 for each month remaining applies. Activation fee may apply.

Additional Requirements: Installation/Equipment Requirements: Free Standard Professional Installation only. Certain equipment is leased and must be returned to DISH upon cancellation or unreturned equipment fees apply, Upfront and additional monthly fees may apply.

Miscellaneous: Offers available for new and qualified former customers, and subject to terms of applicable Promotional and Residential Customer agreements. State reimbursement charges may apply, Additional restrictions and taxes may apply. Offers end 6/12/14. © 2014

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COMMUNITY GIVING BACK

SRT is proud to make donations of financial as well as donations of SRT services. The list below reflects some of the donations made in the past year.

1st Lutheran Church Granville 20th Annual REC Fishing Tournament Airmen Against Drunk Driving American Cancer Society Antler Outlaws Bell School Berthold School Bishop Ryan Catholic School Bottineau County 4-H Bottineau Fire Department **Burlington Fire Department Butte Fire Department Butte Community Club** Carnegie Center Carpio Fire Hall Carpio Lutheran Church City and Country Health Clinic Companions for Children Dakota Boys & Girls Ranch **Dakota Cruisers** Dakota Rattlers Wrestling Club Des Lacs - Community Club **Disabled American Veterans** Des Lacs Burlington High School **Drake Music Boosters** Drake Senior Citizens Club **Drake Threshing Show** Farm Rescue Farm Safety 4 Kids Feed My Starving Children Gallows Community Center, Towner Give 360 Color Dash 5K Glenburn Booster Club Glenburn High School

Greater Minot Zoological Society Heritage Singers International Music Camp Junior Achievement KHRT Horn of Plenty Kickstands for Cancer Kiwanis Club Lansford Community Club Lewis and Clark School-Berthold Longfellow PTA Magic City Figure Skating Club Magic City Youth Baseball Make-a-Wish Foundation March of Dimes Max Fire District Max Public School Maxbass Fire Department McHenry County 4H McKinley Elementary School McLean County 4-H Metigoshe Ministries MHS Dance Team MHS Girls Hockey Military Affairs Committee Golf Scramble Minot High School Minot Adult Literacy Volunteers Minot Area Chamber of Commerce Minot Area Dollar for Scholars Minot Area Homeless Coalition Minot Backpack **Buddies Program** Minot EFA Alumni Association Minot Hockey Boosters Minot Horseshoe Club Minot Housing Authority Minot Junior Golf Association

Minot Public School Foundation

Minot Public Schools - CLC Minot Recreation Commission Minot Senior Coalition Minot Social Club for **Exceptional Persons** Minot State University Athletics Minot Swim Club Minot Symphony Orchestra Minot Young Professionals Minot Youth For Christ Mohall Lansford Sherwood School Mohall Lansford Sherwood **Dollars for Scholars** Mohall - Ambulance Mohall Amateur Talent Contest Mountrail County 4-H Mountrail County **Extension Service** Mouse River Loop Envirothon Mouse River Players Minot State University MSU Beaver Hockey National MS Society, **Upper Midwest Chapter** ND Association for the Blind ND Rural Letter Carriers Assn ND State Fair ND State Science Olympiad Newburg Fire Deparment Nodak Speedway North Central Human Services Northwest Shrine Circus Optimist Club of Minot Optimist Youth Golf Classic Our Redeemer's Christian School Parshall High School Pathfinder Services Pheasants for the Future Project Night Light

Renville County 4-H Renville County Baseball Clubs Renville County Fair Rocky Acres 4-H/Max FFA Rotary Club of Minot RSVP+ND Sawver Robotics Sertoma Club of Minot Sherwood Business Association Souris Basin Longbeards Souris Basin Planning Souris Valley Animal Shelter Souris Valley Arts Council South Prairie PTO Special Olympics of ND Surrey Public School Taube Museum of Art **TEDx Minot** TGU Dollars for Scholars TGU High School Towner Commercial Club Towner Fire. Ambulance & Rescue Trinity Health Foundation underEVERYwhere Velva Community Center Velva Fire Department Velva School Reunion Velva Area Dollars for Scholars Velva Association of Commerce Velva Public School Velva Youth Baseball Program Ward County Historical Society Ward County Park Association Ward County Public Library Washington Elementary Westhope/Newburg High School **YMCA** YWCA Minot

Granville Masons

Great Tomato Festival

Granville Community Club

CONSOLIDATED BALANCE SHEET December 31, 2013

ASSETS	2013	
CURRENT ASSETS Cash and temporary cash investments	\$ 3,438,529	
Accounts, notes and interest receivable	4,949,354	
Materials and supplies	4,031,397	
Prepaid expenses	1,108,227	
Total Current Assets	13,527,507	
INVESTMENTS AND NONCURRENT ASSETS		
Investment in securities	1,514,240	
Other investments	6,882,310	
Nonregulated investments - net	244,789	
Goodwill		
Deferred charges	166,577	
Total Investments and Noncurrent Assets	8,807,916	
TELECOMMUNICATIONS PLANT		
Total investment in plant	251,653,473	
Less: accumulated depreciation	147,974,478	
Net Investment in Plant	103,678,995	
TOTAL ASSETS	\$126,014,418	
CURRENT LIABILITIES Current portion of long-term debt Notes payable - line of credit Accounts payable Accrued taxes Advance payments and billings Other current liabilities Total Current Liabilities	\$ 2,665,000 1,000,000 6,378,263 452,940 84,215 804,423 11,384,841	
LONG TERM DEBT, LESS CURRENT MATURITIES	22,861,325	
OTHER LIABILITIES	5,994,974	• • • •
EQUITIES		
Patronage capital	84,794,674	
Other capital	978,604	
Total Equities	85,773,278	
TOTAL LIABILITIES AND EQUITIES	\$126,014,418	

CONSOLIDATED STATEMENTS OF OPERATIONS Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Local network services	\$ 8,961,180	\$ 8,909,563
Network access services	18,533,422	19,925,078
Subsidiary Revenue	15,641,019	16,237,224
Long distance network services	1,830,289	1,967,931
Miscellaneous	1,759,635	2,589,848
Nonregulated revenue	1,317,610	1,581,149
Total Operating Revenues	48,043,155	51,210,793
OPERATING EXPENSES		
Plant operations	15,891,322	15,207,813
Depreciation	8,667,741	8,385,764
Customer operations	2,768,614	2,569,713
Corporate operations	5,427,480	5,223,159
Subsidiary operations	13,362,938	12,822,686
Nonregulated expenses	2,123,638	2,617,241
Operating taxes - other	174,994	160,883
Total Operating Expenses	48,416,727	46,987,259
NET OPERATING MARGIN	(373,572)	4,223,534
Nonoperating Income (Expense)		
Interest and dividend income	3,686,552	3,583,672
Amortization of intangibles	(794,566)	(2,194,681)
Income from equity investments	760,131	909,988
Miscellaneous	111,759	(7,845)
Total Nonoperating Income	3,763,876	2,291,134
NET MARGIN BEFORE INTEREST AND INCOME TAXES	3,390,304	6,514,668
INTEREST AND RELATED ITEMS	741,490	651,151
PROVISION FOR INCOME TAXES	(340,881)	133,430
NET MARGIN ALLOCATED TO PATRONAGE CAPITAL	2,989,695	5,730,087
Extraordinary Item:		
One-Time writeoff of remaining goodwill		
Charged off against Other Equities Net (Loss) after Extraordinary Item	(12,652,027)	
Net (Loss) after Extraordinary Item	\$ (9,662,332)	\$ 5,730,087

MINUTES OF THE 2013 ANNUAL MEETING

The 62nd Annual Meeting of the members of SRT Communications, Inc. (SRT) was held at the North Dakota State Fair Center in Minot, North Dakota, on Thursday, June 20, 2013, pursuant to due notice to all members. President Tom Wentz, Jr., presided.

NATIONAL ANTHEM/FLAG PRESENTATION: President Tom Wentz, Jr., asked all members to rise for the National Anthem. Presentation of the flags was done by Boy Scouts of America Troop 411, sponsored by the Moose Lodge. Marsha DesLauriers, sang the National Anthem.

WELCOME: President Tom Wentz, Jr., welcomed everyone to SRT's 62nd Annual Meeting.

INVOCATION: SRT Public Relations Coordinator Jackie Rostad provided an invocation.

INTRODUCTION OF SRT BOARD MEMBERS: President Tom Wentz, Jr., took a few moments to introduce SRT's current board members.

INTRODUCTION OF GUESTS & READING OF LETTERS:

President Tom Wentz, Jr., read the names of special guests and letters of dignitaries, including: Senator John Hoeven, Senator Heidi Heitkamp, Representative Kevin Cramer, and Public Service Commissioner Randy Christmann.

CALL TO ORDER: The meeting was called to order by President Tom Wentz, Jr., at 7:22 p.m. The President declared the presence of a quorum. President Tom Wentz, Jr., appointed Attorney David Hogue as recording secretary and parliamentarian.

READING OF ANNUAL MEETING NOTICE: SRT Secretary Susan Schmutzler read the official notice of meeting and proof of mailing.

READING OF 2012 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the

2012 annual meeting of members as printed on pages 15-16 of the 2013 annual meeting booklet, and to dispense with oral reading of the minutes.

NOMINATIONS PROCEDURE & INTRODUCTION OF CANDIDATES: Attornov David Hague, from Pringle &

CANDIDATES: Attorney David Hogue, from Pringle & Herigstad, PC explained the procedure for nomination and election of directors of SRT, who are responsible for the management of the cooperative's business and affairs. Attorney Hogue introduced the candidates from each district: Allan Engh, of Sherwood (District 1), Jim Newman of Sawyer (District 2), Gerald Henry of Newburg (District 3) and Tom Wentz, Jr., of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Tom Wentz, Jr., announced that members Lynn Beckedahl from Sherwood, Sandie Thomas from Velva, Matt Marsh from Newburg, and Duane Brekke from Minot were appointed as the Credentials and Election Committee.

SCHOLARSHIP RECIPIENTS: President Tom Wentz, Jr., explained SRT's scholarship program and named the 2013 recipients. They are: Ashley Backes, Minot High School; Lindsey Mogard, Surrey High School; Ahnna Peterson, Velva High School; and Shelby Wunderlich, Velva High School. Ms. Backes addressed the members about her career plans. She thanked SRT for awarding her the scholarship.

YOUTH TOUR RECIPIENTS: President Tom Wentz, Jr. also announced the student chosen to represent SRT at the 2013 Foundation for Rural Service Youth Tour Program held in Washington, D.C. Cassidy Peterson from Velva High School was this year's representative.

FINANCIAL REPORT: President Tom Wentz, Jr., introduced Perry Erdmann, the Chief Financial Officer of SRT. Mr. Erdmann described the financial results for the past fiscal year and the results of an independent audit of SRT's consolidated operations. Mr. Erdmann reported SRT earned revenues of

MINUTES OF THE 2013 ANNUAL MEETING

\$50.73 million and incurred expenses of \$46.56 million. SRT's "net margin," the rough equivalent of net profit was \$5.73 million for 2012.

MESSAGE TO OUR MEMBERS REPORT: General Manager Steve Lysne presented the Cooperative's "Message to Our Members" report. Mr. Lysne described SRT's completion of rebuilding damaged infrastructure from the June 2011 flood. He described how SRT is responding to the challenges created by unprecedented growth in Minot. Mr. Lysne explained the deployment of fiber in the rural districts of SRT. Mr. Lysne reviewed SRT's rollout of the Apple "iPhone".

PRESIDENT'S MESSAGE: President Tom Wentz, Jr., reminded members that they are both the customer and owner of SRT. He described the advantages of the cooperative business model over for profit telephone companies. Mr. Wentz noted SRT is motivated to provide great service to all SRT's member/customers because each member has an equal vote.

ELECTIONS COMMITTEE REPORT: Attorney David Hogue called on Sandie Thomas of Velva, District 2, to present the report of the Elections Committee on the elections for the following directorships, who case ballots as follows:

DISTRICT 1 - (60 Registered voters)

7
Spoiled ballots
DISTRICT 2 - (127 Registered voters)
Jim Newman
Spoiled ballots0
Spoiled ballots
Gerald Henry
Spoiled ballots

DISTRICT 4 - (599 Registered voters)

Tom Wentz, Jr	584
Spoiled ballots	15

OTHER BUSINESS: The President called for old and new business. [None presented.]

ADJOURNMENT: The President called for a motion to adjourn and the meeting was so adjourned at 7:55 p.m.

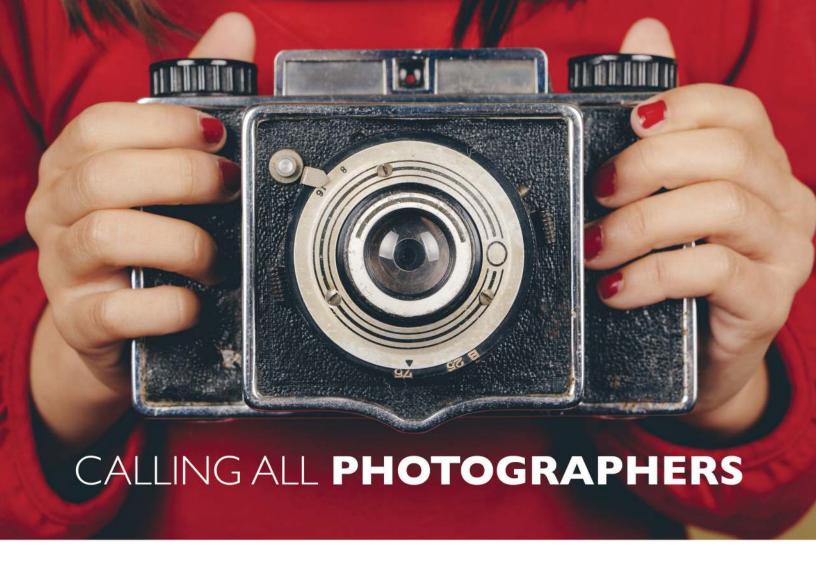
DOOR PRIZES: Following formal adjournment of the meeting, several door prizes were awarded.

David Hogue Recording Secretary

Susan Schmutzler, Secretary

ATTEST:

Tom Wentz, Jr., President





We are looking for your pictures from around the SRT area showcasing your community, area events, the beautiful prairie landscape, or something else that says "North Dakota life." We may use the photos as our facebook timeline cover, within the walls of our business, or even in next year's calendar or phonebook!

Send your PHOTOS

with photo details and your contact info, so we can give you credit

to hopems@srttel.com

or drop them off at **SRT Headquarters SRT Connections**

deadline uly 3 l

Photo submission assumes you agree to use of the photo on facebook, printed within the walls of our business, annual calendar, or telephone directory. We may contact you for further permission to use the photo in alternate circumstances. Edited images will be accepted.

