

ANNUAL REPORT / 2016

Premier Service. Local Experts.



Schedule of Events /

4:30 - 7:00 Doors Open
Registration & Voting Begin

Pre-show Entertainment
Jerry Schlag and the JMB Band

Kids Zone with Inflatables and Games

5:00 - 7:00 Complimentary Meal
Catered by Homesteaders

5:55 - 6:55



DAKOTA DRIFTERS plays a variety of country, gospel, and some rock-a-billy old time music. Members include Dick Johnson, Toby Nelson, Brenda Johnson and Carl Kannianen.

7:05 Business Meeting

All the photos throughout this 2016 annual meeting report along with the signage hung around the State Fair Center were taken within the SRT territory. We love where we live and are proud to show off its beauty.

General Manager's Report / Steve D. Lysne General Manager/ CEO

Good Evening and Welcome to the 65th Annual Business Meeting of SRT Communications Inc. Thank you for joining us this evening.

SRT is a Broadband Company /

SRT has been in the process of transitioning from a local exchange company to a broadband company for a number of years now. What does this mean exactly?

SRT's roots were firmly planted in providing communications services. Early on that service consisted primarily of local telephone service. Local telephone service meant having voice access to family, friends, neighbors, local businesses and local emergency service providers such as police, fire fighters, ambulance and hospitals.

As the local telephone network matured, these communications services extended to the world through long distance services, as well as extending to forms beyond voice through paging, fax and dial-up internet services. SRT was your "connection to the world".

Today the vast majority of communications is done via the internet and IP (Internet Protocol) networks. All forms of communications now rely on IP networks for their delivery. No matter what your form of communication is (voice, video, email, data, security-related, etc.), it is more often than not being delivered through an IP network.

This requires communications networks, like SRT, to become "Broadband companies" in order to be able to effectively handle that traffic. Whether you are the sender,

or the receiver of any of those forms of communication, you will need a broadband connection.

From a network perspective, this requires some major investments in the network. Five years ago SRT adopted an aggressive plan to replace the old copper cable that delivers service to your home with fiber optics. No other technology can deliver as much bandwidth to the customer as fiber-to-the-home (FTTH) technologies. This bandwidth is required to offer quality data and video services to your home or business.

To handle the more traditional voice services, SRT is updating its central office switching equipment from a circuit-based switch to IP-based. As with all other forms of communication, voice calls will now travel down an IP network

Finally, SRT's ISP (Internet Service Provider) network is also receiving upgrades to provide the highest degree of service and reliability. New equipment and additional transport routes are being added to attain the redundancy required for today's broadband users.

From a customer perspective, this means you can purchase the level of service that meets your broadband needs. Regardless of whether you just need basic phone, email and web-surfing services, or you need the highest level (1 Gig) service for applications such as HD telemedicine, educational, gaming or telecommuting, those services will be available from SRT.

Please keep in mind that SRT continues to offer the same quality services that we



always have, and we continue to be the only company in the region offering a complete suite of communications products which includes:

Internet and Data Service

Wireless Voice and Data

Landline Voice and Long Distance

A Variety of Video Products

Residential and Business Security Systems

Communications Systems Sales, Installation and Maintenance

From a member/owner perspective, the company you own now has a network that is "future-proof" for many years to come. SRT has always been committed to being good stewards of our owners' investment, and will remain committed to providing the highest level of services to our customers as a locally-owned and operated partner of the communities we serve.

General Manager's Report /

2015 IN REVIEW

Fiber Optics Construction / Our technology has improved vastly through the deployment of fiber optics. We continue to make progress on the rural fiber plan to replace the older copper cable throughout our service area.

In the past year, we completed the fiber build-out in rural Des Lacs, Sherwood, Glenburn, Butte and Antler. Customer are being cut over to fiber in Landa, Newburg, Westhope and Upham. Construction is well under way in rural Carpio, Martin, Maxbass and Tolley. Finally SRT just received approval for a construction loan from RUS for rural Granville, Logan and rural Minot.

The Board of Directors has also reviewed and approved plans to build out all the cities in the SRT Service area. The funding of this project is expected to come primarily from internal cash flow, USDA Rural Utilities Service (RUS) loans for those areas that qualify, and the FCC's Alternative Connect America Cost Model (ACAM).

Financial / SRT had another successful year as reflected in our net margin of over \$5 million. While this generates a strong cash flow, that cash is being committed to getting fiber to all SRT customer/member/owners as noted above.

Industry Notes / *Net Neutrality*: The FCC Order has set forth a debate on how to best achieve a continuing open internet in the

future, as well as who is going to pay for it. A free internet is most certainly not cost-free, as networks are expensive to build. However, SRT will continue to provide the best Internet experience for our customers and will monitor any regulatory changes that affect how we serve you.

Connect America Model:

The FCC has recently issued an order relating to the funding of these areas called ACAM designed to change the methodology for how companies like SRT are compensated by other carriers for use of our network. This model is designed to help fund the build-out of broadband throughout the country.

Closing / Thank you Members, Board of Directors, and employees for your support of SRT's service mission of getting quality broadband internet services to all SRT customers. Be sure to visit our website or stop by the Connections store to see all the services we have to offer you.

Good evening and have a safe journey home.

"From a customer perspective, this means you can purchase the level of service that meets your broadband needs. Regardless of whether you just need basic phone, email and web-surfing services, or you need the highest level (1 Gig) service...those services will be available from SRT."

President's Report / Stanley Vangsness SRT Board President

Thank you for choosing to be here with us tonight and choosing to do business with SRT. We acknowledge and respect that you have a choice when it comes to your technology provider. But as Board President, I would like to take this opportunity to share why we feel you've made the right choice by picking SRT.

Local / The ability for us to be local and provide local service is the number one thing that sets us apart. All 12 directors are elected from four districts and we represent you, our members, as the voice of the co-op. In addition, our employees live and work in our area and are encouraged to contribute to the communities they're in. It may be a safe bet that every one of you has had interaction with an SRT employee at some point. Or, that you've been to an event and noticed that SRT is a supporter or sponsor of a community activity. That's important to the co-op. It's that sense of community and belonging that allows us to continue to strive towards making the best decisions for all of you. We take pride in what we do because we're vested here.

If you take a closer look at the banners hung throughout the building, or look at your annual meeting booklet, you'll notice photos in the backdrop. All of these photos are from our area. This is just a small reminder to show that this is our home.

Premier Technology / As you can also see by the booklet cover, this year's theme is Premier Service. Local Experts. In order to provide the best in service, we have to have the infrastructure to back it. The technology behind making sure 23,000 landline

customers always have phone service, 18,000 people have reliable internet, 10,000 people can talk on their wireless phones, 1,300 families feel safer knowing our security system is backing them and 2,200 homes can watch their favorite TV shows, is a challenge. But for 65 years, we've been dedicated to meeting that challenge.

And, as you've heard us talk about our fiber to the home project over the past 5 annual meetings, you see the commitment the co-op has for providing the fastest and best technology the market has to offer.

Expertise / The best part about being able to serve all those customers I previously mentioned is that we have employees who focus day in and day out on their tasks at hand and how they play a role in shaping the network. SRT employees are consistently taking classes and going through training. Across the industry, SRT is known for our use of technology and our telecommunications experts. As we head into a new era of technology, I look to these folks to find the best ways to make the service work for our customers, find the most innovative ways to do business, and continue to uphold the SRT standards for customer service, ethical decision making and building relationships with each and every-one of you.

While the work will never end and the goals for SRT to be the best technology provider for our member owners will ever be an ongoing task, you can be confident that we will continue to provide you with premier service to fit your needs now and into the future.



Mission Statement

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.

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
Vice President
Sherwood • District 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
Secretary/Treasurer
Towner • District 3



Tom Seymour
Assistant Secretary/Treasurer
Minot • District 4



Stanley Vangness
President
Berthold/Carpio • District 1



Kristi Miller
Newburg • District 2



Dennis Schott
Butte • District 3



Tom Wentz, Jr.
Minot • District 4

2016 Board Members up for Re-election: Allan Engh, Jim Newman, Gerald Henry, Tom Wentz, Jr.



Scholarship /

Every year, SRT Board Members and employees form a committee to read and assess local area students' scholarship applications. And every year, our local students continue to impress. Students are judged on academic accomplishments, community involvement, school involvement and an essay.

2016 had applications from nearly every school in the SRT territory. While five total winners were chosen, each student should be proud of all they've done throughout their soon ending high school careers. SRT offers four \$1,000 scholarships and one \$1,500 scholarship.

Congratulations to all graduating high school seniors and best of luck!



Emily Hamel
Minot • Minot HS
Daughter of Jennifer & Donald Hamel



Bethany Kolschefski
Butte • Velva HS
Daughter of Sheila & Leon Kolschefski



Emily Odland
Velva • Velva HS
Daughter of Mary & John Odland



Allison Voigt
Mohall • MLS-Mohall HS
Daughter of LoAyne & Robby Voigt

Tech Scholarship /

Congratulations to our first Technical Scholarship winner as she pursues a degree in a computer technology related field!



Madison Tiedman
Minot • Minot HS
Daughter of Kimberly & Douglas Tiedman

Youth Tour /

Congratulations to Alberto Conti from Glenburn High School and Macy Feland from MLS-Mohall High School. These students were selected by their schools to represent SRT and North Dakota at the 2016 Foundation for Rural Service Youth Tour in Washington, D.C.



Alberto Conti • Glenburn HS
Son of Cynthia & Antonio Conti



Macy Feland • MLS-Mohall HS
Daughter of Lori & Dean Feland

SRT Cares /



In 2015, SRT hosted free “Tech Talks” at community venues to showcase all of SRT’s products and services. The evening included three 10-minute educational sessions on online safety, Smartphone apps and WiFi basics. And of course, food and prizes! Thanks for opening your communities to us.



SRT is a partner of the Minot Minotauros hockey team and helps provide the technology that broadcasts all their home games. “SRT Night” took place at a home game and started with ticket giveaways through our Facebook page, and included on-ice promotions, giveaways throughout the game, and a post-game autograph session with the hockey players and Tank, the mascot!

Photo compliments of Mike??



SRT, Town & Country Credit Union and Verendrye Electric teamed up to celebrate Co-Op Month. Online trivia or in person contests were held and one lucky customer, Felicia Engel, won a trip to Minneapolis, tickets to a Minnesota Wild hockey game, hotel stay and gift cards. Throughout Co-Op month there were a variety of giveaways to our customers – look for it again in 2016!



Tough Enough to Wear Pink is a program that supports Trinity’s Cancer Exercise Rehab program at the YMCA. SRT is a proud partner and sells pink merchandise, hosts a “Pink Party” radio remote with WGO/The Zoo and participates in a cake decorating contest at Marketplace Foods. In 2015, the community raised \$70,000 for TETWP.



iMagicon first appeared in Minot in 2015 and SRT not only brought Gigabit Internet to the Holiday Inn to ensure all the tech lovers had lightning fast Internet, but SRT employees also served as emcees throughout the event and demonstrated virtual reality equipment available at the Connections Store. iMagicon is a Comic Con style event for gaming, cosplay, and comics and attracts people from across the state.



The North Dakota State Fair is the state’s largest attraction and each year, SRT participates in KX/Co-Op Day to help spread the message of cooperatives and take part in some fair fun! Free breakfast is served in the morning, free ice cream in the afternoon, and plenty of giveaways are distributed throughout the day under the KX/Co-Op tent located in the SRT State Fair Park.

SRT Cares /



SRT employees choose to donate to the Souris Valley United Way through payroll deduction and because of their generosity, along with a corporate donation, SRT was recognized in 2015 at the 1st Annual Donor Recognition Awards Luncheon. SRT was the 3rd largest contributor to United Way, which helps area programs continue to do good throughout our communities.



SRT brought a special guest to the 2015 State Fair. SpongeBob SquarePants came to visit during KX/Co-Op Day, which made for some pretty happy kids!

SRT Gives Back / SRT donates to local charitable events through silent auction donations, cash and service donations, and participates in community events. Hundreds of requests come in each year and while SRT cannot support every initiative, here are a few that we supported in 2015.

- | | | | |
|---------------------------------|--------------------------------|--|---------------------------------|
| American Cancer Society | Glenburn High School | Minot Backpack Buddies Program | Sherwood Business Association |
| Bell School | Granville Community Club | Minot Public School Foundation | Souris Basin Planning Council |
| Berthold School | Granville Masons | Minot Recreation Commission | Souris Valley Animal Shelter |
| Bishop Ryan Catholic School | Junior Achievement | Minot Social Club for
Exceptional Persons | South Prairie School |
| Bottineau County 4-H | Kiwanis Club | Minot State University | Special Olympics of ND |
| Bottineau Fire Department | Lansford Community Club | Mohall Lansford Sherwood School | Surrey Public School |
| Burlington Fire Department | Lewis & Clark School-Berthold | Mountrail County 4-H | TGU High School |
| Butte Fire Department | Longfellow School | ND Association for the Blind | Towner Fire, Ambulance & Rescue |
| Butte Community Club | March of Dimes | Newburg Fire Department | Trinity Health Foundation |
| Carpio Fire Hall | Max Fire District | North Central Human Services | Velva Fire Department |
| City and Country Health Clinic | Max Public School | Optimist Club of Minot | Velva Association of Commerce |
| Companions for Children | Maxbass Fire Department | Our Redeemer's Christian School | Velva Public School |
| Dakota Boys & Girls Ranch | McHenry County 4H | Pathfinder Services | Ward County 4-H |
| Des Lacs Community Club | McKinley Elementary School | Renville County 4-H | Ward County Public Library |
| Disabled American Veterans | McLean County 4-H | Rocky Acres 4-H/Max FFA | Washington Elementary |
| Des Lacs Burlington High School | Minot High School | Rotary Club of Minot | Westhope/Newburg High School |
| Drake Senior Citizens Club | Minot Area Chamber of Commerce | Sertoma Club of Minot | YMCA |
| Gallows Community Center | Minot Area Homeless Coalition | | YWCA Minot |

SRT Offers Loan and Grant Program through USDA /



SRT's cooperative roots focus on bringing service to the unserved. When the opportunity to bring high speed Internet through fiber optic cable to our most rural areas presented itself, the SRT Board of Directors recognized that need. Not only did rural parts of our area have old copper plant that was in need of an update, but the world was changing quickly as far as how people were using their Internet. SRT decided to do something about that. They decided to replace old copper plant with high speed fiber optic cable. However, such an undertaking would require help. SRT used a USDA federal program available to telecommunications cooperatives called Rural Utilities Service (RUS) to help with the financing of such a large project. When RUS came through for SRT to provide fiber to our customers, SRT was then able to offer return benefits to businesses.

One RUS program is the USDA Rural Economic Development Loan and Grant Program (REDLG). It's a program that provides funding to rural projects through local utilities and in this case, SRT. In 2009, Mohall Emergency Services were in need of a new facility. They applied for a loan through SRT and became the first recipient of the SRT REDLG program. Mohall Emergency Services were able to receive a loan at zero interest in order to help finance some of the building costs. This facility is in use today and houses both the ambulance and fire trucks that serve the Mohall community.

“The SRT Rural Economic Development Loan & Grant program was formed to create and retain jobs in rural areas.”

In 2015, Gooseneck Implement in Velva was building a new facility and applied for a REDLG pass-through loan, in which USDA provides a zero interest loan to SRT and SRT then turns around and passes that loan on to Gooseneck. Gooseneck makes payments to SRT, and SRT sends that money directly to USDA Rural Development. These programs are meant to create and retain jobs in rural areas and help foster economic development.

SRT is proud to be able to support local economic development and encourages businesses to apply for the REDLG program. Applicants can apply for loans as little as \$5,000, but the project must bring economic development to the area and SRT cannot be a lender of last resort. The program is not meant to compete with local banks, instead it is meant as a supplement to other financing options. Business plans are required but SRT has a pre-application that interested parties can fill out and if the information is sufficient, then SRT will encourage the business to complete a full application. For more information on SRT's REDLG program, contact Cassidy Hjelmstad, Corporate Communications Director at 701-838-9719.



Consolidated Balance Sheet / December 31, 2015

Assets

Current Assets

Cash and temporary cash investments	\$ 1,971,599
Accounts, notes and interest receivable	4,641,644
Materials and supplies	2,020,781
Prepaid expenses	1,185,066
Total Current Assets	9,819,090

Investments and Noncurrent Assets

Investment in securities	1,520,420
Other investments	8,274,519
Nonregulated investments - net	450,917
Deferred charges	156,708
Total Investments and Noncurrent Assets	10,402,564

Telecommunications Plant

Total investment in plant	284,563,700
Less: accumulated depreciation	157,307,622
Net Investment in Plant	127,256,078
Total Assets	147,477,732

Liabilities and Equities

Current Liabilities

Current portion of long-term debt	3,648,121
Notes payable - line of credit	700,000
Accounts payable	5,859,567
Accrued taxes	571,627
Advance payments and billings	59,847
Other current liabilities	856,089
Total Current Liabilities	11,695,251

Long Term Debt, Less Current Maturities

36,298,186

Other Liabilities

5,914,511

Equities

Patronage capital	90,345,482
Other capital	3,224,302
Total Equities	93,569,784
Total Liabilities and Equities	\$147,477,732

Consolidated Statements of Operations /

Year Ended December 31, 2015

Operating Revenues

Local network services	\$ 7,534,520
Network access services	18,727,635
Long distance network services	1,491,816
Miscellaneous	1,752,590
Total telephone revenue	29,506,561
PCS network services	9,656,948
Internet revenue	8,098,664
Cable television revenue	2,080,181
Nonregulated revenue	1,531,767
Total Operating Revenues	50,874,121

Operating Expenses

Plant operations	16,493,800
Depreciation	10,128,949
Customer operations	2,749,527
Corporate operations	4,528,630
Operating taxes - other	229,260
Total telephone operating expenses	34,130,166
PCS operating expenses	8,166,557
Internet operating expenses	4,288,948
Cable television operating expenses	2,930,187
Nonregulated expenses	1,904,519
Total Operating Expenses	51,420,377

Net Operating Margin (Deficit)

(546,256)

Nonoperating Income (Expense)

Interest and dividend income	6,650,582
Amortization of intangibles	(383,606)
Income from equity investments	734,354
Miscellaneous	(109,440)
Total Nonoperating Income	6,891,890

Net Margin Before Interest and Income Taxes

6,345,634

Interest and Related Items

1,087,917

Net Margin Before Income Taxes

5,257,717

Provision for Income Taxes

173,650

Net Margin

\$ 5,084,067

Minutes of the 2015 Annual Meeting /

The 64th 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 18, 2015, 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. Gene Putnam sang the National Anthem.

WELCOME: President Tom Wentz, Jr., welcomed everyone to SRT's 64th Annual Meeting.

INVOCATION: Reverend Paul Nelson from St. John's Evangelical Lutheran Church in Kongsberg delivered the invocation.

INTRODUCTION OF SRT BOARD MEMBERS: President Wentz introduced SRT's current board members and the districts they serve.

INTRODUCTION OF GUESTS & READING OF LETTERS: President Wentz read the names of special guests and letters of dignitaries, including: Senator John Hoeven, Senator Heidi Heitkamp, and Governor Jack Dalrymple.

CALL TO ORDER: The meeting was called to order by President Wentz at 7:05 p.m. The President declared the presence of a quorum. President Wentz appointed Attorney Steve Lutt as recording secretary and parliamentarian.

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

READING OF 2014 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2014 annual meeting of members as printed in the annual meeting booklet, and to dispense with oral reading of the minutes.

NOMINATIONS PROCEDURE & INTRODUCTION OF CANDIDATES: Attorney Steve Lutt, from Pringle & Herigstad, PC, explained

the procedure for nomination and election of directors of SRT. Attorney Lutt introduced the candidates from each district: Ardel Rice of Mohall (District 1), Dennis Erber of Glenburn (District 2), Dennis Schott of Butte (District 3) and Tom Seymour of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Tom Wentz, Jr., announced that members Leah Moberg from Mohall, Jean Heit from Glenburn, Warren Zakopyko from Balfour, and Jim Blomberg from Minot were appointed as the Credentials and Election Committee.

SCHOLARSHIP RECIPIENTS: President Wentz explained SRT's scholarship program and named the 2015 recipients. They are: Isaac Effertz, Velva High School; Dustin Foster, Minot High School; McKensie Poppinga, Our Redeemer's Christian School; and Shelby Zahn, TGU - Towner High School.

YOUTH TOUR RECIPIENTS: President Wentz also announced the students chosen to represent SRT at the 2015 Foundation for Rural Service Youth Tour Program held in Washington, D.C. Ashley Libert from TGU - Granville and Cassidy Limke from Berthold were this year's representatives.

FINANCIAL REPORT: President Wentz 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 operating revenues of \$50.7 million and incurred \$51.0 million of operating expenses. SRT's "net margin," the rough equivalent of net profit was \$3.71 million for the 2014 fiscal year.

GENERAL MANAGER'S REPORT: General Manager Steve Lysne presented the General Manager's Report. Mr. Lysne discussed SRT's mission to provide high quality communications services ("useful things") which are responsive to the needs ("solves problems") of SRT's customers, which is the true definition of technology. Mr. Lysne touched on the Tech Tour and the Fiber to

Minutes of the 2015 Annual Meeting /

the Home project, and also discussed current regulatory issues including net neutrality and the “Open Internet” concept.

PRESIDENT’S MESSAGE: President Tom Wentz, Jr., discussed the annual meeting theme of “Your Digital Lifestyle”, which emphasizes the transcendent role that digital technology plays in our health, safety, work productivity, and entertainment. President Wentz also reported on SRT’s commitment to the Gigabit Challenge, which is an FCC initiative to increase the speed of internet by 100 times.

ELECTIONS COMMITTEE REPORT: Attorney Steve Lutt and Election Committee Member Jim Blomberg announced the report of the Elections Committee on the elections for the following directorships, who cast ballots as follows:

DISTRICT 1

Ardel Rice.....	42
Spoiled ballots	1

DISTRICT 2

Dennis Erber.....	64
Spoiled ballots	1

DISTRICT 3

Dennis Schott.....	46
Spoiled ballots	0

DISTRICT 4

Tom Seymour	442
Spoiled ballots	5

There was a total of 601 ballots cast. Attorney Lutt declared that all four candidates were elected for a three year term.

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

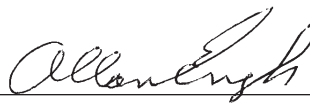
ADJOURNMENT: The President called for a motion to adjourn and the meeting was so adjourned at 7:42 p.m.

ADDRESS FROM CONGRESSMAN KEVIN CRAMER: Following formal adjournment of the meeting, Congressman Kevin Cramer addressed the members about current communications issues pending before Congress and thanked SRT’s members for their support of their cooperative.

DOOR PRIZES: Door prizes were awarded to registered members.

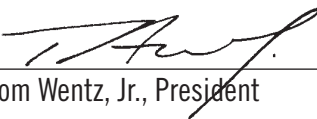


Steven A. Lutt, Recording Secretary



Allan Engh, Secretary

ATTEST:



Tom Wentz, Jr., President

Premier Service. Local Experts.



Love SRT



SRT Headquarters / 3615 North Broadway / P.O. Box 2027 / Minot, ND 58702-2027
SRT Connections Retail Store / 1400 20th Avenue SW / P.O. Box 2027 / Minot, ND 58702-2027

This institution is an equal opportunity provider and employer.