

WE ARE



2018 / Annual Report



**HERE FOR
YOU**

SCHEDULE OF EVENTS

4:30 PM

Doors Open
Registration & Voting Begin

Pre-Meeting Entertainment
Jerry Schlag and the JMB Band

5:00 - 7:00 PM

Kids Zone with Inflatables

SRT Informational Booths - Get Stamped & Win Prizes

Photo Booth Fun

Complimentary Meal
Catered by Homesteaders

5:55 - 6:55 PM

Main Stage Entertainment
The Denby Forest



7:05 PM

Business Meeting

Registration and voting officially close at 7:00 PM.

GENERAL MANAGER AND BOARD PRESIDENT'S REPORT

Good Evening and Welcome to the 67th Annual Business Meeting of SRT Communications Inc. Thank you for joining us this evening.

SRT is a Broadband Provider Company

Broadband is a high-speed internet connection or internet access. It is a high-speed transmission link from a home, business or school to the world-wide web and other digital resources.

SRT Broadband services are provided to residential customers through our Express Plus, Elite and Extreme internet service offerings, to business customers through our high-capacity internet offerings, and to other communications carriers and large institutions through our network dedicated data transport offerings. A majority of our revenue comes from our broadband service offerings.

This has required that communications networks, like SRT, become "Broadband companies" in order to be able to effectively handle that Internet traffic. Whether you are the sender or the receiver of any of those forms of communication, you will need a broadband connection.

SRT's commitment to upgrading our network infrastructure to meet the mission of providing the best possible Broadband Internet experience to all of our customers is evident based on our network infrastructure investments over the past 15 years which have totaled more than \$235 million.



Fiber is coming to you

A large part of the network infrastructure upgrade includes an aggressive plan to replace the old copper cable with fiber optics. No other technology can deliver as much bandwidth to the customer as fiber-to-the-home. This bandwidth is required to deliver quality data and video services to your home or business.

SRT is proud to be the first to bring Gigabit Internet to north central North Dakota! With thousands of miles of fiber optic cable already installed and even more planned, the smart homes and business collaboration of the future are here today.

Gig is crazy fast at 1000 megabits per second. Gig is 7 second HD movie downloads. Gig is a boost to economic development. Gig is houses full of smart phones, smart tvs, smart thermostats, smart refrigerators... Gig is here!

Rural Deployments

To provide higher Internet speeds, in 2012 SRT started a five-year "Fiber to the Home" plan to bring fiber optics to our most rural customers (customers who lived outside the city limits of their exchange). True to SRT's cooperative roots, we believed rural customers should have access to the same level of communications and data services that urban subscribers enjoy.

This year we should complete the fiber cutovers in rural Minot, which will in turn mark the completion of the rural fiber initiative pretty much right on schedule. Now the focus turns to completing the fiber in our cities.

Last year we reported that the Board of Directors had reviewed and approved plans to build out all the city limits of the rural SRT service area. A \$30 million RUS (Rural Utilities Services) Loan application was completed and approved on August 29, 2017. The fiber construction will begin this summer in Lake Metigoshe, Velva and at the Minot Air Force Base.

This is a multi-year project with the towns tentatively slated for the next phase which includes Berthold, Butte, Carpio, Deering, Des Lacs, Donnybrook, Granville, Karlsruhe, Maxbass, Newburg, Sawyer, Sherwood, Tolley, Upham and Westhope. These are our cable TV communities, and the upgrade to fiber will allow us to offer our IPTV product to those subscribers. With SRTVision you get over

200 channels plus local news. SRTVision packages include an HD receiver and 1TB Whole Home DVR. And, you can record up to four shows at the same time and watch them from any receiver.

Urban (Minot) Deployments

Just a note regarding our largest exchange, Minot. While all 25 rural exchanges qualify for funding from RUS, The City of Minot, due to its population, does not. Therefore we rely solely on internal cash generated from operations for funding our Minot fiber deployments. For the past several years we have prioritized our Minot Fiber Deployments as follows:

1. Greenfield (new construction) developments in Minot
2. Business Customer Requests
3. Old copper routes (neighborhoods) that need to be replaced

Since 2012, the beginning of our fiber plan, we have spent over \$60 million in the Minot exchange in support of our urban Minot deployments. Fiber optics will continue to be a focus of our network upgrades there for several years to come.

Wireless Coverage Update

We continue to work closely with Verizon to assist in getting them deployed on as many SRT Tower sites as possible. As of the date of this report, Verizon has deployed (or committed to deploy), on the following 19 sites in the SRT Service Area:

New Verizon Sites: Upham, Granville, Sherwood

Water Tower Sites: Glenburn and Lansford

SRT Tower Sites: Souris, Stafford Township, Antler, Newburg, Benedict, Karlsruhe, Blaisdell, Deering, Logan, Rolling Green, Long Lake, Metigoshe Drive In, Des Lacs and Peace Garden

It would be hard to find a rural area with better TIER 1 coverage than the SRT Service Area.

Net Neutrality

The Repeal of the Net Neutrality order made headlines again in 2017.

SRT supports the general concept of Net Neutrality as it relates to “protecting and promoting an open internet.” The basic premise of



Steve D. Lysne
General Manager/CEO



Staneley Vangness
Board President

an open Internet is that Internet Service Providers (ISPs) should not interfere with a consumer’s access to internet content or data of his or her choosing through the blocking or slowing down of certain services or websites.

While SRT cannot speak on behalf of other ISPs, we do not engage in the blocking or throttling of internet content on our network as defined in the original FCC Order, and have no plans to do so in the future. Our focus will continue to ensure that your internet experience is of the highest quality available, and we will work hard to make it even better with every network upgrade.

Therefore, SRT customers did not experience any change in their service as a result of the order, nor will they after the repeal of the order, because SRT intends to always operate under the open internet guidelines.

Financial Notes

Lastly, SRT had another successful year financially as covered by Mr. Erdmann’s CFO report based on the audited financial statements. We are pleased to be able to retire the remainder of the 1999 capital credits of \$680,000, the last year of the Cooperative prior to adding the Minot Exchange to the Cooperative. With anticipated Estate Retirements, that will bring the anticipated total cash retirements close to \$1.5 million for 2018.

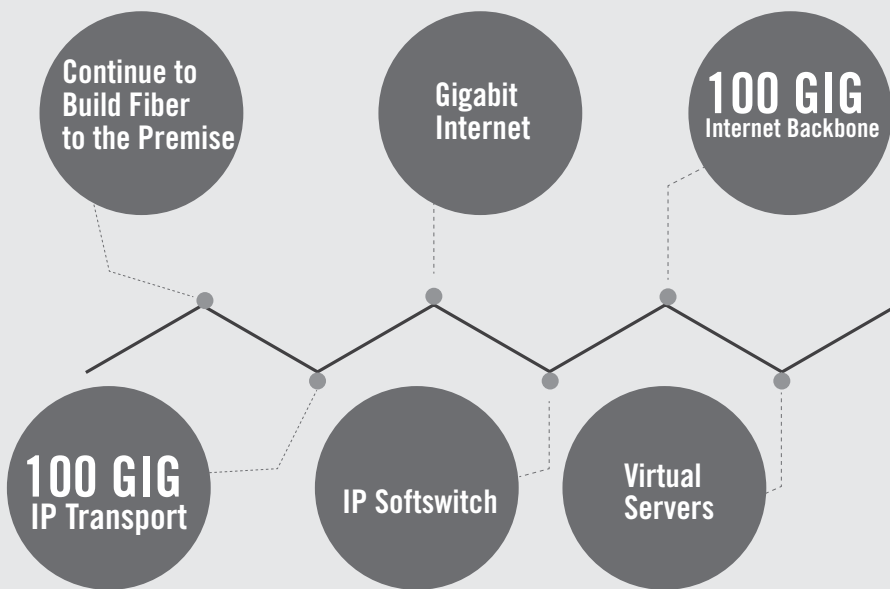
In Closing, thank you Members, fellow Board Members, and employees for your support of SRT’s service mission for providing quality broadband services to all SRT customers.



YOUR **TECHNOLOGY**
PARTNER

WE ARE INVESTING IN YOUR NETWORK

2018 Projects



SRT is constantly working to improve your services. As more bandwidth is needed to ensure customers can get the Internet speeds they want, we are able to meet and exceed those needs with Fiber to the Premise. By offering Gigabit Internet, our customers now have access to the fastest Internet available anywhere. By providing larger transport networks, it allows for the information to pass through from customer to customer at a faster rate. And, by increasing our network security, we are protecting network assets. With the upgraded traditional telephone switch, you can rest assured you'll be able to make that phone call when you want. The technology investments will carry SRT into the future and create even more opportunities for North Dakotans.

WE ARE COMMITTED TO THE FUTURE

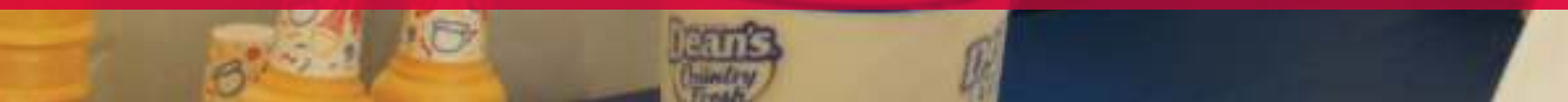
SRT, along with 14 other owner companies of Dakota Carrier Network, have committed to providing Gigabit Internet service to every K-12 school in our great state by 2019. This upgrade will make North Dakota the first state in the U.S. to deliver Gigabit Internet to all schools. #giggoals



SRT hosted "Tech Days" at schools throughout our territory. The activities focused on technology games and activities. As a technology company, developing an interest in STEAM activities at a young age is important to us. Not only does it create a future workforce, but it helps teach kids the importance of Science, Technology, Engineering, Art and Math.



**LOCAL PEOPLE
YOU CAN TRUST**





FORWARD THINKING

BUILDS THRIVING COMMUNITIES

Youth Tour / Congratulations to Trent Hunsakor from Newburg United High School & Austin Schatz from Velva High School. These students were selected by their schools to represent SRT and North Dakota at the 2018 NTCA - The Rural Broadband Association's Foundation for Rural Service Youth Tour in Washington, D.C.

Hunsakor & Schatz will join students from around the country, where they will have the opportunity to learn more about the telecommunications industry, witness the legislative process, and visit famous historical sites.

SCHOLARSHIPS & AWARDS

Scholarship / Every year, a scholarship committee made up of members of the SRT Board of Directors and employees review scholarship applications from area students. And every year, our local students continue to impress. Students are judged on their academic accomplishments, community involvement, school involvement and an essay.

This year we had applications submitted from nearly every school in the SRT territory. While only five total winners are chosen, each student should be proud of all they have done throughout their high school careers. SRT awards four \$1500 scholarships, and one \$2500 SRT Technical Scholarship.



Stephen Ellingson
MLS-Mohall High School
Son of Jarrett & Roxanne Ellingson Sherwood



Gage Jaeger
Minot High School
Son of Kent and Mickey Jaeger Minot



Ryleigh Poppinga
Our Redeemer's Christian School
Daughter of Eric & Kim Poppinga Minot



Karena Verbitsky
South Prairie High School
Daughter of Alan & Laurie Verbitsky Minot



SRT Technical Scholarship
Nicholas Effertz
Velva High School
Son of Alan & Monica Effertz Velva



FOUNDATION FOR RURAL SERVICE

FRS Scholarship / Two students from the SRT service area have been awarded nationally recognized scholarships from the Foundation for Rural Service (FRS), in cooperation with NTCA-The Rural Broadband Association. Out of 1,400 applicants across the nation, Lyndsey Spelhaug from Minot High School and SRT Technical Scholarship winner Nicholas Effertz from Velva High School were both selected to receive a prestigious \$5,000 scholarship. This particular scholarship is awarded to students with future interest in Science, Technology, Engineering, and Math (STEM) fields.



Nicholas Effertz
Velva High School
Son of Alan & Monica Effertz Velva



Lyndsey Spelhaug
Minot High School
Daughter of Roger & Correne Spelhaug Minot



INVESTED LOCALLY

IN YOUR COMMUNITY

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2017

ASSETS

Current Assets

Cash and temporary cash investments	\$ 4,102,092
Accounts, notes and interest receivable	6,482,095
Materials and supplies	1,216,153
Prepaid expenses	967,989

Total Current Assets	12,768,329
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Investments and Noncurrent Assets

Investment in securities	1,549,790
Other investments	8,348,008
Nonregulated investments - net	630,657
Deferred charges	702,640

Total Investments and Noncurrent Assets	11,231,095
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Telecommunications Plant

Total investment in plant	300,952,580
Less: accumulated depreciation	(161,038,063)

Net Investment in Plant	139,914,517
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Total Assets	163,913,941
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LIABILITIES AND EQUITIES

Current Liabilities

Current portion of long-term debt	3,975,996
Accounts payable	4,271,832
Accrued taxes	297,729
Advance payments and billings	26,345
Other current liabilities	920,210

Total Current Liabilities	9,492,112
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LONG TERM DEBT, LESS CURRENT MATURITIES

49,772,211

OTHER LIABILITIES

5,677,339

EQUITIES

Patronage capital	89,589,236
Other capital	9,383,043

Total Equities	98,972,279
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Total Liabilities and Equities	\$ 163,913,941
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YOUR **GIG**
INTERNET EXPERTS

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2017

OPERATING REVENUES

Local network services	\$ 7,286,940
Network access services	21,536,090
Long distance network services	1,204,021
Miscellaneous	1,383,081
Total Telephone Revenue	31,410,132
PCS network services	5,697,971
Internet revenue	9,485,080
Cable television revenue	2,237,795
Nonregulated revenue	1,283,971
Total Operating Revenues	50,114,949

OPERATING EXPENSES

Plant operations	17,943,710
Depreciation	9,427,107
Customer operations	2,936,961
Corporate operations	4,235,626
Operating taxes - other	97,496
Total Telephone Operating Expenses	34,640,900
PCS operating expenses	7,782,763
Internet operating expenses	4,131,109
Cable television operating expenses	2,576,760
Nonregulated expenses	1,645,109
Total Operating Expenses	50,776,641

NET OPERATING MARGIN

(661,692)

NON-OPERATING INCOME (EXPENSE)

Interest and dividend income	2,791,630
Amortization of intangibles	(448,424)
Income from equity investments	752,000
Other Gains/(Losses)	1,983,480
Miscellaneous	(101,649)
Total Nonoperating Income	4,977,037

NET MARGIN BEFORE INTEREST AND INCOME TAXES

4,315,345

INTEREST AND RELATED ITEMS

1,397,635

NET MARGIN BEFORE INCOME TAXES

2,917,710

PROVISION FOR INCOME TAXES

(10,742)

NET MARGIN

\$ 2,928,452



COMMITTED TO YOU THE CUSTOMER

MINUTES OF THE 2017 ANNUAL MEETING

The 66th 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 15, 2017, pursuant to due notice to all members. SRT President, Stanley Vangsness, presided.

NATIONAL ANTHEM/FLAG PRESENTATION: President Vangsness 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. Sarah Birdsall from Carpio sang the National Anthem.

WELCOME: President Vangsness welcomed everyone to SRT’s 66th Annual Meeting.

INVOCATION: Father Michael Schommer from Saint Cecilia’s Catholic Church in Towner delivered the invocation.

INTRODUCTION OF SRT BOARD MEMBERS: President Vangsness introduced SRT’s current board members and the districts from which they serve.

INTRODUCTION OF GUESTS & READING OF LETTERS: President Vangsness read the names of special guests and letters of dignitaries, including: Governor Doug Burgum, Senator Heidi Heitkamp, Senator John Hoeven, Representative Kevin Cramer, and Tax Commissioner Ryan Rauschenberger.

CALL TO ORDER: The meeting was called to order by President Vangsness at 7:00 p.m. The President declared the presence of a quorum. President Vangsness appointed Attorney David Hogue as recording secretary and parliamentarian.

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

READING OF 2016 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2016 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 David Hogue, from Pringle & Herigstad, PC, explained the procedure for nomination and election of directors of SRT. Attorney Hogue introduced the candidates from each district: Stanley Vangsness of Berthold (District 1), Kristi Miller of Maxbass (District 2), John Marshall of Towner (District 3) and Deanna Klein of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Stanley Vangsness announced that members Virginia Erickson from

Berthold, Jasmine Tengesdahl from Maxbass, Orrin Nelson from Towner, and Kim Rosslan from Minot were appointed as the Credentials and Election Committee.

FINANCIAL REPORT: President Vangsness 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 \$51.5 million. SRT’s “net margin,” the rough equivalent of net profit, was \$3.7 million for the 2016 fiscal year. SRT’s assets stand at \$153 million, while liabilities are \$39.4 million.

GENERAL MANAGER’S REPORT: General Manager Steve Lysne presented the General Manager’s Report. Mr. Lysne described SRT’s twenty-year history of providing wireless service throughout SRT’s service area. As Mr. Lysne noted, SRT operated twice as many sites in SRT’s service area, compared to other providers in North Dakota.

Mr. Lysne described SRT’s reasons for selling portions of its wireless business to Verizon. The wireless service began as a voice and text service. However, as Mr. Lysne described, wireless service has evolved into a data service. Small carriers with only a local footprint were and remain at a significant competitive disadvantage to national carriers. Mr. Lysne noted that “smart phones” are actually small computers. These computers require a significant data network. SRT could not provide a network that is compatible with smart phones and other wireless devices.

Mr. Lysne noted Verizon is an excellent wireless partner. Mr. Lysne noted Verizon is committed to providing strong coverage throughout SRT’s service area, while leasing tower space from SRT’s wireless infrastructure. So, Mr. Lysne noted, SRT remains in the wireless business as a provider of infrastructure to Verizon and other national wireless carriers.

Mr. Lysne described the decision process to partner with Verizon, which dates back to 2011. Mr. Lysne noted the data roaming charges from national carriers made SRT’s plan financially unsustainable.

Mr. Lysne described SRT’s efforts to attract national wireless providers, which will only enhance SRT customer competitive choices for wireless service.

Mr. Lysne also described SRT’s efforts to deploy fiber to all customers within SRT’s service area.

MINUTES OF THE 2017 ANNUAL MEETING

PRESIDENT’S MESSAGE: President Stanley Vangness discussed the annual meeting theme of “Premier Service. Local Experts.” Mr. Vangness described the benefits of doing business locally and the expertise possessed by SRT.

President Vangness described the difficult decision to partner with Verizon regarding wireless services. Mr. Vangness also described a bylaw change to permit broadband customers to become members of SRT, alongside landline customers.

President Vangness described the importance of SRT’s new status as a 1 gigabit provider.

President Vangness introduced Cassidy Kersten Hjelmstad, Director of Corporate Communications, to discuss SRT’s commitment to the communities SRT serves.

SCHOLARSHIP RECIPIENTS: Cassidy Hjelmstad explained SRT’s scholarship program and named the 2017 recipients. They are: Thea Bonebrake, Minot High School; Travis Huber, Surrey High School; Hannah Lemer, Drake-Anamoose High School; and Samantha Nordmark, Rolla High School.

Cassidy Hjelmstad also announced a new SRT Technical Scholarship which is awarded to a student working toward a degree in telecommunications or a related technical field. The 2017 recipient is Caitlyn Bachmeier who plans to attend Minot State University.

Cassidy Hjelmstad played a short video related to SRT’s efforts to bring digital technology to local high schools.

YOUTH TOUR RECIPIENTS: Cassidy Hjelmstad also announced the students chosen to represent SRT at the 2017 Foundation for Rural Service Youth Tour Program held in Washington, D.C. Britney Rice from Westhope High School and Micah Winburn from Minot High School were this year’s representatives.

PRIZE WINNERS: Cassidy Hjelmstad announced various prize winners.

ELECTIONS COMMITTEE REPORT: Attorney David Hogue and Election Committee Member Orrin Nelson announced the report of the Elections Committee on the elections for the following directorships, who cast ballots as follows:

DISTRICT 1	
Stanley Vangness	44
Spoiled ballots	1

DISTRICT 2	
Kristi Miller.....	60
Spoiled ballots	2

DISTRICT 3	
John Marshall.....	44
Spoiled ballots	0

DISTRICT 4	
Deanna Klein.....	406
Spoiled ballots	18

There was a total of 575 ballots cast. Attorney Hogue 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 7:55 p.m.

DOOR PRIZES: Door prizes were awarded to registered members.



 David J. Hogue, Recording Secretary



 John Marshall, Secretary

ATTEST:



 Stanley Vangness, President



**INNOVATING
FOR YOU**

We Are Where You Are

SRT.COM / f 

Love SRT



SRT Headquarters / 3615 North Broadway / P.O. Box 2027 / Minot, ND 58702-2027

This institution is an equal opportunity provider and employer.