

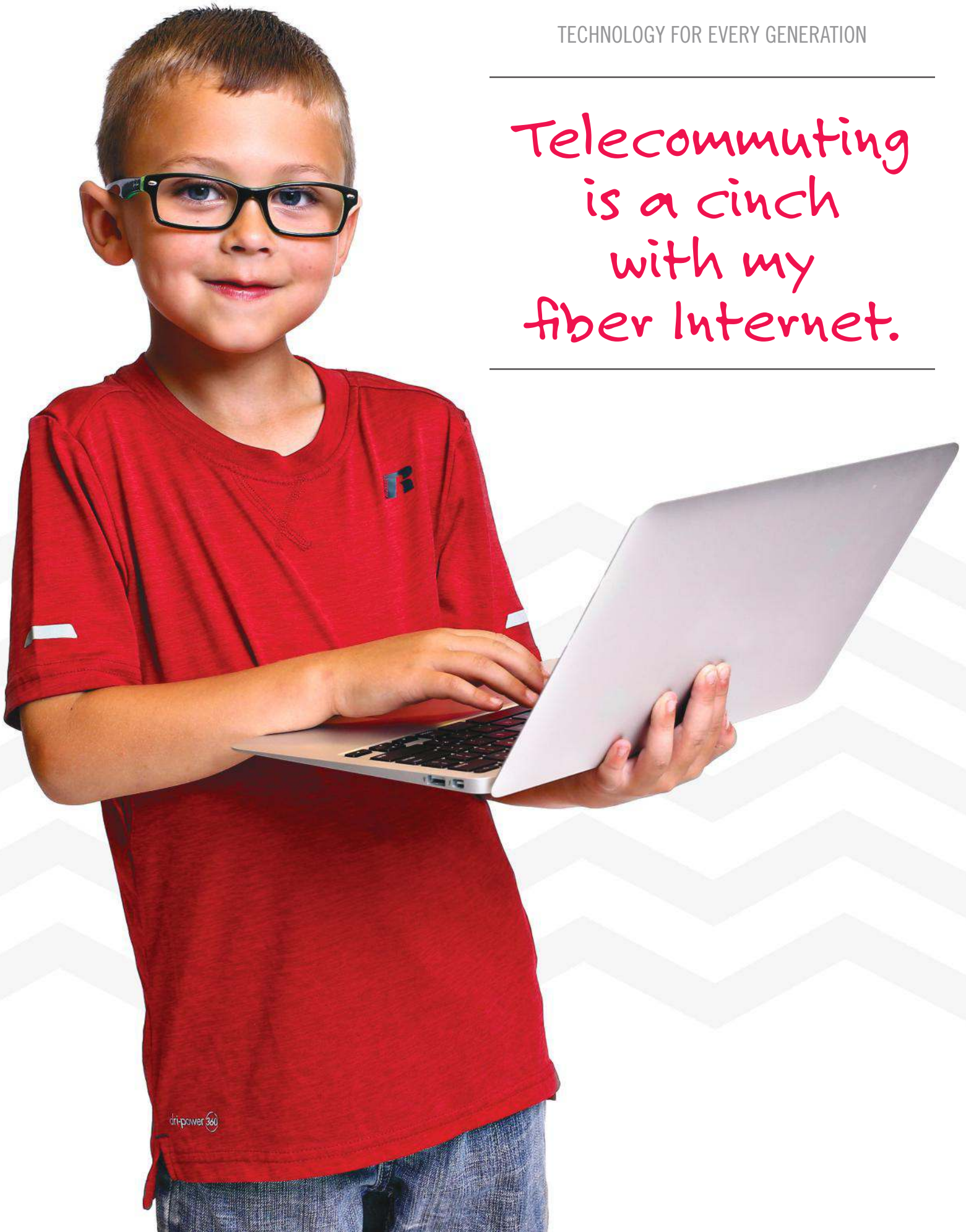
2019 ANNUAL REPORT

TECHNOLOGY FOR EVERY GENERATION



TECHNOLOGY FOR EVERY GENERATION

Telecommuting
is a cinch
with my
fiber Internet.



SCHEDULE OF EVENTS

4:30pm

Doors Open
Registration & Voting Begin
Pre-meeting Entertainment
Jerry Schlag and the JMB Band

5:00 - 7:00pm

Complimentary Meal Catered by Homesteaders
Photo Booth
Kids Play Zone – Inflatables, Snacks and Prizes
SRT Customer Information Booths Available

5:30 - 7:00pm

Main Stage Entertainment – Too Old To Stand



7:05pm

Business Meeting

Registration and voting officially close at 7:00 PM.

GENERAL MANAGER AND BOARD PRESIDENT'S REPORT

Technology for Every Generation

Welcome to the 2019 SRT Annual Meeting! The theme “Technology for Every Generation” was chosen because we are building our communications network and infrastructure not just for you, today’s owners, but for tomorrow’s owners as well. Technology changes take place at record pace, so with the work that SRT is doing today, we are positioning the cooperative to be ready for those inevitable changes.

SRT has successfully transitioned from being primarily a voice service provider to a broadband internet service provider. The Federal Communications Commission has defined “broadband” as “high speed internet access.” Voice services are still a major component of our revenue stream, but those services are now provided through our broadband network.

In 2018, for the first time in SRT’s history, there were more broadband internet customers than landline phone customers. Compared to national statistics, the growth of SRT internet in conjunction with the decline of SRT landlines are on pace with national rates, which reinforces the necessity for continued investments in network and broadband internet technology. Making robust and affordable broadband available in rural communities has been a challenge, requiring resolve, resourcefulness, and a special commitment to community.

From Voice to Broadband

To accommodate this change from a voice driven network to a data driven network, SRT needed to completely change out its network for delivery of our services, which takes a considerable amount of resources in both time and money. That is why the cooperative chose to invest in a fiber optic network.

Fiber Optics: A fiber optic cable is a network cable that contains strands of glass fibers inside an insulated casing. It is designed for long distance, high-performance data networking and telecommunications.

The copper cable that delivered services to your home or business had to be upgraded to fiber optics. No other technology can deliver as much bandwidth to the customer as fiber-to-the-home. We started our fiber build with the most unserved area, according to our mission, and connected 2,900 locations to fiber in 2011, and ended 2018 with over 21,000 fiber connections. That number will continue to grow as we expand our fiber network.

Fiber optics has assisted with smart agriculture in our farming communities by providing benefits like monitoring a farm remotely and watching livestock. Fiber moves large data for businesses with the fastest delivery mechanisms and allows one business to connect multiple locations seamlessly. And, fiber internet provides the speeds needed for leisure or telecommuting.

The Switch Connects Your Call

Softswitch: A softswitch (short for software switch) uses software on standard hardware to control phone calls, whereas older switching equipment uses dedicated, purpose-built switching hardware.

The legacy telephone switch that was in service for over 34 years needed to be updated to a softswitch that is internet protocol-based. Telephone switches route calls through the Public Switched Telephone Network. Once again, technology has influenced how SRT conducts business as it was imperative that our old switch be upgraded to the softswitch to continue to offer voice services on a reliable and supported platform.

SRT the ISP – Access to the Internet

ISP (Internet Service Provider) Network: In short, an ISP provides you with internet access. Without an ISP, you wouldn’t be able to shop online, access Facebook, or read email. Connecting to the internet requires specific telecommunications, networking, and routing equipment. ISPs allow users access to networks that contain the required equipment, enabling users to establish internet connectivity.

Internet traffic demand has increased year over year so another technology upgrade was made to increase the amount of data that can be passed through our network. The SRT ISP Modernization Plan for 2018 included:

- a. Upgrade data center to next generation virtual servers
- b. Upgrade ISP and network transport backbone to 100 gigabit per second (Gbps)
- c. Upgrade ISP upstream bandwidth to dual 100Gbps redundant connections
- d. Began process of upgrading Cisco Broadband Network Gateway for subscriber authentication

Servers, switches and routers are technology terms that SRT encounters daily. To the customer, that is what ensures we keep your network running. As member-owners, the strategic decisions that

are made in the board room are meant to follow up on our mission of providing “competitively priced, high quality communications services which are responsive to the needs of our customers.”

SRT and Partnerships

SRT, along with 13 other owner companies, created DCN (Dakota Carrier Network) in 1996. The goal behind the 14 North Dakota telecommunications companies was to connect state government, medical communities, financial institutions, provide mobile backhaul and more. Not only has DCN been able to make those connections, but this partnership also provides services like carrier ethernet, high speed internet access, data storage, private line services and co-location data center facilities.

Telemedicine: The remote diagnosis and treatment of patients by means of telecommunications technology.

As SRT brings fiber to the home, we see the positive impact it is creating. One example of how SRT services can enhance our local communities is through the Central Regional Education Association (CREA), which launched a School eNurse Program. This program leverages a telehealth platform by connecting rural students to nurses through live video and audio. This program fulfills a health care need for rural schools in our area who do not have a school nurse and may not have a health clinic in their community. This is just one example of how technology is shaping rural America.

Regulatory Update

SRT can be impacted by decisions the Federal Communications Commission (FCC) makes and therefore, it is important that SRT stays abreast of policy changes. Two of the more recent issues that our national advocacy association has commented on include net neutrality and consumer privacy.

1. Net Neutrality and Interconnection (Source: NTCA Paper)

SRT does agree and comply with the net neutrality principles that state that ISPs (like SRT) should not block data and that customers are entitled to clear disclosures regarding their terms of service. Our concern with the 2015 rules adopted by the FCC imposed new regulations that favored certain industry sectors at the expense of rural operators by imposing costly and distracting burdens upon them.



Steve D. Lysne
General Manager/CEO



Allan Engh
Board President

We support our national organization's (NTCA – The Rural Broadband Association) position on this:

“NTCA recommends a limited framework that would specifically prohibit actions in the interconnection and exchange of data that undermine broadband development or universal service, and would enable the FCC to step in and resolve disputes that may arise between operators consistent with such a prohibition.”

2. Consumer Privacy and Data Security (Source: NTCA Paper)

In today's world, customer privacy and data security have become a top priority for internet service providers. Customers need a uniform expectation of privacy and security for their online activities. Any framework for consumer privacy and security should include three primary principles:

1. Clear and concise notice and explanation of privacy practices
2. Consumer determination of which entities can access various data
3. Holders of consumer data utilize best practices in protecting consumer data

We will continue to monitor the policies that can affect you, the end-user, and work with our state and national organizations to advocate on your behalf.

As we close, we'd like to thank you, our member-owners, for entrusting SRT to be your communications provider. We will continue to work diligently to live out our vision to be the innovative company that makes the lives of those we serve better through our service offerings.

TECHNOLOGY FOR EVERY GENERATION

My wife
told me
to upgrade
our Internet



History and Commitment

SRT – Providing Technology for Every Generation

SRT was incorporated in 1951 with the goal of bringing telephone service to rural north central North Dakota. Fast forward 68 years later and SRT, the largest telecommunications cooperative in the state, has transformed to a broadband company offering high speed Internet on fiber optic cable, TV services, telephone, security systems, business services and more. With operating revenues of over \$50 million in 2018, SRT is continuously investing in its network to meet the demands of today's technology. SRT recognized the need for faster broadband in rural communities by building a fiber optic network for customers and has placed nearly 7,000 miles of fiber within its service area. SRT also strives to be a good corporate citizen through involvement in local community events, contributing financial support or services to local causes promoting the growth and well-being of the community, and offering opportunities for area youth through scholarship programs.

As a cooperative, SRT is governed by a Board of Directors who oversee the strategic direction of the cooperative by attending monthly board meetings. Benchmark reports are given to ensure the cooperative is meeting the goals set forth. SRT board members also serve on internal SRT committees such as Scholarship, Annual Meeting and Governance, to name a few. They attend community events throughout the year and represent SRT on various state and national telecommunications associations. Board members represent one of four districts in the SRT territory and are elected for three-year terms. Each year at the annual meeting, members elect someone from each of the four districts to represent them on the cooperative board.

BAND – An Introduction

SRT is a proud member of BAND, the Broadband Association of North Dakota, formerly the North Dakota Association of Telephone Cooperatives. The 2018 name change reflects the shift in communication needs from telephone to broadband. This evolution is what fuels the commitment of the member organizations to ensure North Dakota is the most connected state in the nation. The association was formed 65 years ago to ensure the highest quality telephone communication systems were available and guard against unfavorable legislation. Thanks to the 18 North Dakota telecommunication organizations that make up BAND, including SRT, over 45,000 miles of fiber have been placed throughout the state. BAND continues to build off its promise as this fiber optic network provides high speed internet to even the most rural citizens in our state. The members of BAND are devoted to meeting the communication needs of North Dakotans now and into the future.



NTCA – Our Voice in D.C.

On a national level, SRT is part of NTCA-The Rural Broadband Association, an association that represents approximately 850 independent and community focused telecommunications companies on an advocacy front. NTCA aims to work with rural broadband providers to create a better broadband future by influencing policy makers. NTCA also established the Foundation for Rural Service (FRS), which is a nonprofit foundation dedicated to augmenting the quality of life in America by educating and lobbying for rural communications issues.



TECHNOLOGY FOR EVERY GENERATION

What did we
do before
the Internet?



2018 BOARD OF DIRECTORS



Allan Engh
President
Sherwood • District 1



Dennis Erber
Glenburn • District 2



Gerald Henry
Newburg • District 3



Stacey Diehl
*Assistant Secretary/
Treasurer*
Minot • District 4



Ardel Rice
Mohall • District 1



Kristi Miller
Vice President
Maxbass • District 2



John Marshall
Towner • District 3



Deanna Klein
Secretary/Treasurer
Minot • District 4



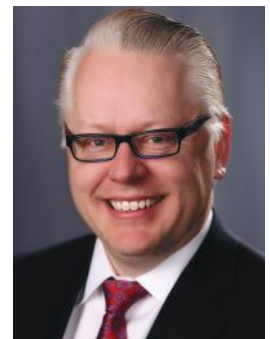
Stanley Vangsness
Berthold/Carpio • District 1



Jim Newman
Sawyer • District 2



Dennis Schott
Butte • District 3



Tom Wentz, Jr.
Minot • District 4

2019 Director Election:

District 1 - Allan Engh
(Incumbent)
District 2 - Tom Jespersen

District 3 - Tom Henry
District 3 - Stuart Rothe

District 4 - Benjamin Robertson
District 4 - Tom Wentz, Jr.
(Incumbent)

TECHNOLOGY FOR EVERY GENERATION

What's the
WiFi password?



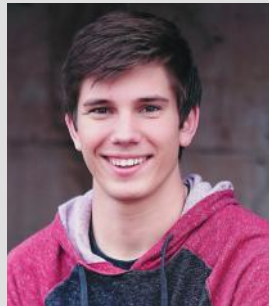
SCHOLARSHIPS & AWARDS

Scholarship / The SRT Scholarship Committee, comprised of SRT board members and employees, was tasked with reading and assessing local area students' scholarship applications. This year's students submitted well thought and notably impressive applications, in addition to being active in community service and school related sports and activities. Students were judged on their academic accomplishments, community involvement, school involvement and an essay.

SRT offers four general scholarships for \$1500 each, and awards one SRT Technical Scholarship for \$2500, which is geared towards students currently enrolled in or planning to study in a computer technology- or telecommunications-related field. Congratulations to all!



Grace Bachmeier
TGU-Granville High School
Daughter of Dale and Wanda Bachmeier Granville



Chase Driscoll
MLS-Mohall High School
Son of Chad and Dana Driscoll Sherwood



Trent Hunsakor
Newburg United High School
Son of Scott and Nancy Hunsakor Newburg



Benjamin Van Berkomp
Des Lacs-Burlington High School
Son of Lance and Terry Van Berkomp Burlington



SRT Technical Scholarship
Ethin Probst
Lake Region State College
Son of Paul and Carolyn Probst Minot



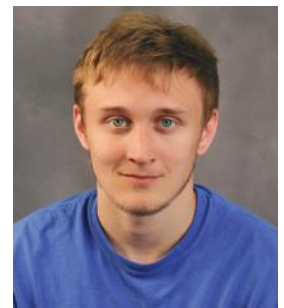
FOUNDATION FOR
RURAL SERVICE

Youth Tour / Congratulations to Téa Boeckel from Our Redeemer's Christian School and Cody Frounfelter from TGU-Granville High School. These students were selected by their schools to represent their high schools on behalf of SRT at the 2019 Foundation for Rural Service (FRS) Youth Tour in Washington, D.C.

Boeckel and Frounfelter joined over 100 students who were selected by other telecommunication cooperatives from across the United States. The FRS Youth Tour celebrated its 25th Anniversary and took place June 1-5, 2019. Students learned about the telecommunications industry, witnessed how the legislative process unfolds, and visited historical Washington, D.C. sites.



Téa Boeckel
Our Redeemer's Christian School
Daughter of Dean and Anne Boeckel Minot



Cody Frounfelter
TGU-Granville High School
Son of Terry Frounfelter Granville



TECHNOLOGY FOR EVERY GENERATION

Now I can
stream all
the shows
I loved as
a kid.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2018

ASSETS

Current Assets	
Cash and temporary cash investments	\$ 7,570,255
Accounts, notes and interest receivable	4,098,691
Materials and supplies	984,171
Prepaid expenses	1,052,128
Total Current Assets	13,705,245
Investments and Noncurrent Assets	
Investment in securities	2,525,053
Other investments	8,683,791
Nonregulated investments - net	3,817,374
Deferred charges	662,506
Total Investments and Noncurrent Assets	15,688,724
Telecommunications Plant	
Total investment in plant	272,682,987
Less: accumulated depreciation	126,733,700
Net Investment in Plant	145,949,287
Total Assets	175,343,256

LIABILITIES AND EQUITIES

Current Liabilities	
Current portion of long-term debt	4,312,221
Accounts payable	4,902,047
Accrued taxes	256,939
Other current liabilities	908,783
Total Current Liabilities	10,379,990
LONG TERM DEBT, LESS CURRENT MATURITIES	56,102,968
OTHER LIABILITIES	5,350,471
EQUITIES	
Patronage capital	93,678,703
Other capital	9,831,124
Total Equities	103,509,827
Total Liabilities and Equities	\$175,343,256



TECHNOLOGY FOR EVERY GENERATION

If my WiFi
goes down
my whole
business stops

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2018

OPERATING REVENUES

Local network services	\$ 6,909,381
Network access services	24,575,714
Long distance network services	1,075,412
Miscellaneous	1,359,597
Total telephone revenue	33,920,104
PCS network services	1,186,116
Internet revenue	10,010,833
Cable television revenue	2,303,501
Nonregulated revenue	1,158,337
Total Operating Revenues	48,578,891

OPERATING EXPENSES

Plant operations	17,945,848
Depreciation	9,995,330
Customer operations	3,071,827
Corporate operations	4,197,846
Operating taxes - other	126,225
Total telephone operating expenses	35,337,076
PCS operating expenses	2,130,527
Internet operating expenses	4,545,698
Cable television operating expenses	2,491,426
Nonregulated expenses	1,510,664
Total Operating Expenses	46,015,391

NET OPERATING MARGIN 2,563,500

NONOPERATING INCOME (EXPENSE)

Interest and dividend income	4,318,927
Amortization of intangibles	(396,407)
Income from equity investments	843,772
Other Gains/(Losses)	77,315
Miscellaneous	(92,567)
Total Nonoperating Income	4,751,040

NET MARGIN BEFORE INTEREST AND INCOME TAXES 7,314,540

INTEREST EXPENSE AND RELATED ITEMS 1,530,081

NET MARGIN BEFORE INCOME TAXES 5,784,459

PROVISION FOR INCOME TAXES 69,492

NET MARGIN \$ 5,714,967

TECHNOLOGY FOR EVERY GENERATION

My kids use
all the WiFi
:(



MINUTES OF THE 2018 ANNUAL MEETING

The 67th 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 21, 2018, 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 members of the Minot Air Force Base Honor Guard. Lilly Solemsaas from Sherwood sang the National Anthem.

WELCOME: President Vangsness welcomed everyone to SRT's 67th Annual Meeting.

INVOCATION: Pastor Emily Nesdahl from Peace Lutheran Church in Burlington 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: Senator Heidi Heitkamp, Senator John Hoeven and Representative Kevin Cramer.

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 2017 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2017 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: Ardel Rice of Mohall (District 1), Dennis Erber of Glenburn (District 2), Dennis Schott of Butte and Tom Henry of Newburg (District 3), and Stacey Diehl of Minot (District 4).

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

Berthold, Jean Heit from Glenburn, Sydney Kalvick from Minot, Leah Moberg from Mohall, and Warren Zakopyko from Balfour 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 \$50,114,949. SRT's "net margin," the rough equivalent of net profit, was \$2,928,452 million for the 2017 fiscal year. SRT's assets stand at \$163,913,941, while liabilities are \$55,449,550.

COMPANY REPORT: General Manager Steve Lysne and President Stan Vangsness presented the Company's Report. They discussed SRT's continuing effort to deploy fiber throughout the SRT service area.

President Vangsness 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 2018 recipients. They are: Stephen Ellingson, MLS Mohall High School; Gage Jaeger, Minot High School; Ryleigh Poppinga, Our Redeemer's Christian School; and Karena Verbitsky, South Prairie High School.

Cassidy Hjelmstad also announced the SRT Technical Scholarship which is awarded to a student working toward a degree in telecommunications or a related technical field. The 2018 recipient is Nicholas Effertz from Velva High School who plans to study computer science at the University of North Dakota.

Cassidy Hjelmstad also announced two students from the SRT service area who have been awarded national scholarships from the Foundation for Rural Service which SRT sponsors. The 2018 recipients are Nicholas Effertz from Velva High School and Lyndsey Spelhaug from Minot High School.

YOUTH TOUR RECIPIENTS: Cassidy Hjelmstad also announced the students chosen to represent SRT at the 2018 Foundation for Rural Service Youth Tour Program held in Washington, D.C. Trent Hunsford from Newburg High School and Austin Schatz from Velva High School were this year's representatives.

PRIZE WINNERS: Cassidy Hjelmstad announced various prize winners.

MINUTES OF THE 2018 ANNUAL MEETING

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

DISTRICT 1

Ardel Rice	45
Spoiled ballots	2

DISTRICT 2

Dennis Erber	79
Spoiled ballots	4

DISTRICT 3

Tom Henry	22
Dennis Schott	62
Spoiled ballots	3

DISTRICT 4

Stacey Diehl	438
Spoiled ballots	23

There was a total of 678 ballots cast. Attorney Hogue declared that all four winning candidates were elected for a three-year term.

OTHER BUSINESS: The President called for old and new business. None was presented. However, the President reviewed several amendments to the bylaws of SRT that were adopted by the SRT Board of Directors in the previous year. Those amendments related

to clarifying eligible members of SRT and permitting legal notices to be given electronically to SRT members and SRT board members.

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:



Stan Vangsness, President

TECHNOLOGY FOR EVERY GENERATION

Fiber Internet
is the future.





Love SRT



SRT.COM / f 

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

This institution is an equal opportunity provider and employer.