

KEEPING
YOU
CONNECTED
IT'S WHY WE DO
WHAT WE DO



OUR MISSION

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.

KEEPING YOU CONNECTED, IT'S WHY WE DO WHAT WE DO.

Keeping you connected isn't just our job, it's our mission. We work behind the scenes daily to make sure business runs efficiently, students can learn, and entertainment gives you the break you need!

In the spring of 2020, the importance of staying connected to work, school, and family was brought to the forefront of the minds of people across our area, around our country, and throughout the world. The ever-changing nature of the COVID-19 pandemic caused us all to look at our connections differently.

SRT quickly transformed processes as we balanced the communications needs and safety of members and employees. As

Summers for SRT usually mean visiting with members at picnics, festivals, and other gatherings in their communities. Although these events were canceled, we wanted to stay connected with our members in their home town. We partnered with restaurants throughout our rural service area to provide free meals for community members. Along with locally owned restaurants who are the heart of their communities, we were able to serve over 1,700 meals. While we wish we could have joined in the fun, we loved hearing the stories of family picnics and people delivering meals to their neighbors.

Even for those of us "in the business" it was exciting and



demand for internet speeds grew, technicians were able to install temporary internet service eliminating the need to enter homes. A contact free drop-off system for returned modems was established, and we extended customer service hours for online instant chat, email, and social media. These efforts were punctuated as SRT joined the FCC Keep Americans Connected Pledge to ensure residential and small business customers would not lose service caused because of an inability to pay due to the coronavirus.

As students transitioned to distance learning, SRT immediately began contacting the 19 schools in our service area. School officials identified families who did not have internet service. Over 120 families became top priority for SRT for internet installations to ensure students remained connected with their teachers for the remainder of the school year.

heartwarming to hear stories of how people were staying connected without leaving home. We asked customers to share photos of how they were using technology to stay connected with family and friends, and created two videos to showcase them. Violin lessons on video chat, zoom meetings from the dining room table, ipads with the faces of loved ones, church services, musicians and artists freely sharing their talents, and a book reading donkey were a few examples of how people used their SRT internet. Watching and hearing stories of innovation and connection refreshed our drive and commitment to exceed the communication needs of our members. Keeping you connected is why we do what we do.

GENERAL MANAGER AND BOARD PRESIDENT'S REPORT

COVID-19 Impact on SRT and Our Members

When you think of the “utilities” that we depend on every day in our homes - electricity, water, heat, communications (Internet, video, and even telephone service), I believe the communications SRT provides has risen to the top during this type of event. People are relying on their communications services for work, for their children's education, for keeping in touch with loved ones, for sustaining their physical and mental well-being (such as ordering groceries and other goods, Netflix, gaming, etc.) which is why SRT and other telecommunications providers are specifically recognized by the U.S. Department of Homeland Security as a “critical infrastructure provider whose assets, systems, and networks, whether physical or virtual, are considered to be so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health or safety, or any combination thereof.

For this reason, SRT continued to connect customers to our services even as other businesses were forced to shut down during the early stages of the pandemic. We continued to make connections to homes and businesses to ensure customers had the services they needed. We participated in a program to connect homes with children identified by our local schools who did not have the internet access required for home learning.

Finally, we signed off on the **FCC's Keep Americans Connected Pledge**, which began in March and ended on June 30, and read as follows:

Given the coronavirus pandemic and its impact on American society, SRT Communications, Inc. pledges to:

- (1) not terminate service to any residential or small business customers because of their inability to pay their bills due to the disruptions caused by the coronavirus pandemic;
- (2) waive any late fees that any residential or small business customers incur because of their economic circumstances related to the coronavirus pandemic; and
- (3) open its Wi-Fi hotspots to any American who needs them.

Fiber To The Home Connections and Construction Update

To provide higher Internet speeds, in 2012 SRT started our “Fiber to the Home” plan to bring fiber optics to our customer/member/owners.

In 2020 we will complete the placement of Fiber to all our rural exchanges, with the cutting of the final rural customers' services to fiber in 2021. In Minot, we have already provided fiber to most businesses, and in 2020 we started an aggressive plan to bring fiber to all residential customers.

SRT Fiber Deployment Strategy:

As we take a closer look at this work happening across our territory, we have various stages of work in progress.

Cutovers: SRT cutovers is the stage in the fiber to the home process in which our customer service representatives contact the customers and schedule home visits so our technicians can activate services on fiber. We are connecting people every day to our fiber network, giving our customers the ability to have the fastest internet available on the market.

Cutover areas are as follows: Lake Metigoshe, Minot Air Force Base, Newburg, Westhope, Upham, Sherwood and Tolley

Construction and splicing: Our construction crews are actively boring fiber in the ground in a few remaining towns. They will then place the fiber throughout the conduit. Once the fiber is placed in the ground, the splicing crews need to connect the fiber. They fuse the fiber strands together to connect to the network. The areas where construction and splicing are taking place include:

Splicing in progress: Deering, Maxbass, and Berthold

Fiber is placed in the ground and will be spliced next: Carpio, Donnybrook, Des Lacs, Butte, Karlsruhe, Sawyer, Mohall, and Lansford

Boring and placing fiber in the ground: Granville, Surrey, Glenburn and Burlington, and Towner

Engineering and planning phases: Additional fiber work has begun in neighborhoods around Minot. Those neighborhoods include: the Perkett area, Eastwood Park area, northeast Minot homes that are located south of the airport and north of McKinley Elementary, and finally, homes and businesses located south of Oak Park.

As we complete the rural fiber build and turn our focus towards Minot, we expect to place fiber to 4,800 locations in Minot in 2021. Businesses and homes south of the 2 & 52 Bypass, along with the area located south of Burdick Expressway and west of Broadway will be targeted next year.

USDA Rural Economic Development Loan and Grant Program

In 2009, SRT entered into the U.S. Department of Agriculture's Rural Economic Development Loan and Grant program, also known as REDLG, to provide funding to a rural organization. Qualified projects must create and retain employment in rural areas, along with other parameters. The Mohall Ambulance Service was the first entity to be awarded a REDLG loan. They needed a new building to house their ambulance and fire trucks and qualified for a 10-year, zero interest loan. In 2019, Mohall paid off the \$360,000 loan and became SRT's first completed REDLG project.

In addition to the REDLG program at SRT, the board donates to many community programs and projects throughout the year. The Board of Directors sees the value of having vibrant, thriving communities in the areas we serve.

Regulatory Issues

Each year there are new regulations that SRT monitors to ensure we are in compliance and that we are implementing them appropriately in the best interest of our customers. New regulations currently being considered include:

- **ROBO call blocking:** In June 2019, the FCC ruled that phone companies may, as a default, aggressively block unwanted robocalls before they reach consumers. SRT has signed up for call blocking based on analytics with Transaction Network Services.
- **STIR/SHAKEN:** On March 31, 2020, the FCC issued a mandate for telephone companies to implement STIR/SHAKEN call authentication to combat spoofed robocalls. This order requires all originating and terminating voice service providers to implement STIR/SHAKEN in the Internet Protocol portions of their networks by June 30, 2021. *Like other small/rural providers SRT is working with its vendors to gain access to the equipment required to implement this requirement.*
- **FCC Supply Chain Order:** On November 26, 2019, the Commission released its Supply Chain Order, which prohibited USF recipients from using those funds to purchase or maintain communications equipment or services from "covered companies." [5] The Commission asserted its legal authority under the 2019 NDAA. [6] Additionally, the FCC initially



Steve D. Lysne
General Manager/CEO



Allan Engh
Board President

designated Huawei and ZTE as covered companies and established a process for designating additional companies in the future. Consistent with that process, the Public Safety and Homeland Security Bureau has finalized the initial designations of Huawei and ZTE. SRT has never used these vendors in our network so we were complying even before the order was issued.

Closing Thoughts

During these unprecedented times, we would like to extend several heartfelt thank yous to our employees:

From the beginning of the pandemic, our buildings and grounds staff kept our buildings sanitized in order to provide a safe work environment. Our IT and network departments set up "work from home" stations to ensure we continued business operations. And, those work from home employees proved that they could function effectively and efficiently, even in alternate workspaces. Limited employees were needed to work in office, but they did so carefully, following CDC guidelines. Our customer-facing departments handled our customers with care. Out of respect for our customers, those departments took extra precautions to ensure we were putting the customer's safety first, as well as understanding that stress and anxiety were at a heightened level for many and patience was key. Our business department proactively reached out to business customers to assure them we were here to serve their communications needs. Our engineers and technicians kept our network functioning and continued with the fiber project. Our accounting and regulatory departments ensured we were in a strong financial position to continue to do our work.

In closing, thank you Members, fellow Board Members, and employees for staying connected to SRT by supporting our mission of providing quality services to our customers.

2019 BOARD OF DIRECTORS



Allan Engh
President
Sherwood • District 1



Dennis Erber
Glenburn • District 2



John Marshall
Towner • District 3



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



Ardel Rice
Mohall • District 1



Tom Jespersen
Velva • District 2



Stuart Rothe
Newburg • District 3



Deanna Klein
Secretary/Treasurer
Minot • District 4



Stanley Vangsness
Berthold/Carpio • District 1



Kristi Miller
Vice President
Maxbass • District 2



Dennis Schott
Butte • District 3



Benjamin Robertson
Minot • District 4

2020 Director Election /

District 1 Stanley Vangsness
Berthold
Incumbent

District 2 Jennifer Barta / Velva
Kristi Miller / Maxbass,
Incumbent

District 3 John Marshall / Towner,
Incumbent

District 4 Deanna Klein / Minot,
Incumbent
Dawn Palumbo / Minot
Ben Parker / Minot
Steve Pinnow / Minot

SCHOLARSHIPS

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 thoughtful 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.

Neeleigh Wollenzien

Daughter of Benjamin and Breanna Wollenzien
Towner, ND

Neeleigh is a 2020 graduate from Towner-Granville-Upham High School in Towner. She plans to attend Valley City State University to pursue the Health Science Program. Congratulations, Neeleigh! We wish you the best in this new adventure!



Landry Maragos

Daughter of Mike & Sheila Maragos
Minot, ND
Chad & Shanel Effertz
Velva, ND

Landry Maragos. Landry is a member of the 2020 graduating class from Minot High School. She will be attending Concordia College in Moorhead, Minnesota for a degree in Biology and Pre-Med, which she plans to lead her to Medical School at Johns Hopkins University. Congratulations Landry, and good luck!



Erika Neshem

Lewis & Clark - Berthold School
Daughter of Keith and Amy Neshem
Berthold, ND

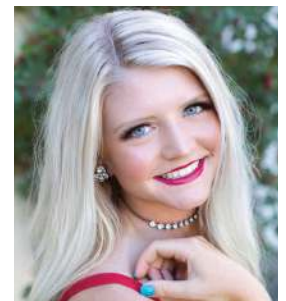
Erika is a 2020 graduate from Berthold High School. She will be attending the University of North Dakota in pursuit of a Nursing degree. An impressive fact about Erika is that she was pre-accepted for the Nursing program at UND, which is a huge accomplishment! Congratulations and good luck, Erika!



Becca Tschetter

Minot High School
Daughter of Greg and Nancy Tschetter
Minot, ND

Becca Tschetter. Becca is from Minot, and just graduated from Minot High School in the Class of 2020. She plans to attend Grand Canyon University in Phoenix, Arizona. Becca will be busy pursuing a degree in business economics and finance, while also being a member of the women's golf team at GCU. Best of luck, and congratulations, Becca!



GENERAL SCHOLARSHIP WINNERS

TECHNICAL SCHOLARSHIP

Jericho Limke

Lewis & Clark -
Berthold School
Son of Brad and Tina Limke
Carpio, ND

This spring, he graduated from Berthold High School, and now, Jericho will use this \$2,500 scholarship toward his pursuit of a Computer Engineering Degree at North Dakota State University. Congratulations, Jericho. Best of luck in your future!



CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2019

ASSETS

Current Assets	
Cash and temporary cash investments	\$ 7,339,799
Accounts, notes and interest receivable	4,743,268
Materials and supplies	984,654
Prepaid expenses	960,758
Total Current Assets	14,028,479
Investments and Noncurrent Assets	
Investment in securities	3,588,578
Other investments	8,498,548
Nonregulated investments - net	4,337,290
Deferred charges	612,362
Total Investments and Noncurrent Assets	17,036,778
Telecommunications Plant	
Total investment in plant	285,834,882
Less: accumulated depreciation	137,829,711
Net Investment in Plant	148,005,171
Total Assets	179,070,428

LIABILITIES AND EQUITIES

Current Liabilities	
Current portion of long-term debt	4,453,000
Accounts payable	2,067,879
Accrued taxes	300,704
Other current liabilities	929,210
Total Current Liabilities	7,750,793
LONG TERM DEBT, LESS CURRENT MATURITIES	56,100,606
OTHER LIABILITIES	5,544,401
EQUITIES	
Patronage capital	97,272,343
Other capital	12,402,285
Total Equities	109,674,628
Total Liabilities and Equities	\$179,070,428

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED
DECEMBER 31, 2019

OPERATING REVENUES

Local network services	6,568,320
Network access services	27,645,704
Long distance network services	1,013,489
Miscellaneous	1,376,384

Total telephone revenue	36,603,897
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Tower Rent Revenue	887,989
Internet revenue	10,334,393
Cable television revenue	2,323,960
Nonregulated revenue	1,133,411

Total operating revenues	51,283,650
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OPERATING EXPENSES

Plant operations	17,735,108
Depreciation	10,663,921
Customer operations	2,776,112
Corporate operations	4,440,259
Operating taxes - other	102,357

Total telephone operating expenses	35,717,757
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Tower rent operating expenses	1,271,089
Internet operating expenses	5,218,197
Cable television operating expenses	3,138,394
Nonregulated expenses	1,445,776

Total Operating Expenses	46,791,213
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NET OPERATING MARGIN

4,492,437

NONOPERATING INCOME (EXPENSE)

Interest and dividend income	4,952,686
Amortization of intangibles	(412,588)
Income from equity investments	520,030
Other Gains/(Losses)	36,262
Miscellaneous	(128,093)

Total Nonoperating Income	4,968,297
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NET MARGIN BEFORE INTEREST AND INCOME TAXES

9,460,734

INTEREST EXPENSE AND RELATED ITEMS

1,633,953

NET MARGIN BEFORE INCOME TAXES

7,826,781

PROVISION FOR INCOME TAXES

106,078

NET MARGIN

7,720,703

MINUTES OF THE 2019 ANNUAL MEETING

The 68th 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, 2019, pursuant to due notice to all members. SRT President, Allan Engh presided.

WELCOME: President Engh welcomed everyone to SRT’s 68th Annual Meeting.

NATIONAL ANTHEM/FLAG PRESENTATION: President Engh asked all members to rise for the National Anthem. Presentation of the flags was done by members of the Boy Scout Troop 433 from Minot. Jasmine Rogers from Maxbass sang the National Anthem.

INVOCATION: Susan Schmutzler, member of The Pursuit church in Minot, delivered the invocation.

INTRODUCTION OF SRT BOARD MEMBERS: President Engh introduced SRT’s current board members and the districts from which they serve. President Engh recognized Gerald Henry and Jim Newman, two long term directors, who have decided to retire from the SRT board of directors.

INTRODUCTION OF GUESTS & ACKNOWLEDGMENT OF LETTERS: President Engh read the names of special guests and letters received from dignitaries, including: Senator John Hoeven and Senator Kevin Cramer.

CALL TO ORDER: The meeting was called to order by President Engh at 7:10 p.m. The President declared the presence of a quorum. President Engh appointed Attorney David Hogue as recording secretary and parliamentarian.

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

READING OF 2018 ANNUAL MEETING MINUTES: It was moved, seconded, and carried to approve the minutes of the 2018 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: Allan Engh of Sherwood (District 1), Tom Jespersen of Velva (District 2), Tom Henry of Newburg and Stuart Rothe of Newburg (District 3), and Tom Wentz, Jr. of Minot and Benjamin Robertson of Minot (District 4).

CREDENTIALS AND ELECTION COMMITTEE: President Engh announced that members Amy Hendershot from Sherwood, Stacey Weltikol from Sawyer, Wanda Opdahl from Westhope, and Michael Bosh from Minot were appointed as the Credentials and Election Committee. Ms. Opdahl served as chair of the committee.

FINANCIAL REPORT: President Engh 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 \$48,578,891. SRT’s “net margin,” the rough equivalent of net profit, was \$5,714,967 million for the 2018 fiscal year. SRT’s assets stand at \$175,343,256, while liabilities are \$71,833,429. SRT’s total equity stands at \$103,509,256.

COMPANY REPORT: CEO and General Manager Steve Lysne and President Allan Engh presented the Company’s Report. They discussed SRT’s continuing effort to deploy fiber throughout the SRT service area. Mr. Lysne noted that in 2018, SRT’s number of broadband customers exceeded the number of SRT’s landline telephone customers. President Engh described the ever-increasing demands for broadband as all devices, home appliances, and other machinery is increasingly dependent on broadband.

President Engh 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 2019 recipients. They are: Grace Bachmeier, TGU-Granville High School; Chase Driscoll, MLS-Mohall High School; Trent Hunskor, Newburg High School; Benjamin Van Berkom, Des Lacs Burlington High School. Mr. Van Berkom addressed the membership and thanked SRT for the scholarship award.

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 2019 recipient is Ethin Probst who graduated from Lake Region State College and will be attending Minot State University this fall to pursue a degree in computer science.

YOUTH TOUR RECIPIENTS: Cassidy Hjelmstad also announced the students chosen to represent SRT at the 2019 Foundation for Rural

MINUTES OF THE 2019 ANNUAL MEETING

Service Youth Tour Program held in Washington, D.C. Téa Boeckel from Our Redeemer’s Christian High School and Cody Frounfelter from TGU–Granville 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 Wanda Opdahl announced the report of the Elections Committee on the elections for the following directorships, who cast ballots as follows:

DISTRICT 1

Allan Engh..... 50
 Spoiled ballots 2

DISTRICT 2

Tom Jespersen 86
 Spoiled ballots 0

DISTRICT 3

Tom Henry..... 27
 Stuart Rothe..... 38
 Spoiled ballots 0

DISTRICT 4

Benjamin Robertson 238
 Tom Wentz, Jr..... 222
 Spoiled ballots 6

There was a total of 669 ballots cast. Attorney Hogue declared that Allan Engh, Tom Jespersen, Stuart Rothe, and Benjamin Robertson were the winning candidates and were elected for a three-year term.

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

ADJOURNMENT: The President called for a motion to adjourn and the meeting was so adjourned at 7:40 p.m.

DOOR PRIZES: Door prizes were awarded to registered members.

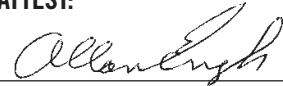


 David J. Hogue, Recording Secretary



 Deanna Klein, Secretary

ATTEST:



 Allan Engh, President

Love SRT



SRT.COM / f 

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

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