

# DIVIDER

STATE OF NORTH DAKOTA

□ INFORMATION TECHNOLOGY DEPARTMENT

SFN 2053 (4-2002)

**PU-06-420**

**SRT Communications, Inc.**

**Local Exchange**

**Public Convenience & Nece**

**Filed 9/18/2006**

**Closed 12/7/2006**

06



Public Service Commission  
Receipt of Payment

Receipt# 6868

Received: 5/23/2007 Check# 81325 for \$69.66  
Subject: Utility Valuation; Also Case No. PU-06-420

**Docket # PU-06-419**

SRT Communications, Inc.  
3615 N Broadway P O Box 2027  
Minot ND 58702-2027

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

SRT Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-06-419

SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-06-420

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Patricia Miller deposes and says that:

she is over the age of 18 years and not a party to this action and, on the 11th day of May, 2007, she deposited in the United States Mail, Bismarck, North Dakota, three envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Certificate of Public Convenience and Necessity

The envelopes were addressed as follows:

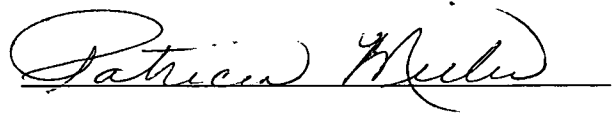
Steve D Lysne CEO  
SRT Communications Inc  
P O Box 2027  
Minot ND 58702-2027  
Cert. No. 7005 3110 0003 6265 2337

Dave Dircks  
North Dakota Telephone Company  
P O Box 180  
Devils Lake ND 58301-0180  
Cert. No. 7005 3110 0003 6265 2344

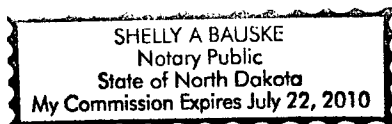
Julie Lizotte  
Director of Regulatory Affairs  
SRT Communications, Inc.  
PO Box 2027  
Minot ND 58702-2027  
Cert. No. 7005 3110 0003 6265 2351

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this 11th day of May, 2007.



SEAL



N 19 PU-06-420

Pages: 1

Affidavit of service

by Public Service Commission

05/11/2007

C: Comm Legal Ilona, Jerry, Annette . . .

**Public Service Commission**  
**STATE OF NORTH DAKOTA**

**Certificate of Public Convenience and Necessity**

**Certificate Number 5319**

*This is to certify that public convenience and necessity require, and permission is granted for SRT Communications, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Velva, North Dakota local exchange area.*

*This certificate is issued in Case No. PU-06-420 and is conditioned upon SRT Communications, Inc. securing the franchise or other authority of the proper municipal or other authority for the exercise of these rights and privileges and other conditions and limitations noted in the Order dated December 6, 2006.*

*Bismarck, North Dakota, May 10, 2007.*

**ATTEST:**

**PUBLIC SERVICE COMMISSION**

  
**Executive Director**

  
**Commissioner**

**Anderson, Lori D.**

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**From:** Lein, Jerry R.  
**Sent:** Thursday, May 10, 2007 9:39 AM  
**To:** Anderson, Lori D.  
**Cc:** -Grp-PSC Public Utilities  
**Subject:** FW: SRT PC&N

Lori – Will you please docket in Case Nos. PU-06-419 and PU-06-420? Thanks.

---

**From:** Julie Lizotte [mailto:julieel@srttel.com]  
**Sent:** Thursday, May 10, 2007 9:28 AM  
**To:** Jeffcoat-Sacco, Illona; Lein, Jerry R.; shelbling@state.nd.us  
**Cc:** Julie Lizotte  
**Subject:** SRT PC&N

Effective May 1, 2007, SRT Communications, Inc. has officially (and successfully) cut over the Velva exchange to our study area.

Please relinquish North Dakota Telephone Company's Certificate of PC&N for the Velva exchange and reissue a new Certificate of PC&N to SRT Communications, Inc.

Thank you,

Julie Lizotte  
Director of Regulatory Affairs  
SRT Communications, Inc.  
North Dakota Network Co.  
701.858.5233  
[julieel@srttel.com](mailto:julieel@srttel.com)

**17 PU-06-420** Pages: 1

Velva Exchange Officially Cut to SRT

by Public Service Commission

05/01/2007 C: Comm Legal Illona, Jerry, Annette . .

5/10/20

**15 PU-06-419** Pages: 1

Velva Exchange Officially Cut to SRT

by Public Service Commission

05/01/2007 C: Comm Legal Illona, Jerry, Annette . .

MOTION

May 2, 2007

SRT Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-06-419

SRT Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Case No. PU-06-420

I move the Commission bill SRT Communications, Inc. for costs incurred to date in Case No. PU-06-419, SRT Communications, Inc., Designated Eligible Carrier, Application and Case No. PU-06-420, SRT Communications, Inc., Local Exchange, Public Convenience & Necessity.



# Public Service Commission

## State of North Dakota

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### COMMISSIONERS

Susan E. Wefald, President  
Kevin Cramer  
Tony Clark

Executive Director  
Illona A. Jeffcoat-Sacco

600 E. Boulevard Ave. Dept 408  
Bismarck, North Dakota 58505-0480  
web: [www.nd.gov/psc](http://www.nd.gov/psc)  
e-mail: [ndpsc@nd.gov](mailto:ndpsc@nd.gov)  
TTY 800-366-6888 or 711  
Fax 701-328-2410  
Phone 701-328-2400

May 2, 2007

Steve D Lysne  
SRT Communications Inc  
PO Box 2027  
Minot ND 58702-2027

RE: Case No. PU-06-419  
SRT Communications, Inc.  
Designated Eligible Carrier  
Application

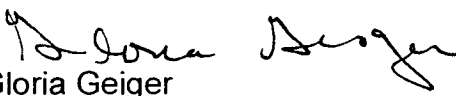
Case No. PU-06-420  
SRT Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Enclosed is a copy of the statement approved at the May 2, 2007 Public Service Commission meeting for the expenses incurred to date in Case Nos. PU-06-419 and PU-06-420.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the telecommunications company involved.

Please make your check payable to the *Public Service Commission*.

Sincerely,

  
Gloria Geiger  
Admin Staff Officer  
701-328-2401

Enc.

# Billing Statement

May 2, 2007

SRT Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-06-419

SRT Communications, Inc.  
Local Exchange  
Public Convenience & Necessity

Case No. PU-06-420

**Bill To:**

SRT Communications, Inc. ....\$69.66

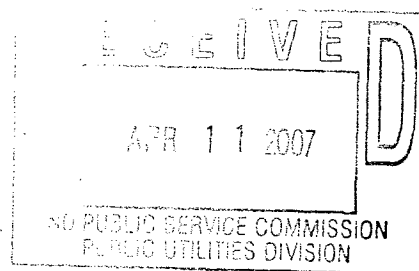
**Expenses Incurred to Date:**

Advertising Costs \$69.66

**Send Payment and a Copy of this Statement To:**

Public Service Commission  
600 E Boulevard Ave Dept 408  
Bismarck ND 58505-0480

**Federal Tax ID 45-0309764**



April 10, 2007

Illona A. Jeffcoat-Sacco  
Executive Secretary  
Director of Public Utilities  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard Ave, Dept 408  
Bismarck, ND 58505-0480

Dear Ms. Jeffcoat-Sacco,

Subject: Case No. PU-06-419 and Case No. PU-06-420

Attached are seven copies of an FCC Public Notice to grant consent for the Domestic Section 214 Application filed by SRT Communications, Inc. ("SRT") for the transfer of control of the assets of the Velva exchange from North Dakota Telephone Company ("NDTC") to SRT.

Also attached are seven copies of an FCC Order granting approval for the Petition for Waiver of the Study Area Boundary Freeze. This approval allows SRT to add the acquired Velva exchange into the SRT study area, and also allows SRT to include the Velva exchange into the National Exchange Carrier Associations ("NECA") average schedule settlements.

The closing of this acquisition will take place on May 1, 2007. Please relinquish the certificates of public convenience and necessity for the Velva exchange from NDTC and issue new certificates to SRT.

Sincerely,

A handwritten signature in cursive script that reads "Julie Lizotte".

Julie Lizotte  
Director of Regulatory Affairs

Enclosures

15 **PU-06-420** Pages: 10

FCC Public Notice to grant consent for the Domestic Section 214 Application by SRT Communications, Inc.  
04/11/2007 C: Comm Legal Illona, Jerry, Annette . .

13 **PU-06-419** Pages: 10

FCC Public Notice to grant consent for the Domestic Section 214 Application by SRT Communications, Inc.  
04/11/2007 C: Comm Legal Illona, Jerry, Annette . .



# PUBLIC NOTICE

Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

News Media Information 202 / 418-0500  
Fax-On-Demand 202 / 418-2830  
TTY 202 / 418-2555  
Internet: <http://www.fcc.gov>  
[http.fcc.gov](http://fcc.gov)

DA 06-2318

Released: November 16, 2006

## WIRELINE COMPETITION BUREAU GRANTS CONSENT FOR THE TRANSFER OF CONTROL OF THE ASSETS OF NORTH DAKOTA TELEPHONE COMPANY TO SRT COMMUNICATIONS, INC.

214  
approval  
PU-06-

WC Docket No. 06-185

Pursuant to section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214, and sections 0.91, 0.291, and 63.03 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, and 63.03, the Wireline Competition Bureau (Bureau) approves the application for the transfer of control of certain assets in the Velva exchange in North Dakota from North Dakota Telephone Company to SRT Communications, Inc.<sup>1</sup> No comments were filed in opposition to the grant of this transaction.

The Bureau finds, upon consideration of the record, that the proposed transfer will serve the public interest, convenience, and necessity, and therefore grants the requested authorization.<sup>2</sup> Pursuant to section 1.103 of the Commission's rules, 47 C.F.R. § 1.103, the consent granted herein is effective upon the release of the Public Notice.<sup>3</sup> Petitions for reconsideration under section 1.106 or applications for review under section 1.115 of the Commission's rules, 47 C.F.R. §§ 1.106, 1.115, may be filed within 30 days of the date of this Public Notice.

For further information, please contact Denise Coca at (202) 418-0574 in the Competition Policy Division, Wireline Competition Bureau.

- FCC -

<sup>1</sup> See Domestic Section 214 Application Filed for the Transfer of Control of the Assets of North Dakota Telephone Company to SRT Communications, Inc., WC Docket No. 06-185, Public Notice, DA 06-2004 (rel. Oct. 6, 2006).

<sup>2</sup> See Joint Applications of Global Crossing Ltd., and Citizens Communications Company for Authority to Transfer Control of Corporations Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 20, 22, 63, 78, 90, and 101 of the Commission's Rules, Memorandum Opinion and Order, 16 FCC Red 8507, 8511-14 (CCB/IB/CSB/WTB 2001) (granting transfer of control involving incumbent LECs with adjacent exchanges where merger would provide service efficiencies).

<sup>3</sup> Applicants filed a Petition for Waiver to Change Study Area Boundaries in connection with this transaction. Action on this domestic section 214 application is without prejudice to any action the Commission may take on the pending waiver requests that were filed along with this application.

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
SRT Communications, Inc. and North Dakota Telephone Company	)	
	)	
Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix- Glossary of the Commission's Rules; Petition for Waiver of Sections 69.3(e)(11) and 69.605(c) of the Commission's Rules	)	CC Docket No. 96-45
	)	
	)	
	)	

**ORDER**

**Adopted: April 3, 2007**

**Released: April 3, 2007**

By the Acting Deputy Chief, Wireline Competition Bureau:

**I. INTRODUCTION**

1. In this Order, we grant a joint request from SRT Communications, Inc. (SRT) and North Dakota Telephone Company (NDTC) (collectively, the Petitioners) for a waiver of the study area boundary freeze codified in the Appendix-Glossary of Part 36 of the Commission's rules.<sup>1</sup> This waiver will permit NDTC to remove the Velva exchange comprising approximately 720 lines from its North Dakota study area and will permit SRT to add that exchange to its existing North Dakota study area.<sup>2</sup> We also grant SRT's request for waiver of section 69.3(e)(11) of the Commission's rules so that it can include the acquired exchange in the National Exchange Carrier Association (NECA) common line tariff.<sup>3</sup>

<sup>1</sup> See 47 C.F.R. Part 36 App; SRT Communications, Inc. and North Dakota Telephone Company, Petition of Local Exchange Carriers for Waiver of "Study Area" Boundaries as defined in Appendix-Glossary of Part 36 in Connection with a Proposed Acquisition by SRT Communications, Inc. of all assets of North Dakota Telephone Company for the Velva Exchange in North Dakota, CC Docket No. 96-45 (filed October 2, 2006) (Petition). On November 27, 2006, the Wireline Competition Bureau (Bureau) released a public notice seeking comment on the petitions for waivers. See *Wireline Competition Bureau Seeks Comment on the Petition of SRT Communications, Inc. and North Dakota Telephone Company to Waive the Study Area Boundary Freeze, as Codified in Part 36 of the Commission's Rules and the Supplemental Petition of SRT Communications, Inc. for Waiver of Sections 69.605(c) and 69.3(e)(11) of the Commission's Rules*, CC Docket No. 96-45, Public Notice, 21 FCC Rcd 13754 (2006). The National Telecommunications Cooperative Association filed comments in support of the Petition. We note that the Bureau has granted transfer of control of the exchanges. See *Wireline Competition Bureau Grants Consent for the Transfer of Control of the Assets of North Dakota Telephone Company to SRT Communications, Inc.*, WC Docket No. 06-185, Public Notice, 21 FCC Rcd 13458 (2006).

<sup>2</sup> See Petition at 1-2.

<sup>3</sup> See 47 C.F.R. § 69.3(e)(11); SRT Communications, Inc. and North Dakota Telephone Company, Petition of Local Exchange Carriers for Waiver of "Study Area" Boundaries as defined in Appendix-Glossary of Part 36 in Connection with a Proposed Acquisition by SRT Communications, Inc. of all assets of North Dakota Telephone

(continued...)

Finally, we grant SRT's request for waiver of section 69.605(c) of the Commission's rules so that it may continue to operate as an average schedule company after the acquisition of the Velva exchange.<sup>4</sup>

## II. STUDY AREA WAIVER

### A. Background

2. Study Area. A study area is a geographic segment of an incumbent local exchange carrier's (LEC) telephone operations. The Commission froze all study area boundaries effective November 15, 1984, to prevent the establishment of high-cost exchanges within existing service territories as separate study areas merely to maximize high-cost universal service support.<sup>5</sup> A carrier must therefore apply to the Commission for a waiver of the study area boundary freeze if it wishes to sell or purchase additional exchanges.<sup>6</sup>

3. Universal Service Support. Section 54.305(b) of the Commission's rules provides that a carrier acquiring exchanges from an unaffiliated carrier shall receive the same per-line levels of high-cost loop support and local switching support for which the acquired exchanges were eligible prior to their transfer.<sup>7</sup> Section 54.305(b) is meant to discourage carriers from transferring exchanges merely to increase their share of high-cost universal service support.<sup>8</sup>

4. Petition for Waiver. SRT and NDTC filed a joint petition for a waiver of the study area boundary freeze on October 2, 2006. A study area waiver would permit NDTC to alter the boundaries of its North Dakota study area by removing the Velva exchange that it is transferring to SRT and would permit SRT to add the acquired exchange to its existing North Dakota study area.<sup>9</sup> SRT owns and operates, as an incumbent LEC, approximately 37,700 access lines in 26 exchanges in North Dakota.<sup>10</sup> NDTC is an incumbent LEC that owns and operates approximately 20,000 access lines in North Dakota.<sup>11</sup>

5. In evaluating petitions seeking a waiver of the rule freezing study area boundaries, the Commission traditionally has applied a three-prong standard: (1) the change in study area boundaries

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(...continued from previous page)

Company for the Velva Exchange in North Dakota, CC Docket No. 96-45 (filed October 13, 2006) (Supplemental Petition) at 2-3.

<sup>4</sup> See Supplemental Petition at 1.

<sup>5</sup> See *MTS and WATS Market Structure, Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, CC Docket Nos. 78-72, 80-286, Decision and Order, 50 Fed. Reg. 939 (1985) (*Part 67 Order*) adopting Recommended Decision and Order, 49 Fed. Reg. 48325 (1984). See also 47 C.F.R. Part 36 App.

<sup>6</sup> *Part 67 Order* at para. 1.

<sup>7</sup> 47 C.F.R. § 54.305(b). This rule applies to high-cost loop support and local switching support. A carrier's acquired exchanges may receive additional support pursuant to the Commission's "safety valve" mechanism. See 47 C.F.R. § 54.305(d)-(f) (safety valve support allows rural carriers to receive additional high-cost support to reflect significant investments in the infrastructure of the acquired exchanges). A carrier acquiring exchanges also may be eligible to receive interstate common line support (ICLS), which is not subject to the limitations set forth in section 54.305(b). See 47 C.F.R. § 54.902.

<sup>8</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8942-43, para. 308 (1997) (subsequent history omitted).

<sup>9</sup> See Petition at 1-2.

<sup>10</sup> See Petition at 2.

<sup>11</sup> *Id.*

must not adversely affect the universal service fund; (2) the state commission having regulatory authority over the transferred exchanges does not object to the transfer; and (3) the transfer must be in the public interest.<sup>12</sup> In evaluating whether a study area boundary change will have an adverse impact on the universal service fund, we analyze whether a study area waiver will result in an annual aggregate shift in an amount equal to or greater than one percent of high-cost support in the most recent calendar year.<sup>13</sup> The Commission began applying the one-percent guideline in 1995 to limit the potential adverse impact of exchange sales on the overall fund, also recognizing that, because high-cost loop support is capped, an increase in the draw of any fund recipient necessarily reduces the amounts that other LECs receive from the fund.<sup>14</sup> After the Commission adopted section 54.305, it continued to apply the one-percent guideline to determine the impact on the universal service fund in light of the adoption of safety valve support and ICLS.<sup>15</sup>

## B. Discussion

6. We find that good cause exists to waive the study area boundary freeze codified in the Appendix-Glossary of Part 36 of the Commission's rules to permit NDTc to alter the boundaries of its North Dakota study area by removing the Velva exchange that it is transferring to SRT.<sup>16</sup> We also find that good cause exists to permit SRT to add the Velva exchange to its existing North Dakota study area. We conclude that the Petitioners have satisfied the three-prong standard that the Commission applies to determine whether a waiver is warranted.

7. *Impact on the Universal Service Fund.* Because the proposed study area waiver will not result in a significant increase in high-cost support, we conclude that the universal service fund will not be adversely affected. With regard to the 720 lines that NDTc proposes to transfer to SRT, section 54.305(b) of the Commission's rules limits high-cost loop support and local switching support to the same per-line levels of support that NDTc received prior to the transfer.<sup>17</sup> NDTc currently does not receive high-cost loop support for the 720 lines it is transferring to SRT, therefore, SRT will not be eligible to receive high-cost loop support for the acquired lines.<sup>18</sup> Pursuant to Commission rules, SRT

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<sup>12</sup> See, e.g., *US WEST Communications, Inc., and Eagle Telecommunications, Inc., Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules*, AAD 94-27, Memorandum Opinion and Order, 10 FCC Rcd 1771, 1772, para. 5 (1995) (*PTI/Eagle Order*).

<sup>13</sup> See *id.* at 1774, paras. 14-17. See also *US WEST Communications, Inc., and Eagle Telecommunications, Inc., Joint Petition for Waiver of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, and Petition for Waiver of Section 61.41(c) of the Commission's Rules*, AAD 94-27, Memorandum Opinion and Order on Reconsideration, 12 FCC Rcd 4644 (1997).

<sup>14</sup> See *PTI/Eagle Order*, 10 FCC Rcd at 1773, para. 13.

<sup>15</sup> See *supra* note 7.

<sup>16</sup> Generally, the Commission may waive its rules for good cause shown. See 47 C.F.R. § 1.3. The Commission may exercise its discretion to waive a rule where the particular facts make strict compliance inconsistent with the public interest. See *Northeast Cellular Telephone Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (*Northeast Cellular*). In addition, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis. See *WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969), *cert. denied*, 409 U.S. 1027 (1972); *Northeast Cellular*, 897 F.2d at 1166. Waiver of the Commission's rules is therefore appropriate only if special circumstances warrant a deviation from the general rule, and such deviation will serve the public interest.

<sup>17</sup> See 47 C.F.R. § 54.305(b).

<sup>18</sup> See *Universal Service Fund, 2006 Submission of 2005 Study Results by the National Exchange Carrier Association, Inc.* (dated September 29, 2006).

may be eligible for safety valve support for investments in the acquired lines.<sup>19</sup> We have no reason, however, to believe that this amount would significantly increase the high-cost fund, and it would fall well short of the one percent threshold.<sup>20</sup>

8. The Petitioners estimate that SRT may be eligible to receive an additional \$47,779 annually in ICLS for the acquired lines and that NDTC's ICLS support will be reduced by \$32,832 annually. Therefore, the net increase in ICLS support as a result of this transaction will be \$14,947.<sup>21</sup> We conclude that the amount of net increase in ICLS as a result of this transaction, in addition to any amounts it may be eligible to receive in safety valve support, will not have an adverse impact on the universal service fund.

9. To further ensure that this transaction is in the public interest, we direct SRT as part of its annual universal service data submissions, to file a schedule showing its methodology for excluding the costs associated with the acquired access lines from the costs associated with SRT's pre-acquisition exchanges.<sup>22</sup>

10. *State Commission Position.* On December 6, 2006, the Public Service Commission of the State of North Dakota issued an order approving the transaction between SRT and NDTC.<sup>23</sup> Thus, we find that the state commission with regulatory authority over the transferred exchange does not oppose the transfer.

11. *Public Interest Analysis.* We conclude that the public interest is served by a waiver of the study area freeze rule. The Velva exchange is surrounded by SRT's existing exchanges. Velva residents currently incur toll charges to call Minot, North Dakota, however, after the acquisition Velva residents will be able to call Minot toll free under SRT's extended area service plan.<sup>24</sup> We find that permitting SRT to acquire the Velva exchange serves the public interest because SRT will be able to operate more efficiently in this exchange given that SRT's existing operation surrounds the Velva exchange. We fully expect consumers to benefit from this efficiency. We therefore conclude that the Petitioners have demonstrated that the grant of this waiver request will serve the public interest.

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<sup>19</sup> See 47 C.F.R. § 54.305(d).

<sup>20</sup> According to the Universal Service Administrative Company's (USAC) recent estimates, total high-cost support for 2007 is projected to be \$4,357,867,771. See USAC Quarterly Administrative Filing 2007, Second Quarter (2Q) Appendix, HC02 (filed January 31, 2007). We note that the proposed study area waiver directly involves the transfer of only 720 access lines. Moreover, safety valve support is capped at 50 percent of any positive difference between a rural carrier's calculated high-cost loop support for the transferred exchanges and the index year amount. See 47 C.F.R. § 54.305(d). Also, the total amount of safety valve support available to rural carriers is capped at five percent of annual high-cost loop support available to rural carriers in any particular year, thereby providing an additional limitation on the amount of safety valve support available to carriers. See 47 C.F.R. § 54.305(e).

<sup>21</sup> See Petition at 4.

<sup>22</sup> See 47 C.F.R. §§ 36.611, 54.301.

<sup>23</sup> See SRT Communications, Inc. and North Dakota Telephone Company, Petition of Local Exchange Carriers for Waiver of "Study Area" Boundaries as defined in Appendix-Glossary of Part 36 in Connection with a Proposed Acquisition by SRT Communications, Inc. of all assets of North Dakota Telephone Company for the Velva Exchange in North Dakota, CC Docket No. 96-45 (filed December 13, 2006) (attaching State of North Dakota, Public Service Commission, SRT Communications, Inc. Designated Eligible Carrier Application, Case No. PU-06-419, SRT Communications, Inc. Local Exchange Public Convenience and Necessity, Case No. PU-06-420 (dated December 6, 2006)).

<sup>24</sup> See Petition at 5. Minot, according to the Petition, is the economic hub city for the Velva community. *Id.*

### III. WAIVER OF SECTION 69.3(e)(11)

#### A. Background

12. Under section 69.3 of the Commission's rules, annual access tariffs, including the tariffs filed by NECA on behalf of companies that participate in NECA's access tariffs, go into effect on July 1 of each year.<sup>25</sup> To minimize the complexity of administering NECA's common line pool, any change in NECA common line tariff participation resulting from a merger or acquisition of telephone properties is effective on the next annual access tariff filing effective date following the merger or acquisition.<sup>26</sup> Because the next annual access tariff filing effective date is July 1, 2007,<sup>27</sup> SRT would have to wait until that date to participate in NECA's access tariffs and would be required to file its own interstate tariff for the acquired lines for the interim period. To avoid the burdens associated with filing its own tariff during this interim period, SRT has requested a waiver of section 69.3(e)(11) of the Commission's rules.<sup>28</sup> The waiver would enable SRT to include the acquired access lines in the NECA carrier common line tariff. SRT indicates that the inclusion of the small number of access lines that it is acquiring from NDTC in the NECA carrier common line tariffs would represent a minimal increase in NECA common line pool participation.<sup>29</sup> NECA has indicated that it has no objection to the inclusion of the acquired lines in its common line tariff.<sup>30</sup>

#### B. Discussion

13. We find that SRT has demonstrated that special circumstances warrant a waiver from section 69.3(e)(11) of the Commission's rules and that it would be in the public interest to grant SRT's request.<sup>31</sup> NECA has no objection to including the acquired exchange in the NECA tariff, as this would create no undue administrative burden for NECA.<sup>32</sup> Based on NECA's representation in its letter, we conclude that including the acquired access lines in the NECA carrier common line tariff represents a minimal increase in NECA common line pool participation. Also, we believe that it would be administratively burdensome for SRT to develop and file its own interstate tariff for use only until July 1, 2007, for a relatively small number of access lines. Consequently, we find that SRT presents special circumstances to justify a waiver of section 69.3(e)(11). Moreover, we believe that a waiver of section 69.3(e)(11) is in the public interest because it allows SRT to devote its resources to providing improved telecommunications services to the affected rural areas rather than spending those resources on a tariff filing. We therefore conclude that good cause exists to grant a waiver of section 69.3(e)(11) to SRT.

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<sup>25</sup> See 47 C.F.R. § 69.3(a).

<sup>26</sup> 47 C.F.R. § 69.3(e)(11); see *Amendment of Part 69 of the Commission's Rules Relating to the Common Line Pool Status of Local Exchange Carriers Involved in Mergers or Acquisitions*, CC Docket No. 89-2, Report and Order, 5 FCC Rcd 231, 248 (1989).

<sup>27</sup> See 47 C.F.R. § 69.3(a).

<sup>28</sup> See Supplemental Petition at 2-3.

<sup>29</sup> *Id.* at 3.

<sup>30</sup> See Letter from Tracey E.J. Saltenberger, NECA, to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket No. 96-45 (January 3, 2007) (NECA Letter).

<sup>31</sup> See *supra* note 16.

<sup>32</sup> See NECA Letter.

#### IV. AVERAGE SCHEDULE WAIVER

14. An incumbent LEC that participates in the NECA pools collects access charges from interexchange carriers at the rates contained in the tariffs filed by NECA.<sup>33</sup> Each pool participant receives settlements from the relevant pool to recover the costs of providing service plus a pro-rata share of the pool's earnings.<sup>34</sup> A NECA pool participant's interstate access charge settlements are determined either on the basis of cost studies or average schedule formulas.<sup>35</sup> A cost company is an incumbent LEC that receives compensation for interstate telecommunications services based on its actual interstate investments and expenses, calculated using detailed cost studies.<sup>36</sup> An average schedule company is an incumbent LEC that receives compensation for use of its interstate common carrier services on the basis of formulas that are designed to simulate the disbursements that would be received by a cost company that is representative of average schedule companies.<sup>37</sup> Average schedule companies thus are able to avoid the administrative and financial burdens of performing interstate cost studies.

15. Section 69.605(c) of the Commission's rules provides, in pertinent part, that "a telephone company that was participating in average schedule settlements on December 1, 1982, shall be deemed to be an average schedule company."<sup>38</sup> The definition of "average schedule company" includes existing average schedule incumbent LECs, but does not allow for the creation of new average schedule companies or the conversion of cost-based carriers to average schedule status without a waiver of the Commission's rules.<sup>39</sup> The definition was designed to limit the use of average schedule formulas to companies that operated as average schedule companies prior to adoption of the rule or that are able to demonstrate compelling circumstances sufficient to warrant a special exception.<sup>40</sup> Our actions on waivers of the definition of "average schedule company," therefore, are guided by the principle that incumbent LECs should receive interstate access settlements based on their actual costs whenever possible without undue hardship.

16. SRT currently operates as an average schedule company while NDTC operates as a cost-based company. SRT requests a waiver of section 69.605(c) of the Commission's rules, in order to continue operating as an average schedule company after acquiring the Velva exchange from NDTC.<sup>41</sup> SRT states that it currently serves approximately 37,700 access lines and is acquiring only 720 access lines in the Velva exchange which is in an area completely surrounded by exchanges operated by SRT.<sup>42</sup>

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<sup>33</sup> See 47 C.F.R. § 69.601.

<sup>34</sup> See 47 C.F.R. §§ 69.601-69.611.

<sup>35</sup> See 47 C.F.R. §§ 69.301-69.611.

<sup>36</sup> *Id.*

<sup>37</sup> See 47 C.F.R. § 69.606(a). Average schedule companies may also receive universal service support pursuant to average schedule formulas. See, e.g., *National Exchange Carrier Association, Inc. Proposed 2004 Modification of Average Schedule Formulas*, CC Docket 96-45, Order, 18 FCC Rcd 26619 (WCB 2003).

<sup>38</sup> 47 C.F.R. § 69.605(c).

<sup>39</sup> An incumbent LEC may convert from an average schedule company to a cost company, but an incumbent LEC must obtain a waiver of the definition of "average schedule company" in section 69.605(c) to change from a cost company to an average schedule company. See 47 C.F.R. § 69.605(c).

<sup>40</sup> See *Petition for Waiver Filed by Heartland Telecommunications Company of Iowa and Hickory Tech Corporation*, AAD File No. 96-94, Memorandum Opinion and Order, 14 FCC Rcd 13661, 13662, para. 3 (1999) (*Heartland*).

<sup>41</sup> See Supplemental Petition at 1-2; see also § 69.605(c).

<sup>42</sup> See Supplemental Petition at 2.

Absent a waiver, SRT claims that it would need to spend considerable time, effort and funds on cost studies that could be better spent to improve the quality of service furnished to subscribers.<sup>43</sup> SRT points out that the Commission has previously granted waivers to permit carriers of similar size to avoid the burdens and costs of performing cost studies.<sup>44</sup>

#### A. DISCUSSION

17. We are persuaded that good cause exists to grant SRT a waiver of section 69.605(c) so that it may remain an average schedule company after the acquisition of the Velva exchange from NDTC.<sup>45</sup> In the instant transaction, SRT is adding 720 lines, which are currently operated as cost-based lines, to its existing operation of nearly 38,000 lines which are operated as average schedule lines. SRT, by any measure, is larger than most rural incumbent LECs that settle interstate access on a cost-basis.<sup>46</sup> Although SRT, as an average schedule company, is larger than a significant majority of rural cost-based incumbent LECs, SRT is only increasing its total access lines, as a result of this transaction, by approximately two percent.<sup>47</sup> We, therefore, grant SRT a waiver of section 69.605(c) of the Commission's rules so that it may remain under average schedule status.

#### V. ORDERING CLAUSES

18. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i), 5(c), 201, 202 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 155(c), 201, 202, and 254, and the authority delegated by sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, and 1.3, that the petition for waiver of the study area boundary freeze as codified in Part 36, Appendix-Glossary, of the Commission's rules, filed by SRT Communications, Inc. and North Dakota Telephone Company on October 2, 2006, IS GRANTED, as described herein.

19. IT IS FURTHER ORDERED, pursuant to sections 1, 4(i), 5(c), 201, and 202 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 155(c), 201, and 202, and the authority delegated by sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, and 1.3, that SRT Communications, Inc., SHALL SUBMIT, as part of its annual universal service data submissions to the fund administrator, a schedule showing the methodology for excluding costs

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 2 (citing *Norway Rural Telephone Company and Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom, Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, Petition for Waiver of Sections 69.3(e)(11) and 69.6058(c) of the Commission's Rules*, CC Docket No. 96-45, 17 FCC Rcd 20127, 20135, para. 19 (2002) (*Norway Order*)).

<sup>45</sup> We note, however, that the *Norway Order* cited by SRT is not directly on point with the circumstances described herein. See Supplemental Petition at 2. Norway Rural Telephone Company (Norway Telephone) acquired 800 lines to add to its existing 670 lines. We granted Norway Telephone a waiver of section 69.605(c), to continue average schedule status, based on its overall post-acquisition small size, not because it was merely adding 800 lines to its existing operations. See *Norway Order*, 17 FCC Rcd 20127, 20135, paras. 18 and 19.

<sup>46</sup> There are 902 rural incumbent LECs that settle interstate access on a cost basis. SRT is larger than 89% of those cost-based rural incumbent LECs. See Universal Service Fund, 2006 Submission of 2005 Study Results by the National Exchange Carrier Association (dated September 29, 2006).

<sup>47</sup> Compare *Petitions for Waivers Filed by Alpine Communication, L.C., et al, Concerning Sections 61.41(c)(2), 69.3(e)(11), 69.3(i)(4), 69.605(c) and the Definition of "Study Area" Contained in the Part 36 Appendix-Glossary of the Commission's Rules*, AAD File No. 96-94, Memorandum Opinion and Order, 12 FCC 2367, 2375, para. 18 (1997); *app. for review denied, Heartland*, 14 FCC Rcd 13661 (denying Heartland Telecommunications Company of Iowa (HTC) average schedule status after its acquisition of 12,527 cost-based access lines that were combined with HTC's existing average schedule study area of 1,330 access lines).

associated with the acquired access lines from costs associated with its pre-acquisition study area.

20. IT IS FURTHER ORDERED, pursuant to sections 1, 4(i), 5(c), 201, and 202 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 155(c), 201, and 202, and the authority delegated by sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, and 1.3, that the petition for waiver of section 69.3(e)(11) of the Commission's rules, 47 C.F.R. § 69.3(e)(11), filed by SRT Communications, Inc. on October 13, 2006, IS GRANTED, as described herein.

21. IT IS FURTHER ORDERED, pursuant to sections 1, 4(i), 5(c), 201, and 202 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 155(c), 201, and 202, and the authority delegated by sections 0.91, 0.291, and 1.3 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, and 1.3, that the petition for waiver of section 69.605(c) of the Commission's rules, 47 C.F.R. § 69.605(c), filed by SRT Communications, Inc. on October 13, 2006, IS GRANTED, as described herein.

22. IT IS FURTHER ORDERED, pursuant to authority delegated under sections 0.91, 0.291 and 1.102 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 1.102, that this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Renee R. Crittendon  
Acting Deputy Chief  
Wireline Competition Bureau

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

SRT Communications, Inc.  
Designated Eligible Carrier  
Application

Case No. PU-06-419

SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-06-420

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **7th day of December, 2006**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order

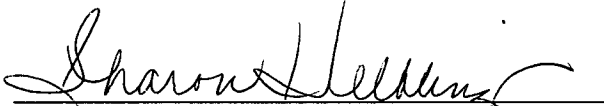
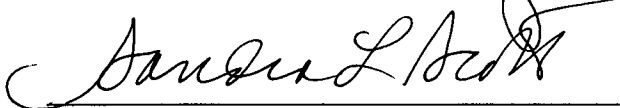
The envelopes were addressed as follows:

Steve D Lysne CEO  
SRT Communications Inc  
P O Box 2027  
Minot ND 58702-2027  
Cert. No. 7005 3110 0003 6265 3563

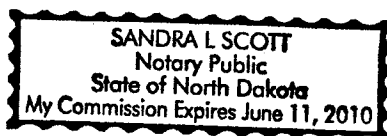
Dave Dircks  
North Dakota Telephone Company  
P O Box 180  
Devils Lake ND 58301-0180  
Cert. No. 7005 3110 0003 6265 3570

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **7th day of December, 2006**.

  
  
Notary Public

SEAL





**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**SRT Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-06-419**

**SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-06-420**

**ORDER**

**December 6, 2006**

On September 18, 2006, in Case No. PU-06-420, SRT Communications, Inc. (SRT) of Minot, ND filed an application for a certificate of public convenience and necessity to provide facilities-based incumbent local exchange telecommunication services in the Velva, North Dakota local exchange area. SRT reports entering into a purchase and sales agreement with North Dakota Telephone Company (NDTC) for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunications service, exchange access and other telecommunications services in the Velva exchange.

Also on September 18, 2006, in Case No. PU-06-419, SRT filed a Petition for Designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support in the Velva, North Dakota local exchange area.

On October 12, 2006 the Commission issued a Notice of Opportunity for Hearing and Notice of Informal Hearing, providing until November 20, 2006 for receiving written comments or hearing requests and scheduling an informal hearing for November 22, 2006. No comments or requests for hearing have been received. The Notice identified the following issues to be considered:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.
4. Qualification of the applicant under the Telecommunications Act of 1996, Section 214(e) for designation as an ETC eligible to receive federal universal service funding.
5. Whether the Commission should order additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45.

6. What ETC universal service support area should be designated.
7. Whether NDTC's current certificate of public convenience and necessity to serve the Velva exchange should be relinquished to the Commission
8. Whether, upon designation of SRT as an ETC for the Velva exchange, NDTC's designation as an ETC for the Velva exchange should be relinquished.

On November 15, 2006, the Commission's Director of Accounting filed a memorandum indicating that SRT has the financial ability to provide service.

On November 22, 2005 the Commission discussed the issues in these matters with the applicant and Commission staff at an informal hearing.

SRT is a rural telephone cooperative and has been providing incumbent local exchange telecommunications service in North Dakota since 1951. SRT currently serves approximately 37,000 customers in 25 North Dakota exchanges. SRT desires to provide essential and nonessential telecommunications service in the Velva exchange, which currently consists of approximately 720 customers receiving service under the 338 exchange prefix. SRT's present service area completely surrounds the Velva exchange.

On September 1, 2006, SRT and NDTC entered into a Purchase and Sales Agreement for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunication service, exchange access and other telecommunications services in the Velva Exchange.

Closing of the transaction is to occur on the first day of the month after SRT secures authorization from the Commission; the city of Velva; the Federal Communications Commission (FCC); and satisfaction from SRT Board of Directors, in its sole discretion, there is not contained in any Order of any regulatory authority a term, condition or provision which is unduly burdensome. SRT informs that the city of Velva has approved a franchise agreement, but an FCC study area waiver is still needed in order to obtain federal universal service support.

After the Closing, NDTC will cease serving the Velva Exchange and SRT intends to engage in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities in the Velva Exchange. Pursuant to the agreement, all subscribers served by NDTC in the Velva Exchange as of the closing will be served by SRT. Velva exchange customers will receive extended area calling throughout the SRT service area under SRT's residential-rural and business rate schedules.

To be designated as an eligible telecommunications carrier, a carrier must: (1) offer the services that are supported by federal universal service support mechanisms, and offer the services designated by the FCC for such federal support mechanisms for schools, libraries, and health care providers; and (2) advertise the availability of such services and the charges therefore using media of general distribution. Additionally, Lifeline and Link Up offerings must meet requirements established by the FCC.

For telecommunications customers, the services designated by the FCC for support by universal service support mechanisms include voice grade access to the public switched network, local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance and toll limitation for qualifying low-income consumers.

For schools and libraries, the services designated by the FCC for support by universal support mechanisms include all items listed on the Eligible Services List of the Schools and Libraries Support Mechanism of the Universal Service Administrative Company dated October 18, 2002. For health care providers, the services supported by universal service support mechanisms include any telecommunications service that is used primarily for the provision of health care.

SRT affirms it will meet all the criteria for ETC designation in the Velva exchange.

The Commission has initiated a rulemaking proceeding to consider adopting additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45 and will not impose those additional requirements in this proceeding.

SRT has made substantial efforts to inform all customers of the transaction. On June 22, 2006 SRT issued a Press Release that appeared in the Minot Daily News and the Velva Voice. An interview with SRT CEO Steve Lysne was televised and notification was included in the July/August and September/October editions of the SRT Newsletter. Informational meetings were also scheduled for November 28 at the Velva Senior Citizens Center and November 29 at the Velva school.

NDTC General Manager Dave Dircks affirms that NDTC has notified its current Velva customers of the acquisition by newspaper. Mr. Dircks further affirms that NDTC supports SRT's applications and that NDTC's certificate of public convenience and necessity and ETC designation for the Velva Exchange should be relinquished upon closing of the asset transfer transaction.

The Commission finds SRT is fit, able, and has the technical, financial and managerial ability to provide service.

The Commission finds SRT's proposed service is adequate.

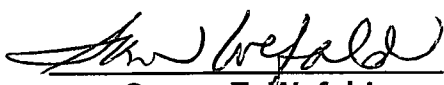
The Commission finds SRT is qualified under Section 214(e) of the Communications Act of 1934 as amended by the Telecommunications Act of 1996, for designation as an eligible telecommunications carrier for receiving federal universal service funding for the Velva exchange area.

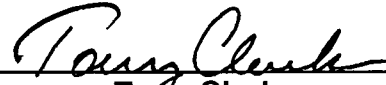
## Order

The Commission Orders:

1. The application of SRT Communications, Inc. for a certificate of public convenience and necessity to provide incumbent local exchange telecommunications services in the Velva exchange area of North Dakota is approved, effective with the date that the asset acquisition transaction is complete. A certificate of public convenience and necessity will be issued upon notification by the applicant that the transaction is complete.
2. SRT Communications, Inc. is designated as an eligible telecommunications carrier in the Velva exchange area effective with the issuance of certificates of public convenience and necessity and conditioned on FCC approval of redefined study area requirements under 47 CFR section 54.207(c).
3. North Dakota Telephone Company's certificate of public convenience and necessity for the Velva exchange area is relinquished and cancelled effective with the issuance of new certificates to SRT.
4. North Dakota Telephone Company will no longer be designated as an ETC for the Velva exchange area effective upon relinquishing its certificates of public convenience and necessity.

### PUBLIC SERVICE COMMISSION

  
Susan E. Wefald  
Commissioner

  
Tony Clark  
President

  
Kevin Cramer  
Commissioner

# NORTH DAKOTA PUBLIC SERVICE COMMISSION

## INFORMAL HEARING

November 22, 2006

**SRT Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-06-419**  
Filed 9-18-06

**SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-06-420**  
Filed 9-18-06

**Summary of Proposal:** SRT Communications, Inc. (SRT) has filed applications for designation as an Eligible Telecommunications Carrier (ETC) and for a certificate of public convenience and necessity (PC&N) to provide facilities-based incumbent local exchange telecommunication services in the Velva local exchange area of McHenry County, North Dakota.

SRT reports entering into a purchase and sales agreement with North Dakota Telephone Company (NDTC) for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunications service, exchange access and other telecommunications services in the Velva exchange.

**Recommendation:** I recommend the Commission issue an order granting certificates of Public Convenience and Necessity and ETC designation to SRT effective with the effective date of the transaction.

**Procedural History:** On October 12, 2006 the Commission issued a Notice of Opportunity for Hearing and Notice of Informal Hearing, providing until November 20, 2006 for receiving written comments or hearing requests and scheduling an informal hearing for November 22, 2006. No comments or requests for hearing have been received.

**Discussion:** SRT is a rural telephone cooperative and has been providing incumbent local exchange telecommunications service in North Dakota since 1951. SRT currently serves approximately 37,000 customers in 25 North Dakota exchanges. SRT desires to provide essential and nonessential telecommunications service in the Velva exchange, which currently consists of approximately 720 customers receiving service under the 338 exchange prefix. SRT's present service area completely surrounds the Velva exchange.

On September 1, 2006, SRT and NDTC entered into a Purchase and Sales Agreement for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunication service, exchange access and other telecommunications services in the Velva Exchange.

Closing of the transaction is to occur on the first day of the month after SRT secures authorization from the Commission; the city of Velva; the Federal Communications Commission (FCC); and satisfaction from SRT Board of Directors, in its sole discretion, there is not contained in any Order of any regulatory authority a term, condition or provision which is unduly burdensome. SRT informs that the city of Velva has approved a franchise agreement, but SRT still needs an FCC study area waiver to obtain federal universal service support.

After the Closing, NDTC will cease serving the Velva Exchange and SRT intends to engage in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities in the Velva Exchange. Pursuant to the agreement, all subscribers served by NDTC in the Velva Exchange as of the closing will be served by SRT. Velva exchange customers will receive extended area calling throughout the SRT service area under SRT's residential-rural and business rate schedules.

SRT affirms it will meet all the criteria for ETC designation in the Velva exchange. These criteria include offering all services supported by the federal universal service support mechanisms and advertising the availability of those services and the charges therefore using media of general distribution throughout the exchange.

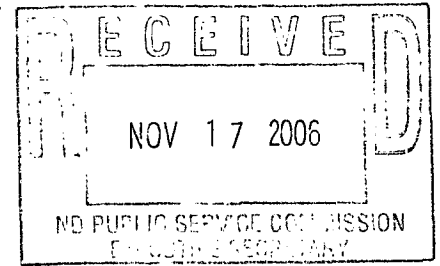
SRT informs that it has made substantial efforts to inform all customers of the transaction. On June 22, 2006 SRT issued a Press Release that appeared in the Minot Daily News and the Velva Voice. An interview with SRT CEO Steve Lysne was televised and notification was included in the July/August and September/October editions of the SRT Newsletter. Informational meetings are also scheduled for November 28 at the Velva Senior Citizens Center and November 29 at the Velva school.

NDTC General Manager Dave Dircks affirms that NDTC has notified its current Velva customers of the acquisition by newspaper. Mr. Dircks affirms that NDTC supports SRT's applications and that NDTC agrees to relinquish its PC&N and ETC designation for the Velva Exchange.

A limited staff financial review (see staff memo dated November 15, 2006) indicated that SRT has the financial ability to provide service.

**Prepared by:** Jerry Lein

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**



North Dakota Telephone Company  
Relinquishment of Eligible Telecommunications  
Designation status for the Velva Exchange to  
SRT Communications, Inc.

Case No. PU-06-419

North Dakota Telephone Company  
Relinquishment of Velva Exchange  
Public Convenience and Necessity  
Certificate to SRT Communications, Inc.

Case No. PU-06-420

**AFFIDAVIT OF DAVE DIRCKS IN SUPPORT OF  
RELINQUISHING ELIGIBLE TELECOMMUNICATIONS  
STATUS AND CERTIFICATE OF PUBLIC CONVENIENCE  
AND NECESSITY FOR THE VELVA EXCHANGE TO SRT  
COMMUNICATIONS, INC.**

Dave Dircks states the following under oath:

1. I am the General Manager of North Dakota Telephone Company ("NDTC").
2. I have overall responsibility for the operations of NDTC and I report to its Board of Directors
3. North Dakota Telephone Company, and its Board of Directors, supports the sale of the Velva Exchange to SRT Communications, Inc. ("SRT").
4. North Dakota Telephone Company, and its Board of Directors, supports the SRT Communications, Inc. Designated Eligible Carrier Application, Case No. PU-06-419, which was submitted to the North Dakota Public Service Commission on September 18, 2006.
5. North Dakota Telephone Company, and its Board of Directors, supports the SRT Communications, Inc. Local Exchange Public Convenience and Necessity Application, Case No. PU-06-420, which was submitted to the North Dakota Public Service Commission on September 18, 2006.

8

**PU-06-419**

Pages: 2

Affidavit of Dave Dircks in Support of  
Relinquishing ETC & PC&N to SRT  
by North Dakota Telephone Company by Dave Dircks  
11/17/2006 C: Comm Legal Illona, Jerry, Annette . .

10

**PU-06-420**

Pages: 2

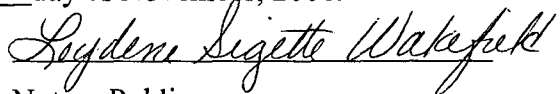
Affidavit of Dave Dircks in Support of  
Relinquishing ETC & PC&N to SRT  
by North Dakota Telephone Company by Dave Dircks  
11/17/2006 C: Comm Legal Illona, Jerry, Annette . .

6. Due to the sale of the Velva Exchange to SRT, North Dakota Telephone Company, and its Board of Directors, agree to relinquish the current Eligible Telecommunications Designation status for the Velva Exchange.
7. Due to the sale of the Velva Exchange to SRT, North Dakota Telephone Company, and its Board of Directors, agree to relinquish the currently held Public Convenience and Necessity Certificate, which was issued May 31, 1996, for the Velva Exchange.
8. North Dakota Telephone Company has notified its current Velva customers of the acquisition by newspaper.



Dave Dircks

Subscribed and sworn to before me this 16<sup>th</sup> day of November, 2006.



Notary Public

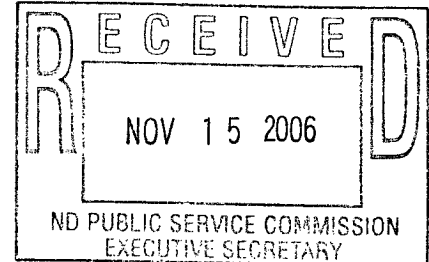
For the State of North Dakota

My commission expires: 01-12-08

LOYDENE SIGETTE WAKEFIELD  
NOTARY PUBLIC, STATE OF NORTH DAKOTA  
MY COMMISSION EXPIRES JAN 12, 2008

# Memorandum

**To:** Ilona Jeffcoat-Sacco  
**From:** Mike Diller *Mike Diller*  
**Date:** November 15, 2006  
**Re:** **SRT Communications, Inc.**  
**Local Exchange PC&N**  
**PU-06-420**



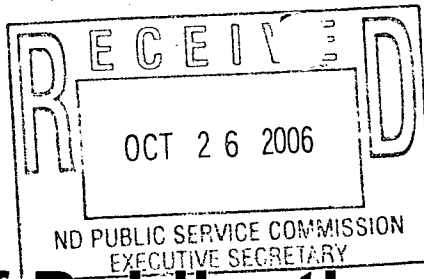
The following is written to provide the commission with a very limited review of this case regarding the applicant's financial ability to provide service.

In this case, SRT Communications, Inc. is applying for a determination of public convenience and necessity to provide facilities-based incumbent local exchange telecommunication services in the Velva, North Dakota local exchange area.

The consolidated financial statements filed in the application indicate that SRT Communications, Inc. and Subsidiaries have consolidated stockholder equity of \$75 million for the year ended 2005. The financial statements have been audited by Eide Bailly LLP and conclude that the statements present fairly the financial position of SRT Communications, Inc.

Based on its review, staff concludes that the applicant has access to sufficient equity to provide service in North Dakota.

Staff sees no reason to deny this application.



# Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:

Public Service Commission, SRT Communications

1 time(s) as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

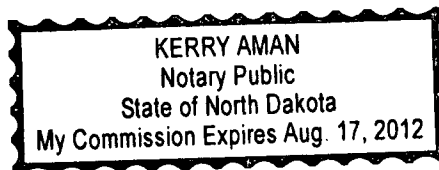
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 25<sup>th</sup> day of October 20 06.

Kerry Aman

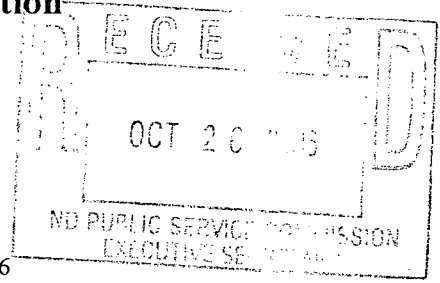




# North Dakota Newspaper Association

1435 Interstate Loop  
Bismarck, ND 58503-0567  
Ph (701) 223-6397 • Fax (701) 223-8185

## INVOICE



Order **22682-06103PP1**

Invoice # **79205**

October 25, 2006

Attn: **ILLONAA. JEFFCOAT-SACCO**  
**PUBLIC SERVICE COMMISSION**  
**600 E. BOULEVARD AVE.**  
**STATE CAPITOL**  
**BISMARCK, ND 58505**  
Voice: 701-328-4076

Advertiser: **Public Service Commission**

P.O.#: **PU-06-419 & PU-06-420**

Amount Due **\$69.66**

Amount Paid

*Please detach and return this portion with your payment*

Public Service Commission Invoice # 22682-06103PP1-79205 PO# PU-06-419 & PU-06-420

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
<b>Minot Daily News (Minot ND)</b>							
129.00	SPR2	0.54	69.66	0.00	SRT Communications		10/20/06

Gross Advertising	69.66	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
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**7 PU-06-419** Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.  
10/26/2006 C: Comm Legal Illona, Jerry, Annette . .

**8 PU-06-420** Pages: 1

Affidavit of Publication

by North Dakota Advertising Service, Inc.  
10/26/2006 C: Comm Legal Illona, Jerry, Annette . .

Case No: PU-06-420

Notice of SRT Communications local exchange

Published in:

10/20 - Minot

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**SRT Communications, Inc.**  
**Designated Eligible Carrier**  
**Application**

**Case No. PU-06-419**

**SRT Communications, Inc.**  
**Local Exchange**  
**Public Convenience and Necessity**

**Case No. PU-06-420**

**AFFIDAVIT OF SERVICE BY CERTIFIED MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **16th day of October, 2006**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

**Notice of Opportunity for Hearing and Notice of Informal Hearing**

The envelopes were addressed as follows:

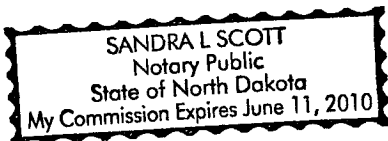
Steve D Lysne CEO  
SRT Communications Inc  
P O Box 2027  
Minot ND 58702-2027  
**Cert. No. 7005 3110 0003 6265 6519**

Dave Dircks  
North Dakota Telephone Company  
P O Box 180  
Devils Lake ND 58301-0180  
**Cert. No. 7005 3110 0003 6265 6526**

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **16th day of October, 2006**.

SEAL



*Sharon Helbling*

*Sandra L Scott*

Notary Public

STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION

SRT Communications, Inc.  
Designated Eiligible Carrier  
Application

Case No. PU-06-419

SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity

Case No. PU-06-420

**AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL**

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

**Sharon Helbling** deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **16th day of October, 2006**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, and e-mailed, each containing a photocopy of:

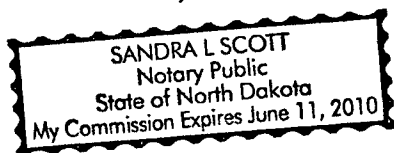
**Notice of Opportunity for Hearing and Notice of Informal Hearing**

The envelopes were addressed as follows:

***See Attached List***

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me  
this **16th day of October, 2006**.



SEAL

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BAK Communications LLC  
8421 Wilshire Blvd Ste 206  
Beverly Hills CA 90211-3204

BCN Telecom Inc  
550 Route 202-206 2nd Fl  
Bedminster NJ 07921

Bell Atlantic Communications Inc  
1320 N Courthouse Rd 9th Fl  
Arlington VA 22201

JOHN BROTEN  
BELL ATLANTIC COMMUNICATIONS, INC.  
1320 NORTH COURT HOUSE ROAD  
ARLINGTON VA 22201

Robin H Taylor  
BellSouth Long Distance Inc  
400 Perimeter Ctr Terr Ste 350  
Atlanta GA 30346

Better World Telecom Inc  
11921 Freedom Dr Ste 550  
Reston VA 20194

Angel Sotomayer  
Bismarck MSA Limited Partnership  
180 Washington Valley Rd  
Bedminster NJ 07921-2120

Blackstone Communications Company  
11600 NW 34th St  
Miami FL 33178

Broadwing Communications LLC  
1122 Capital of Texas Highway S  
Austin TX 78746

Budget Phone, Inc.  
6901 W 70th St  
Shreveport IL 71129

BullsEye Telecom, Inc.  
25900 Greenfield Rd Ste 330

Craig Konrad  
Business Discount Plan Inc  
1 World Trade Ctr Ste 800  
Long Beach CA 90831

Business Network Long Distance Inc  
1400 16th St Ste 400  
Denver CO 80202

Buzz Telecom Corporation  
8380 Louisiana St  
Merrillville IN 46410

Scott Geston  
Cable One of Fargo  
P O Box 10757  
Fargo ND 58106-0757

Century Telecommunications Inc  
P O Box 4065  
Monroe LA 71211-5065

Cincinnati Bell Any Distance Inc  
201 E 4th St  
Cincinnati OH 46202

Clear World Communications Corporation  
3601 S Harbor Blvd  
Santa Ana CA 92704

Cogniqen Networks Inc  
6405 218th St SW Ste 305  
Mountlake Terrace WA 98043-2180

Coleman Enterprises Inc  
6053 Hudson Rd #110  
Woodbury MN 55125

Beth Choroser  
Comcast Business Communications Inc  
1500 Market St  
Philadelphia PA 19102

CommPartners LLC  
3291 N Buffalo Dr Ste 8  
Las Vegas NV 89129

Courtney Maroon  
Communications Billing Inc  
P O Box 40149  
Bay Village OH 44140-0149

C Hurley Cox  
Communications Network Billing Inc  
6701 Democracy Blvd Ste 300  
Bethesda MD 20817

CommuniGroup of K C Inc  
6950 W 56th St  
Mission KS 66202

Computer Integrated Communications Inc  
8502 Bells Mill Rd  
Potomac MD 20854-4071

Computer Network Technology Corp  
6000 Nathan Ln N  
Minneapolis MN 55442

Comtech 21 LLC  
1 Barnes Park S  
Wallingford CT 06492

Consolidated Billing Provider LLC  
7 Shingle Oak Dr  
Voorhees NJ 08043

Scott Kitchen  
Consolidated Comm Operator Services Inc  
350 S Loop 336 W  
Conroe TX 77304

Consolidated Comm Telecom Services Inc  
121 S 17th St

Consolidated Communications Corp  
P O Box 1408  
Dickinson ND 58602-1408

Consolidated Communications Networks In  
507 S Main  
Dickinson ND 58601

Consolidated Telcom  
PO Box 1077  
Dickinson ND 58601-1077

Contact Communications  
937 W Main St  
Riverton WY 82501

Converqia Inc  
237 Hymus Blvd  
Point-Claire Quebec CA H9R 5C7

Corporate Calling Services Inc  
3960 Howard Hughes Pk  
5th Fl #5001F  
Las Vegas NV 89109-5972

Corporate Communications Inc  
2150 32nd Ave S  
Grand Forks ND 58201

Anthony Barrett  
Covista Inc  
4803 Hwy 58 N  
Chatanooga TN 37416

Custom Teleconnect Inc  
3111 S Valley View Ste E-120  
Las Vegas NV 89102

Cybertel Communications Corp  
9444 Waples ST Ste 290  
San Diego CA 92121-2985

William Jackson  
Dakota Justice  
38 8th Ave W  
Dickinson ND 58601

Daktel Communications LLC  
P O Box 299  
Carrington ND 58421-0299

Dave Dircks  
DCN LLC  
P O Box 180  
Devils Lake ND 58301-0180

DelTel Inc  
27071 Aliso Creek Rd Ste 150  
Aliso Viejo CA 92656-5323

Dialaround Enterprises Inc  
30-50 Whitestone Expwy 1st Fl Ste 102  
Flushing NY 11354

Dial-Thru Inc  
17383 Sunset Blvd Ste 350  
Pacific Palisades CA 90272-4195

Digital Telecommunications Inc  
111 Riverfront Ste 305  
Winona MN 55987

DSLnet Communications LLC  
545 Long Wharf Dr  
New Haven CT 06511

Eagle Telecom Inc  
614 S 8th St Ste 335  
Philadelphia PA 19147

Easton Telecom Services Inc  
3046 Brecksville Rd #A

Easton Telecom Services LLC  
Summit II Unit A  
3406 Brecksville Rd  
Richfield OH 44286

Encompass Communications LLC  
119 W Tyler Ste 260  
Longview TX 75601

Enhanced Communications Group LLC  
312 E Delaware Ave  
Bartlesville OK 74003-3630

Enhanced Communications Network Inc  
1031 S Glendora Ave  
West Covina CA 91790

Entrix Telecom Inc  
520 Broad St  
Newark NJ 07102

Epixtar Communications Corp  
11900 Biscayne Blvd Ste 262  
Miami FL 33181

erbia Network Inc  
7901 Ariel Way  
McLean VA 22102

Ernest Communications Inc  
5275 Triangle Pkwy Ste 150  
Norcross GA 30092

Exerqy Group LLC  
1550 W 84th St Ste 50  
Hialeah FL 33014

Chere Heintzmann  
Extend America Inc  
1101 E Front Ave  
Bismarck ND 58504-5654

Farstad Oil Inc  
P O Box 1842  
Minot ND 58701

Lawrence Freedman  
Fleischman & Walsh  
1919 Pennsylvania Ave NW Ste 600  
Washington DC 20006-3420

FreedonStarr Communications Inc  
7985 Santa Monica Blvd #7  
West Hollywood CA 90046

Funding Our Future LLC  
1900 Wellesley Ave  
St Paul MN 55105

Gates Communications Inc  
1100 Olive Way #951  
Seattle WA 98101

Gerlach Enterprises Inc  
3002 Fiechtner Dr S Ste 1  
Fargo ND 58103-2387

Global Communications Consulting Corp  
2 Greenwood Sq Ste 110  
3331 St Rd  
Bensalem PA 19020-2052

Global Tel\*Link Corporation  
2609 Cameron St  
Mobile AL 36607-3104

Globalcom Inc  
333 West Wacker Ste 1500  
Chicago IL 60606

GLOBCOM INCORPORATED  
2100 Sanders Rd Ste 150

Go Solo Technologies Inc  
5053 Ocean Blvd #54  
Sarasota FL 34242

Gold Line Telemanagement Inc  
180 W Beaver Creek Rd  
Richmond Hill Ontario CA L4B 1B4

Granite Telecommunications LLC  
100 Newport Ave Ext  
Quincy MA 02171

Group Long Distance Inc  
1 Cavalier Ct  
Ringo NJ 08551-0534

GTC Telecom  
3151 Airway Ave Ste p\_3  
Costa Mesa CA 92626

Houlton Enterprises Inc  
2201 W Bdwy Ste 1  
Council Bluffs IA 51501

IBFA Acquisition Company LLC  
1850 Howard St Unit C  
Elk Grove Village IL 60007

Julia Waysdorf  
ICG Telecom Group Inc  
161 Inverness Dr W  
Englewood CO 80112

Infone LLC  
11200 Murray Scholls Place  
Beaverton OR 97007-9702

Intercontinental Communicatiosn Group I  
420 Lexington Ave Ste 518  
New York NY 10170

Ken Hanks  
International Telcom Ltd  
417 2nd Ave W  
Seattle WA 98119

International Telemanagement Group Inc  
206 E Market St  
Lima OH 45801

David A. Huberman  
Intrado Communications Inc  
1601 Dry Creek Dr  
Longmont CO 80503-6493

Ionex Communications North Inc  
2300 Main St Fl 6  
Kansas City MO 64108-2415

IPVoice Communications Inc  
14860 Montfort Dr Ste 210  
Dallas TX 75254

Nanette Edwards  
ITC DeltaCom Communications Inc  
7037 Old Madison Pike NW #400  
Huntsville AL 35806-2107

KMC Data LLC  
1545 Route 206  
Bedminster NJ 07921

Myer Shark  
Knollwood Place Apts #221  
3630 Phillips Pkwy  
St Louis Park MN 55426

Thomas K Crowe  
Law Offices of Thomas K Crowe PC  
1250 24th St NW Ste 300  
Washington DC 20037

LCI Telemanagement Corp  
4650 Lakehurst Ct

LCR Telecommunications LLC  
100 West Big Beaver Rd Ste 200  
Troy MI 48084

LDC Telecommunications Inc  
10012 N Dale Mabry Hwy  
Tampa FL 33618

Level 3 Communications LLC  
1025 Eldorado Blvd  
Broomfield CO 80021

Lightyear Network Solutions LLC  
201 E Main St Ste 1000  
Lexington KY 40507

Local Telcom Holdings LLC  
485 Madison Ave 15th Fl  
New York NY 10022-5803

Long Distance Billing Services Inc  
436 Lynchburg Ave  
Brookneal VA 24528

Main Street Telephone Company  
470 Norristown Rd Ste 201  
Blue Bell PA 19422-2322

Maxcess Inc  
P O Box 951419  
Lake Mary FL 32795-1419

McGraw Communications Inc  
228 E 45th St 12th Fl  
New York NY 10017

MCI Worldcom Network Services Inc  
22001 Loudoun Cty Pkwy  
Ashburn VA 20147-6105

MCImetro Access Transmission Services  
22001 Loudoun County Pkwy  
Ashburn VA 20147-6105

McKenzie Consolidated Telecom LLC  
P O Box 1408  
Dickinson ND 58602-1408

McLeodUSA  
1 Martha's Way  
Hiawatha IA 52233-2402

Mercury Long Distance INC  
2288 Gunbarrel Rd Stte 111-269  
Chattanooga TN 37421

Metropolitan Telecomm of ND Inc  
44 Wall St 6th Fl  
New York NY 10005

MGEN Services Corp  
2510 N Red Hill Ave  
Santa Ana CA 92705

Micro-Comm Inc  
2612 Cameron  
Mobile AL 36670-0461

Mid-Rivers Long Distance Inc  
106 2nd Ave S  
Circle MT 59215

Minnesota Independent Equal Access Corp  
300 S Hwy 169 Ste 700  
Minneapolis MN 55426

Miracle Communications Inc  
725 Lakefield Rd Ste G

Mike Strand  
MITS  
PO Box 5237  
Helena MT 59604-5237

National Access Long Distance Inc  
2055 Gateway Place Ste 400  
San Jose CA 95110

National Directory Assistance LLC  
12700 Shelbyville Rd Danville Bldg  
Louisville KY 40243

Jim Arbury  
National Multi Housing Council  
1850 M St NW Ste 540  
Washington DC 20036

National Professional Teleservices LLC  
14001 63rd Way N  
Clearwater FL 33760

National Telecom Inc  
2235 E Flamingo Rd Ste 405  
Las Vegas NV 89119

Dave Crothers  
NDATC  
Box 1144  
Mandan ND 58554-1144

NECC Telecom Inc  
605 N Shore Dr Unit 101-103  
Jeffersonville IN 47130

Nemont Communications Inc  
P O Box 600  
Scobey MT 59263

Net One International Inc  
4037 Metric Dr  
Winter Park FL 32792-6808

Netlojix Telecom Inc  
104 W Anapamu St Ste C  
Santa Barbara CA 93101

Network Billing Systems LLC  
155 Willowbrook Blvd  
Wayne NJ 07470

Network Communications International Co  
606 E Magrill St  
Longview TX 75601

Network Enhanced Technologies Inc  
700 S Flower St Ste 420  
Los Angeles CA 90017-4106

Network Operator Services Inc  
119 West Tyler Ste 260  
Longview TX 75601

Network PTS Inc  
14472 Wicks Blvd  
San Leandro CA 94577

Network Service Billing Inc  
7251 W Lake Mead Blvd Ste 300  
Las Vegas NV 89128

Network US Inc  
1842 Centre Point Dr Ste 128  
Naperville IL 60563-4851

NetworkIP LLC  
119 West Tyler St Ste 168  
Longview TX 75601

New Century Telecom Inc  
8180 Greensboro Dr #700

New Edge Network Inc  
3000 Columbia House Blvd Ste 106  
Vancouver WA 98661

Bob Edgerly  
Nextel West Corp  
2001 Edmund Halley Dr  
Reston VA 20191

NobelTel LLC  
5759 Fleet St  
Carlsbad CA 92008

Norlight Inc  
13935 Bishops Dr  
Brookfield WI 53005-6605

Angel Sotomayor  
North Dakota 5-Kidder Ltd Ptnshp  
180 Washington Valley Rd  
Bedminster NJ 07921-2120

Dave Dircks  
North Dakota Long Distance Inc  
P O Box 180  
Devils Lake ND 58301-0180

Nosva Limited Partnership  
4380 Boulder Hwy  
Las Vegas NV 89121-3002

OCMC Inc  
801 Congressional Blvd  
Carmel IN 46032

One Call Communications Inc  
801 Congressional Blvd  
Carmel IN 46032

Brad Van Leur  
OrbitCom Inc  
1701 N Louise Ave  
Sioux Falls SD 57107

Ozark Telecom Inc  
1115 Mill St  
Camden SC 29020

PAETEC Communications Inc  
1 PaeTec Plaza  
600 Willowbrook Office Pk

PNG Telecommunications Inc  
100 Commercial Dr  
Fairfield OH 45014

Cheryl Jung  
Norstan Network Services Inc  
5101 Shady Oak Rd  
Minnetonka MN 55343

Carmine Russo  
North Dakota Big Sky Telecom  
374 Ansin Blvd  
Hallandale FL 33009

North Dakota Long Distance LLC  
104 Eastwood Dr  
Grafton ND 58237

NPCR Inc  
4500 Carillon Pt  
Kirkland WA 98033

OLS Inc  
1030 Cambridge Sq Ste E  
Alpharetta GA 30201

Opcom Inc  
512 N 29th St  
Billings MT 59101-1128

OU Connection Inc  
13 E 4th Ave  
Ada MN 56510

Pacific Centrex Services Inc  
6855 Tujunga Ave  
North Hollywood CA 91605

Phonel Inc  
100 N Biscayne Blvd 25th FL  
Miami FL 33132

POPP Telcom Inc  
620 Mendelssohn Ave N  
Golden Valley MN 55427

Powercom Corporation  
1807 N Center St  
Beaver Dam WI 53916-1031

Preimiercom Inc  
500 E Higgins Rd Ste 200  
Elk Grove Village IL 60007

Premiere Network Services Inc  
1510 N Hampton Rd Ste 120  
DeSoto TX 75115

Professional Comm Manaqement Serv Inc  
RR 3 Box 69G  
Bruceton Mills WV 26525-9611

Public Communications Services Inc  
11859 Wilshire Blvd Ste 600  
Los Angeles CA 90026

Public Communications Services Inc  
11859 Wilshire Blvd Ste 600  
Los Angeles CA 90025

Quasar Communications Corporation  
15610 Boulder Oaks Dr  
Houston TX 77084

Quick Tel Inc  
3822 Ironwood Pl  
Landover MD 20785

Qwest Corporation  
1801 California St Ste 900  
Denver CO 80202

Kristin L Smith  
Qwest Corporation  
1801 California St Ste 900  
Denver CO 80202

Qwest Interprise America Inc  
1801 California St Ste 5100  
Denver CO 80202

Qwest LD Corp  
1801 California St Ste 5100  
Denver CO 80202

QX Telecom LLC  
230 5th Ave  
New York NY 10001

R2C Communications Inc  
9532 Mission Rd #25  
Overland Park KS 66206

Radiant Telecom Inc  
1020 NW 163 Dr  
Miami FL 33169

RCC Network Inc  
3905 Dakota St SW  
Alexandria MN 56308-2000

Dean Polkow  
RCC Network Inc  
PO Box 2000

RCC Paqing Inc  
P O Box 2000  
Alexandria MN 56308

Reduced Rate Long Distance LLC  
1800 Pembroke Dr Ste 300  
Orlando FL 32810

Reliance Telephone Systems Inc  
118 Gateway Dr  
East Grand Forks ND 56721

Reliant Communications Inc  
801 International Pkwy 5th Fl  
Lake Mary FL 32746

Reliant Communications Inc  
801 International Pkwy 5th Fl  
Lake Mary FL 32746

Ridley Telephone Company LLC  
470 Norristown Rd Ste 201  
Blue Bell PA 19422-2322

Kimberly Nielson  
RTC-1  
Legal & External Affairs  
7277 164th Ave NE  
Redmond WA 98052

Smartnet Inc  
649 4th Ave SW  
Dickinson ND 58601

Smartstop Inc  
333 SW Taylor St  
Portland OR 97204-2446

Snip Link LLC  
100-A Twinbridge Dr  
Pennsauken NJ 08110

Souris River Telecommunications Company  
P O Box 2027  
Minot ND 58702-2027

Andrew Jones  
Sprint Communications Company  
6391 Print Pkwy  
Overland Park KS 66251-6100

Sprint Spectrum LP  
6160 Sprint Pkwy 4th Fl  
KSOPHIO414  
Overland Park KS 66251

Startec Global Licensing Company  
1151 Seven Locks Rd  
Potomac MD 20854-2968

Harris Saele  
T P C Inc  
PO Box 180  
Devils Lake ND 58301-0180

TCPB Marketing Company Ltd  
P O Box 40149  
Bay Village OH 44140-0149

William Staycoff  
Telcom Billing Services Inc  
9243 E River Rd NW  
Coon Rapids MN 55433-5722

Donald Roudebush  
Telecare Incorporated  
444 Lafayette Rd  
Noblesville IN 46060

TeleCents Communications Inc  
8615 Richardson Rd Ste 200  
Walled Lake MI 48390

Telecom Management Inc  
563 Warren Ave

Teleconnect Long Dist Services & Systems  
500 2nd Ave SE  
Cedar Rapids IA 52401

Telefyne Incorporated  
4286 Woodbine Rd Ste B  
Pace FL 32571

Telenational Communications Inc  
7310 Woolworth Ave  
Omaha NE 68124

Telera Communications Inc  
910 E Hamilton Ave Ste 200  
Campbell CA 95008

Telliss LLC  
10142 Brooks School Rd Ste 198  
Fishers IN 46038

Telrite Corporation  
14500 Lochridge Blvd Ste D  
Covington GA 30014-4941

TelVue Corporation  
16000 Horizon Way  
Mt Laurel NJ 08054

The Farm Bureau Connection  
600 Maryland Ave SW Ste 800  
Washington DC 20024-2520

Jonathan Marashlian  
The Helein Law Group P C  
8180 Greensboro Dr Ste 700  
McLean VA 22102

CURTIS HOPFINGER  
T-NETIX TELECOMMUNICATIONS SERVICES, IN  
14651 DALLAS PARKWAY SUITE 600  
DALLAS TX 75254

Total Call International Inc  
707 Wilshire Blvd 9th Fl  
Los Angeles CA 90017-3501

Touch I Communications Inc  
100 Brookwood Rd  
Atmore AL 36504-5751

Touchtone Communications Inc  
16 S Jefferson Rd  
Whippany NJ 07981

Trans National Comm Internat'l Inc  
2 Charlesgate West  
Boston MA 02215

Transcom Communications Inc  
1925 W John Carpenter Frwy Ste 500  
Irving TX 75063

Tri-M Communications Inc  
125 E DeLaGuerra Ste 203  
Santa Barbara CA 93101

Trinsic Communications Inc  
601 S Harbour Island Blvd Ste 220  
Tampa FL 33602-5925

U S South Communications Inc  
250 Williams St Ste M-100  
Atlanta GA 30303-1032

Uni-Tel Communications Group Inc  
47 E Chicago Ave Ste 328  
Naperville IL 60540

US LEC Communications Inc  
6801 Morrison Blvd Morrocroft III

USA Digital Communications Inc  
1603 SE 19th St Ste 120  
Edmond OK 73013-6621

Val-Ed Joint Venture LLP/702  
702 Main Ave  
Moorhead MN 56560

Rick Cantu  
Value-Added Communications Inc  
3801 E Plano Pkwy Ste 100  
Plano TX 75074-1808

Virgin Mobile USA LLC  
10 Independence Blvd  
Warren NJ 07059-6747

WDT World Discount Tele Co  
13644 Neuton Rd  
Dallas TX 75244

WebNet Communications Inc  
20904 Winola Ter  
Ashburn VA 20147-6482

Western CLEC Corporation  
3650 131st Ave SE #400  
Bellevue WA 98006

Wholesale Carrier Services Inc  
7200 W Camino Real Ste 303  
Boca Raton FL 33433

Carolyn Fodor  
Winstar Communications  
520 Broad St  
Newark NJ 07102

Wireless Alliance LLC  
P O Box 2000  
Alexandria MN 56308-2000

Working Assets Funding Services  
101 Market St #700  
San Francisco CA 94105-1533

WTC Competitive Services Inc  
P O Box 270  
Park River ND 58270-0270

X2Comm Inc  
270 S Main St  
Flemington NJ 08822

XO Communications Services Inc  
11111 Sunset Hills Rd  
Reston VA 20190

Yak Communications (America) Inc  
300 Consilium Pl Ste 500  
Toronto Ontario CA M1H 3G2

Jill Papenhausen  
Zone Telecom Inc  
3 Executive Campus Ste 520  
Cherry Hill NJ 08002

**Helbling, Sharon D.**

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**From:** Helbling, Sharon D.  
**Sent:** Monday, October 16, 2006 9:51 AM  
**To:** ndna  
**Subject:** Notice of Opportunity for Hearing and Notice of Informal Hearing, Case Nos. PU-06-419 & PU-06-420

**Attachments:** Notice.doc

Colleen Park  
North Dakota Newspaper Association

Colleen,

Please have the attached Notice of Opportunity for Hearing and Notice of Informal Hearing published as a legal publication in the next issue of the Minot Daily News, and run it as a "News Item Only" article as well.

Send the bill to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions, please let me know. Thank you.

Sharon Helbling  
Public Utilities Division



**Notice.doc**  
**(42 KB)**

**APPROVED**

DATE: 10-12-06

*[Signature]*

**MOTION**

**October 12, 2006**

**SRT Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-06-419**

**SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-06-420**

I move the Commission issue a Notice of Opportunity for Hearing and Notice of Informal Hearing in the applications of SRT Communications, Inc. for certificates of public convenience and necessity to provide telecommunication services and for designation as an Eligible Telecommunications Carrier for receiving federal universal service support in the Velva exchange area of North Dakota, Case Nos. PU-06-419 and PU-06-420.

JRL/sdh

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**SRT Communications, Inc.  
Designated Eligible Carrier  
Application**

**Case No. PU-05-419**

**SRT Communications, Inc.  
Local Exchange  
Public Convenience and Necessity**

**Case No. PU-05-420**

**NOTICE OF OPPORTUNITY FOR HEARING AND  
NOTICE OF INFORMAL HEARING**

**October 12, 2006**

On September 18, 2006, in Case No. PU-06-420, SRT Communications, Inc. (SRT) of Minot, ND filed an application for a certificate of public convenience and necessity to provide facilities-based incumbent local exchange telecommunication services in the Velva, North Dakota local exchange area.

Also on September 18, 2006, in Case No. PU-06-419, SRT filed a Petition for Designation as an Eligible Telecommunications Carrier (ETC) for receiving federal universal service support in the Velva, North Dakota local exchange area.

SRT reports entering into a purchase and sales agreement with North Dakota Telephone Company (NDTC) for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunications service, exchange access and other telecommunications services in the Velva exchange. The closing is to occur on the first day of the month after required authorizations are secured under conditions found not unduly burdensome by the SRT Board of Directors. After the closing, NDTC intends to cease and SRT intends to commence doing business as a provider of local exchange service, exchange access and other telecommunications service in the Velva exchange area. Pursuant to the agreement, all subscribers served by NDTC in the Velva Exchange as of the closing will be served by SRT.

The issues to be considered in these matters are:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. Technical, financial and managerial ability of the applicant to provide service.
4. Qualification of the applicant under the Telecommunications Act of 1996, Section 214(e) for designation as an ETC eligible to receive federal universal service funding.

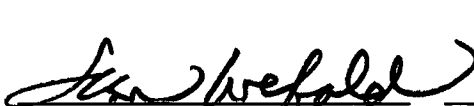


5. Whether the Commission should order additional requirements for ETC designation recommended in the FCC's Report and Order released March 17, 2005 in CC Docket No. 96-45.
6. What ETC universal service support area should be designated.
7. Whether NDTC's current certificate of public convenience and necessity to serve the Velva exchange should be relinquished to the Commission
8. Whether, upon designation of SRT as an ETC for the Velva exchange, NDTC's designation as an ETC for the Velva exchange should be relinquished.

Those interested are invited to comment on the application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **November 20, 2006**. If deemed appropriate, the Commission can determine the matter without a hearing.

An **informal hearing** of these matters has been scheduled for **November 22, 2006 at 1:30 p.m. CST** in the Commission Hearing Room on the 12<sup>th</sup> Floor of the State Capitol in Bismarck.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Illona Jeffcoat-Sacco, Executive Secretary.

#### PUBLIC SERVICE COMMISSION

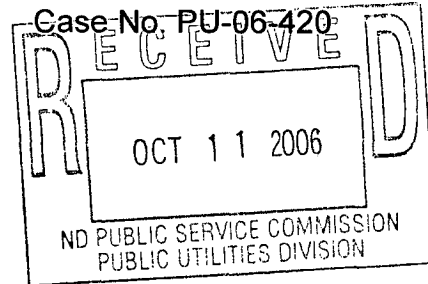
		
Susan E. Wefald Commissioner	Tony Clark President	Kevin Cramer Commissioner

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

SRT Communications, Inc.  
Application for Certificate of Public  
Convenience and Necessity and  
Expansion of Eligible Telecommunications  
Carrier Designation

Case No. PU-06-419

Case No. PU-06-420



**SUPPLEMENTAL AFFIDAVIT OF STEVE D. LYSNE IN SUPPORT OF  
SRT COMMUNICATIONS, INC.'S APPLICATION FOR  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND  
EXPANSION OF ELIGIBLE TELECOMMUNICATIONS  
CARRIER DESIGNATION**

Steve D. Lysne states the following under oath:

1. I am the Chief Executive Officer for SRT Communications, Inc. ("SRT") and submit this supplemental affidavit in support of SRT's application for a certificate of public convenience and necessity and for extension of SRT's "ETC" status into the Velva Exchange. My testimony in this supplemental affidavit addresses SRT's qualifications for designation as an eligible telecommunications carrier in the Velva Exchange.
2. SRT has the requisite technical and managerial ability to serve customers in the Velva Exchange. SRT is currently serving customers in twenty-five (25) exchanges.
3. SRT agrees to offer the services that are supported by the Federal universal service support mechanisms under section 254(c), either using its own

2

PU-06-419

Pages: 6

Supplemental Affidavit of Steve D Lysne in  
Support of Application  
by SRT Communications, Inc. by  
10/11/2006 C: Comm Legal Illona, Jerry, Annette ...

1

3

PU-06-420 ✓

Pages: 6

Supplemental Affidavit of Steve D Lysne in  
Support of Application  
by SRT Communications, Inc.  
10/11/2006 C: Comm Legal Illona, Jerry, Annette ...

facilities or a combination of its own facilities and resale of another carrier's services.

4. SRT agrees to advertise the availability of such services and the charges therefore using media of general distribution.

These services include:

Voice grade access to the public switched network. This is defined by the FCC to mean a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call, within the frequency range of between approximately 300 Hertz and 3,000 Hertz.

Local usage. This is defined by the FCC to mean a number of minutes of use of local service, prescribed by that Commission, provided free of charge to end users.

Dual tone multi-frequency signaling or its functional equivalent. "Dual tone multi-frequency" (DTMF) is defined as a method of signaling that facilitates the transportation of signaling through the network. The common name for DTMF was touch-tone signaling as 10 digit keypads were offered as an alternative to old-fashioned rotary dials on telephone instruments connected to the wired network.

Single-party service or its functional equivalent. "Single party service" is telecommunications service that permits users to have exclusive use of a wireline subscriber loop or access line for each call placed.

Access to emergency services. "Access to emergency services" includes access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations. 911 is defined as a service that permits a telecommunications user, by dialing the three-digit code "911", to call emergency service through a Public Service Access Point (PSAP) operated by the local government. "Enhanced 911" is defined as 911 service that includes the ability to provide automatic numbering information (ANI), which enables the PSAP to call back if the call is disconnected, and automatic location information (ALI), which permits emergency service providers to identify the geographic location of the calling party. "Access to emergency services" includes access to 911 services to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems.

Access to operator services. SRT's universal service calling plan includes "access to operator services," which is defined as access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call. Access to operator services is activated by dialing the digit 0 (zero), commonly referred to in the industry as O for Operator.

Access to interexchange service. "Access to interexchange service" is defined by the FCC's rules affecting ETC designation as the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier's network.

Access to directory assistance. "Access to directory assistance" is defined as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings.

5. For schools and libraries, the service designated by the FCC for support by universal support mechanisms include all items listed on the Eligible Services List of the Schools and Libraries Support Mechanism of the Universal Service Administrative Company dated October 18, 2002. For health care providers, the services supported by universal service support mechanisms include any telecommunications service that is used primarily for the provision of health care.

6. The FCC's rules and the North Dakota Commission also require that an eligible telecommunications carrier must offer Link Up service and Lifeline Service. In general terms, Link Up and Lifeline are cost reductions available to qualifying low-income consumers.

Link Up means a reduction in the customary charge for commencing telecommunications service for a single telecommunications connection at a consumer's principal place of residence. The reduction shall be half (50%) of the customary service order charge and central office charge. service. Lifeline service means qualifying low income subscribers pay reduced charges for retail residential local telecommunication service. The applicable exchange residential rate (including the federal end user common line charge) shall be reduced by \$10.00 per month for all exchanges for residential local telecommunications service to qualified low income subscribers. Lifeline service includes all the services designated for universal service support in the FCC's 97-157 Order and

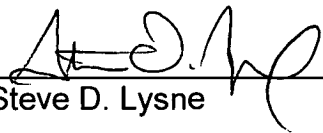
in 47 CFR 54.101. These services include: voice grade access to the public switched network, local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance. Lifeline service also includes toll limitation.

"Toll limitation" includes "toll blocking," an arrangement under which a consumer of telecommunications service chooses not to purchase long distance "toll" services for calling outside the local calling area, thus avoiding measured service charges for long distance service in addition to the fixed price for local usage. Toll blocking disables access to interexchange service, at the customer's request. Toll blocking is ordinarily offered as a fixed price option. Lifeline rules require toll limitation to be available free of charge to qualified low-income consumers.

SRT also offers Expanded Lifeline and Link Up for residents of Tribal Lands who are eligible to receive these services. Expanded Link Up provides eligible residents of Tribal lands with an additional benefit of up to \$70.00 in addition to regular Link Up. The additional benefit will apply towards 100% of the charges assessed for commencing service at a subscriber's principal place of residence between \$60.00 and \$130.00. Expanded Link Up does not apply to connection charges that are less than \$60.00. NOTE: SRT's connection charges are below \$60.00, thus additional Link Up support amount for subscribers not requiring new construction is \$0.00 for all exchanges.

Enhanced Lifeline for eligible residents of Tribal lands provides additional Lifeline support above the Lifeline received under the regular Lifeline program of up to \$25.00 per month. The amount of Enhanced Lifeline shall equal the tariffed monthly charges for basic local residential service less the Interstate Lifeline Credit or Intrastate Lifeline Credit received pursuant to the regular Lifeline program provided that the combined regular Lifeline and Enhanced Lifeline credits to not bring the basic local residential rate for a single residential line below \$1.00 per month and the total Enhanced Lifeline credit does not exceed \$25.00 per month.

7. The assertions contained within SRT's application were reviewed by me and are accurate statements of fact to the best of my knowledge.

  
Steve D. Lysne

Subscribed and sworn to before me this 10<sup>th</sup> day of October, 2006.

  
Notary Public  
For the State of North Dakota  
My commission expires: \_\_\_\_\_

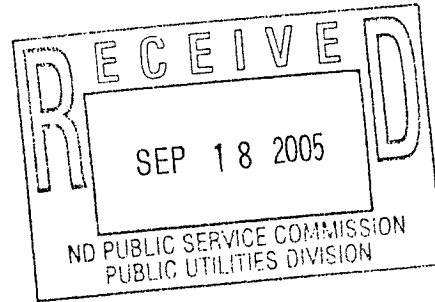
**KIM WEYDAHL**  
Notary Public, State of North Dakota  
My Commission Expires Aug. 23, 2009



Headquarters:  
3615 North Broadway  
PO Box 2027  
Minot, ND 58702-2027  
701-858-1200

SRT Connections:  
1400 20th Ave. SW  
PO Box 2027  
Minot, ND 58702-2027  
701-858-1200

September 15, 2006



Public Service Commission  
ATTN: Public Utilities Section  
State Capitol  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

RE: SRT Communications, Inc.  
Application for Certificate of Public Convenience and Necessity and  
Expansion of Eligible Telecommunications Carrier Designation

Enclosed please find the original and seven copies of the Application for Certificate of Public Convenience and Necessity and Expansion of Eligible Telecommunications Carrier Designation for SRT Communications, Inc. ("SRT") to serve the Velva exchange in McHenry County, North Dakota.

Also enclosed is a signed Affidavit, 2004-2005 audited Financial Statements of SRT, and a map (Exhibit A of the PC&N) illustrating the current SRT Eligible Telecommunications Carrier Designation ("ETC") and SRT's requested expansion of ETC designation.

Please feel free to give me a call if you have any questions.

Sincerely,

Steve D. Lysne, CEO  
SRT Communications, Inc.

Enclosures

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

Case No. PU-\_\_\_\_\_

SRT Communications, Inc.  
Application for Certificate of Public  
Convenience and Necessity and  
Expansion of Eligible Telecommunications  
Carrier Designation

**APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY AND EXPANSION OF ELIGIBLE TELECOMMUNICATIONS  
CARRIER DESIGNATION**

Pursuant to Chapter 49-03.1, of the North Dakota Century Code, SRT Communications, Inc. ("SRT") states the following in support of its application of a Certificate of Public Convenience and Necessity ("PC & N Certificate") for the Velva Exchange and for expansion of its designation as an Eligible Telecommunications Carrier (the "Application"). The Application for Expansion of Eligible Telecommunications Carrier Designation is made pursuant to and based upon 47 U.S.C. § 214 (e) of the federal Communications Act of 1934, as amended by the federal Telecommunications Act of 1996 (the "Act") and Chapter 49-21 of the North Dakota Century Code.

SRT is a "rural telephone company" within the meaning of Section 153(37) of the Act and has been providing telecommunications service within the state of North Dakota since 1951. SRT is a North Dakota cooperative and a "mutual telephone company" within the meaning of Chapter 49-21, NDCC. The North Dakota Public Service Commission ("Commission") exercises limited jurisdiction over SRT under applicable provisions of Title 49 NDCC.

SRT, under Certificates of Public Convenience and Necessity issued by the Commission, is engaged in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities in the following North Dakota exchange areas:

Exchange Prefix/Name

267 Antler	784 Lansford	727 Minot AFB
453 Berthold	693 Martin	756 Mohall
626 Butte	268 Maxbass	272 Newburg
468 Carpio	263 Metigoshe	624 Sawyer
728 Deering	852 Minot	459 Sherwood
725 Des Lacs	857 Minot	722 South Prairie
482 Donnybrook	858 Minot	386 Tolley

**COPY**

362 Glenburn	837 Minot	537 Towner
525 Karlsruhe	838 Minot	768 Upham
295 Landa	839 Minot	245 Westhope

SRT desires to provide essential and nonessential telecommunications service in the Velva exchange located in McHenry County, North Dakota. Currently, the Velva exchange is served by North Dakota Telephone Company ("NDTC"). The exchange prefix for Velva is 338.

The sale of the Velva Exchange to SRT was approved by the board of directors of NDTC and SRT. On September 1, 2006, SRT and NDTC entered into a Purchase and Sales Agreement (the "Agreement") for SRT's purchase of NDTC's current assets and facilities relating to the provision of local exchange telecommunication service, exchange access and other telecommunications services in the Velva Exchange. The Closing will occur on the first day of the month after SRT secures authorization from the North Dakota Public Service Commission (NDPSC); the city of Velva; the Federal Communications Commission (FCC); and satisfaction from SRT Board of Directors, in its sole discretion, there is not contained in any Order of any regulatory authority a term, condition or provision which is unduly burdensome. After the Closing of the Agreement transaction, NDTC will cease serving the Velva Exchange and SRT intends to engage in the business of providing local exchange telecommunications service, exchange access and other telecommunications activities in the Velva Exchange.

Effective as of the Closing, NDTC wishes to assign its designated geographical service area for the Velva Exchange to SRT. SRT, having been designated by the Commission as an eligible telecommunications carrier to receive universal service support under Sections 214 and 254 of the Act will request that its designated geographical service area be expanded to include the Velva Exchange for purpose of determining universal service obligations and support mechanisms under the Act. SRT's request for the expansion of their existing study area is made pursuant under 47 C.F.R. § 54.207 (c). See Exhibit A for map detailing requested expanded area.

Pursuant to the Agreement between SRT and NDTC, all subscribers served by NDTC in the Velva Exchange as of the Closing will be served by SRT.

With respect to the PC & N Certificate, the relevant issues are:

- (1) Need for the service;
- (2) Fitness and ability of SRT to provide service;
- (3) Adequacy of proposed service;
- (4) Technical and managerial ability of SRT to provide the service.

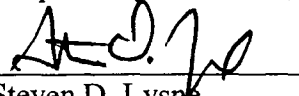
1. Need For the Service - There is a clear need for continuing quality telecommunications services in the Velva Exchange. The Velva Exchange is a rural community that relies heavily on dependable, landline telecommunications services.

2-4. SRT's ability to serve - SRT has the technical, financial and managerial fitness and ability to provide adequate essential and nonessential telecommunications services in the Velva Exchange. The Commission previously concluded in 1999 SRT has the requisite capacity to serve in case number PU-2147-99-421. Since then, SRT has enhanced its ability to serve rural landline customers.

The provision of adequate essential and nonessential telecommunications service in the Velva Exchange will be facilitated and supported by the full current technical and financial capabilities of SRT. Beginning on the Closing Date, SRT will offer all services that are supported by federal universal support mechanisms under § 254 (c) of the Act and 47 C.F.R. § 54.101 and 54.401, using a combination of its own facilities and resale of other carrier services, and will advertise the availability of such services. SRT will advertise the charges for such services using media of general distribution, throughout all of its exchanges including the Velva Exchange.

SRT has made application to the city of Velva for a franchise to serve customers in the Velva Exchange living within the city of Velva. SRT expects the city of Velva to grant SRT a franchise, authorizing SRT to serve Velva residents with essential and nonessential telecommunications services.

Respectfully submitted,



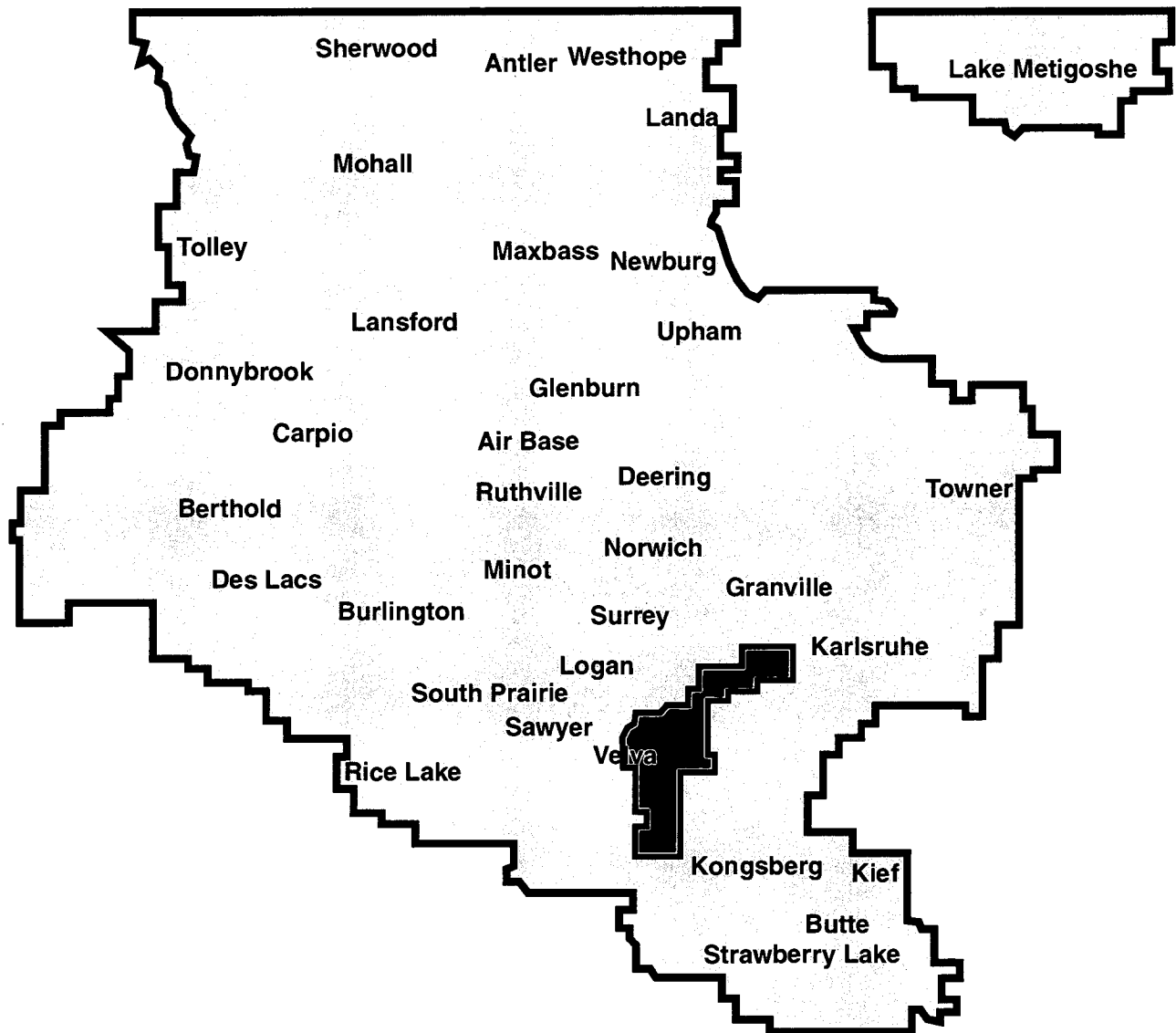
Steven D. Lysne

CEO, SRT Communications, Inc.

Dated: 9/15/06

# Exhibit A

SRT Communications, Inc.  
ETC Expanded serving area request  
Acquisition of Velva Exchange



□ SRT Current ETC Designation

■ SRT Requested Expansion of ETC Designation (Velva)

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

Case No. PU-\_\_\_\_\_

SRT Communications, Inc.  
Application for Certificate of Public  
Convenience and Necessity and  
Expansion of Eligible Telecommunications  
Carrier Designation

**AFFIDAVIT OF STEVE D. LYSNE IN SUPPORT OF  
SRT COMMUNICATIONS, INC.'S APPLICATION FOR  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND  
EXPANSION OF ELIGIBLE TELECOMMUNICATIONS  
CARRIER DESIGNATION**


Steve D. Lysne states the following under oath:

1. I am the Chief Executive Officer for SRT Communications, Inc. ("SRT").
2. I have overall responsibility for the operations of SRT and I report to its Board of Directors.
3. I have been employed by SRT for the past 12 years. Attached to my Affidavit is the most recent audited financial statements of SRT.
4. SRT has the requisite technical and managerial ability to serve customers in the Velva Exchange. SRT is currently serving customers in twenty-five (25) exchanges.
5. The Velva Exchange contains approximately 720 landline customers. SRT is well-prepared to serve the landline customers of Velva and integrate them into SRT's operations.

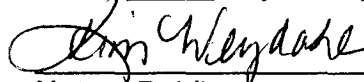
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6. Through its wholly owned subsidiaries, SRT is currently providing the Velva community with cable television services and wireless telecommunication services.

7. The assertions contained within SRT's application were reviewed by me and are accurate statements of fact to the best of my knowledge.

  
\_\_\_\_\_  
Steve D. Lysne

Subscribed and sworn to before me this 15<sup>th</sup> day of September, 2006.

  
\_\_\_\_\_  
Notary Public  
For the State of North Dakota  
My commission expires: \_\_\_\_\_

**KIM WEYDAHL**  
Notary Public, State of North Dakota  
My Commission Expires Aug. 23, 2009

**NORTH DAKOTA 537  
SRT COMMUNICATIONS, INC.  
AND SUBSIDIARIES**

**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**

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## INDEPENDENT AUDITOR'S REPORT

---

The Board of Directors  
**SRT Communications, Inc. and Subsidiaries**  
Minot, North Dakota

We have audited the accompanying consolidated balance sheets of **SRT Communications, Inc. (a North Dakota Cooperative) and Subsidiaries** as of December 31, 2005 and 2004, and the related consolidated statements of operations and other comprehensive income, equities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **SRT Communications, Inc. and Subsidiaries** as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Eide Bailly LLP*

February 24, 2006  
Sioux Falls, South Dakota

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**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2005 AND 2004**

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,632,428	\$ 5,162,249
Temporary cash investments	10,841,473	8,870,750
Investments in trading securities	1,448,938	1,413,448
Investments in held-to-maturity securities	50,400	-
Accounts receivable		
Telecommunications	2,141,162	2,236,616
Other	2,988,582	2,926,887
Interest receivable	68,560	59,274
Income taxes receivable	-	213,879
Materials and supplies	947,582	787,615
Prepayments	594,749	595,364
	<b>21,713,874</b>	<b>22,266,082</b>
<b>INVESTMENTS AND NONCURRENT ASSETS</b>		
Investments in held-to-maturity securities	1,783,523	1,001,273
Investments in available-for-sale securities	20,367	31,248
Other investments	5,177,527	5,132,940
Nonregulated investments		
Television equipment	766,691	554,660
Telecommunications equipment	175,952	226,883
Goodwill	16,815,409	16,815,409
Deferred charges	4,148,148	4,033,490
	<b>28,887,617</b>	<b>27,795,903</b>
<b>TELECOMMUNICATIONS PLANT</b>		
In service	132,237,677	123,796,173
Telephone plant acquisition adjustment	20,765,583	20,765,583
Under construction	3,813,854	2,217,490
	<b>156,817,114</b>	<b>146,779,246</b>
Less accumulated depreciation	108,699,792	103,065,414
	<b>48,117,322</b>	<b>43,713,832</b>
	<b>\$ 98,718,813</b>	<b>\$ 93,775,817</b>

See Notes to Consolidated Financial Statements

<b>LIABILITIES AND EQUITIES</b>	<u>2005</u>	<u>2004</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 3,966,380	\$ 970,115
Accounts payable	1,469,226	1,161,640
Accounts payable - construction	2,466,707	413,726
Customer deposits	161,550	150,666
Accrued taxes, other	415,708	419,343
Other current liabilities	<u>578,257</u>	<u>570,368</u>
Total current liabilities	<u>9,057,828</u>	<u>3,685,858</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	<u>12,453,069</u>	<u>16,588,828</u>
<b>OTHER LIABILITIES</b>		
Deferred income taxes	602,504	662,185
Postretirement benefits liability	1,457,458	1,382,811
Deferred credits	<u>57,560</u>	<u>120,990</u>
Total other liabilities	<u>2,117,522</u>	<u>2,165,986</u>
<b>EQUITIES</b>		
Patronage capital	47,270,712	43,777,633
Other allocated patronage	18,959,501	19,126,426
Other equities	8,848,156	8,412,315
Accumulated other comprehensive income - net of income taxes	<u>12,025</u>	<u>18,771</u>
Total equities	<u>75,090,394</u>	<u>71,335,145</u>
	 <u>\$ 98,718,813</u>	 <u>\$ 93,775,817</u>

**NORTH DAKOTA 537****SRT COMMUNICATIONS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Local network services	\$ 7,962,850	\$ 8,023,271
Network access services	19,218,462	19,926,607
Long distance network services	3,573,965	3,721,360
Miscellaneous	1,464,565	1,409,282
Uncollectibles	(165,562)	(52,677)
Total telephone revenue	<u>32,054,280</u>	<u>33,027,843</u>
PCS network services - net	4,979,268	3,764,725
Internet revenue	4,535,077	4,405,014
Cable television revenue - net	412,237	309,565
Nonregulated revenue	955,706	1,030,537
Total operating revenues	<u>42,936,568</u>	<u>42,537,684</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	5,703,201	5,601,694
Plant nonspecific operations	6,038,442	5,606,164
Depreciation and amortization	4,628,290	4,592,796
Customer operations	2,852,370	2,947,199
Corporate operations	4,696,198	4,324,207
Operating taxes - other	338,706	332,603
Total telephone operating expenses	<u>24,257,207</u>	<u>23,404,663</u>
PCS operating expenses	4,234,313	3,708,140
Internet operating expenses	3,559,313	3,395,288
Cable television operating expenses	630,585	458,291
Nonregulated expenses	1,535,390	1,652,960
Total operating expenses	<u>34,216,808</u>	<u>32,619,342</u>
<b>NET OPERATING MARGIN</b>	<u>8,719,760</u>	<u>9,918,342</u>
<b>NONOPERATING INCOME (EXPENSE)</b>		
Interest and dividend income	1,241,135	773,705
AFUDC	360,577	131,176
Amortization of telephone plant acquisition adjustment	(1,143,254)	(1,143,254)
Amortization of intangibles	(1,047,372)	(1,069,704)
Income from equity investments	279,478	228,715
Other nonoperating	(123,646)	(114,442)
Total nonoperating (expense)	<u>(433,082)</u>	<u>(1,193,804)</u>
<b>NET MARGIN BEFORE INTEREST AND INCOME TAXES</b>	<u>8,286,678</u>	<u>8,724,538</u>
<b>INTEREST AND RELATED ITEMS</b>		
Interest on long-term debt	1,218,295	1,289,200
Patronage capital allocations - CoBank	(106,137)	(117,775)
Total interest and related items	<u>1,112,158</u>	<u>1,171,425</u>

(continued on next page)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND  
OTHER COMPREHENSIVE INCOME - page 2**

	<u>2005</u>	<u>2004</u>
NET MARGIN BEFORE INCOME TAXES	<u>7,174,520</u>	<u>7,553,113</u>
(BENEFIT FROM) PROVISION FOR INCOME TAXES	<u>(55,546)</u>	<u>77,502</u>
NET MARGIN	<u>7,230,066</u>	<u>7,475,611</u>
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale securities	(10,880)	16,089
Income tax effect on comprehensive income	4,134	(6,114)
	<u>(6,746)</u>	<u>9,975</u>
COMPREHENSIVE INCOME	<u>\$ 7,223,320</u>	<u>\$ 7,485,586</u>

**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITIES**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Patronage Capital	Other Allocated Patronage	Other Equities	Accumulated Other Comprehensive Income	Total
BALANCE, JANUARY 1, 2004	\$ 38,846,280	\$ 19,303,066	\$ 8,854,633	\$ 8,796	\$67,012,775
Transfer prior years' margins	822,564	-	(822,564)	-	-
Excise tax refunds	28,821	-	-	-	28,821
Transfer of equity	(36,090)	-	36,090	-	-
Comprehensive income:					
2004 net margin	7,475,611	-	-	-	7,475,611
Change in unrealized gain on securities available-for-sale	-	-	-	9,975	9,975
Retirements of capital credits	(3,359,553)	(176,640)	344,156	-	(3,192,037)
BALANCE, DECEMBER 31, 2004	43,777,633	19,126,426	8,412,315	18,771	71,335,145
Transfer prior years' margins	77,502	-	(77,502)	-	-
Excise tax refunds	71,254	-	-	-	71,254
Comprehensive income:					
2005 net margin	7,230,066	-	-	-	7,230,066
Change in unrealized gain on securities available-for-sale	-	-	-	(6,746)	(6,746)
Retirements of capital credits	(3,885,743)	(166,925)	513,343	-	(3,539,325)
BALANCE, DECEMBER 31, 2005	<u>\$ 47,270,712</u>	<u>\$ 18,959,501</u>	<u>\$ 8,848,156</u>	<u>\$ 12,025</u>	<u>\$75,090,394</u>

**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES</b>		
Net margin	\$ 7,230,066	\$ 7,475,611
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation		
Telecommunications plant	7,535,054	7,298,440
Television plant	69,205	16,734
Nonregulated telecommunications plant	89,269	96,501
Amortization accruals		
Acquisition adjustment	1,143,254	1,143,254
Long distance intangibles	360,000	360,000
Debt issuance costs	6,067	6,066
Other	681,305	703,638
Equity in earnings of affiliates	(279,478)	(228,715)
Deferred income taxes	(59,681)	(33,924)
Noncash patronage credits	(106,137)	(117,775)
Excise tax refunds	71,254	28,821
	<u>16,740,178</u>	<u>16,748,651</u>
Decrease (increase) in current assets and liabilities	<u>377,451</u>	<u>(784,848)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>17,117,629</u>	<u>15,963,803</u>
<b>INVESTING ACTIVITIES</b>		
Telecommunications plant additions and replacements - net	(12,642,443)	(5,607,914)
Nonregulated plant additions - net	(758,928)	(814,838)
Change in accounts payable - construction	2,052,981	14,408
Increase in deferred charges	(1,162,032)	(717,262)
Net (purchases) of temporary cash investments	(1,970,723)	(2,625,412)
Net (purchases) of securities	(821,769)	(168,355)
Decrease in other investments	334,282	644,350
	<u>(14,968,632)</u>	<u>(9,275,023)</u>
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<u>(14,968,632)</u>	<u>(9,275,023)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(1,002,450)	(3,620,881)
Increase in advanced payments on long-term debt	(137,043)	(130,398)
Retirement of capital credits	(3,539,325)	(3,192,037)
	<u>(4,678,818)</u>	<u>(6,943,316)</u>
<b>NET CASH FOR FINANCING ACTIVITIES</b>	<u>(4,678,818)</u>	<u>(6,943,316)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,529,821)</u>	<u>(254,536)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,162,249</u>	<u>5,416,785</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,632,428</u>	<u>\$ 5,162,249</u>

**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of operations*

The Cooperative's principal business is providing local telephone service, long distance telephone service, sales and lease of communications equipment, and access to long distance telephone service through its local exchange network. The Cooperative, through its nonregulated subsidiaries, provides PCS network services, cable television services, and internet services.

*General*

The Cooperative follows the Federal Communications Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations as required by the Rural Utilities Service (RUS).

Rates charged to the Cooperative's telephone customers are established by the Board of Directors. Toll and access rates are subject to state and FCC regulation.

*Principles of consolidation*

The consolidated financial statements include the accounts SRT Communications, Inc. and its wholly-owned subsidiaries, Souris River Television, Inc., Souris River Telecommunications Company, and North Dakota Network Co. All significant intercompany accounts have been eliminated in consolidation.

*Telecommunication and other plant*

Plant is stated at cost. The cost of additions to plant includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and replacements and renewal of items determined to be less than units of property are charged to maintenance.

*Depreciation*

Depreciation is computed using the straight-line method based upon the estimated service lives of the various classes of depreciable property. Such provisions as a percentage of the average balances of plant in service are as follows:

	<u>2005</u>	<u>2004</u>
Telecommunications plant	5.9%	6.0%
CATV plant	5.2%	1.5%
Nonregulated telecommunications equipment	4.3%	4.6%

*Cash and cash equivalents*

For purposes of reporting cash flows, the Cooperative considers all cash deposits with an original maturity of three months or less to be cash and cash equivalents.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### *Investments*

Investments are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Investments in Certain Debt and Equity Securities."

The Cooperative's investments in certificates of deposit, which typically mature in one year or less, are held to maturity and valued at amortized cost, which approximates market value. The Cooperative's securities, which are bought and held for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets with the change in fair value during the period included in earnings.

Securities that the Cooperative has the intent and ability to hold to maturity are classified held-to-maturity securities and recorded at amortized cost. Securities investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value and included in the balance sheet with investments. Changes in the fair value during the period are excluded from earnings and are recorded net of tax as a component of other comprehensive income.

The Cooperative's investment in Dakota Carrier Network LLC is accounted for using the equity method. Under the equity method, the Cooperative records its proportionate share of earnings and losses of this entity.

All other investments are stated at cost, including allocated patronage capital.

### *Materials and supplies*

The inventories are stated at average cost, except for material held for resale, which is stated at actual cost.

### *Revenue recognition*

The Cooperative bills for local telephone service on the first of the month for the previous month's service. Local service and access charge revenue are accrued to the balance sheet date. Long distance revenue is accrued to the balance sheet date.

### *Pension costs*

The policy is to fund pension costs accrued.

### *Business credit risk*

The Cooperative provides telecommunication services on account to its members located principally in and around Minot, North Dakota. The Cooperative also bills for access to various long distance companies, which provide toll service to the Cooperative's subscribers.

### *Receivables and credit policies*

Accounts receivable are uncollateralized customer obligations due under terms established by the Board of Directors. Past due balances are subject to disconnection of service. The Cooperative requires deposits from customers with poor credit history. The carrying amount of accounts receivable is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### *Income taxes*

In accordance with Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes, the Cooperative generally provides for deferred income taxes resulting from timing differences between the amounts reported for financial accounting and income tax purposes, principally depreciation expense.

### *Accounting estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Allowance for funds used during construction*

The allowance for funds used during construction represents a rate of return of general funds, a noncash item, used to finance construction of telecommunications plant. AFUDC is classified in utility nonoperating margins.

### *Reclassifications*

Certain reclassifications have been made to the December 31, 2004 financial information to make it conform to the current twelve month period presentation. The reclassifications had no effect on reported operating results.

## **NOTE 2 - TEMPORARY CASH INVESTMENTS**

Temporary cash investments at December 31, 2005 and 2004 consist of:

	<u>2005</u>	<u>2004</u>
Certificates of deposit	\$ 9,553,933	\$ 8,430,409
Money market and savings accounts	<u>1,287,540</u>	<u>440,341</u>
	<u>\$ 10,841,473</u>	<u>\$ 8,870,750</u>

## **NOTE 3 - INVESTMENTS IN TRADING SECURITIES**

Following are the investments that the Cooperative has classified as "trading securities" at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Mutual funds - fixed treasury obligations (at fair market value)	<u>\$ 1,448,938</u>	<u>\$ 1,413,448</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4 - INVESTMENTS IN HELD-TO-MATURITY SECURITIES**

Following are the investments that the Cooperative has classified as "held-to-maturity" at December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Maturing within one year - short-term	\$ 50,400	\$ -
Maturing after one year through three years	1,524,923	788,341
Maturing after three years	<u>258,600</u>	<u>212,932</u>
Long-term	<u>1,783,523</u>	<u>1,001,273</u>
Total	<u>\$ 1,833,923</u>	<u>\$ 1,001,273</u>

	<u>2005</u>			<u>2004</u>
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
Government agency bonds	\$ 14,000	\$ -	\$ 14,000	\$ 14,000
Government bonds	736,475	19,341	755,816	558,391
Government backed mortgage securities	471,408	6,612	478,020	100,000
Corporate bonds	<u>572,561</u>	<u>13,526</u>	<u>586,087</u>	<u>328,882</u>
Government agency bonds	<u>\$ 1,794,444</u>	<u>\$ 39,479</u>	<u>\$ 1,833,923</u>	<u>\$ 1,001,273</u>

Estimated market values at December 31 were determined by reference quotations or market indices for the respective investment securities. The gross unrealized losses represent the difference between the amortized cost and the estimated market value. The unrealized losses are determined at a point in time and would only be realized upon the sale of the securities. If the investment securities are held to their contractual maturities, no losses would be realized. Expected maturities will differ from contractual maturities because the issuers of certain debt securities do have a right to call or prepay their obligations.

**NOTE 5 - INVESTMENT IN AVAILABLE-FOR-SALE SECURITIES**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>	<u>Fair Value</u>
Verisign, Inc. (common stock)	\$ 972	\$ 19,395	\$ 20,367	\$ 31,248

Investments in available-for-sale securities are recorded at market value. The difference between the cost and the market value, net of deferred taxes, is reported as "other comprehensive income" in the statement of income. The accumulated net change in the market value of the security is included with equity as "accumulated other comprehensive income."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - OTHER INVESTMENTS

	2005	2004
CoBank, ACB:		
Class E stock	\$ 1,832,776	\$ 2,229,179
Class B stock	1,381	7,125
	<u>1,834,157</u>	<u>2,236,304</u>
North Central Regional Processing Center:		
Class B stock - 1 share	1,000	1,000
Class C stock - 30 shares	30,100	30,100
	<u>31,100</u>	<u>31,100</u>
Other		
Patronage capital credits from other nonprofit service corporations	181,653	172,972
Dakota Carrier Network, LLC (8.45% ownership) - at equity	1,208,840	1,000,730
National Information Solutions Corporation - patronage allocations	250,150	243,166
National Rural Telephone Cooperative - patronage allocations	279,265	273,844
Independent NECA Services stock - at cost	25,000	25,000
Rural Telephone Bank Class C stock	56,792	56,792
Cellular investments (stock) - at cost	1,110,570	893,032
National Information Solutions Corporation - investments	200,000	200,000
	<u>3,312,270</u>	<u>2,865,536</u>
	<u>\$ 5,177,527</u>	<u>\$ 5,132,940</u>

The Cooperative accounts for the investment in Dakota Carrier Network, LLC under the equity method. Under the equity method, the investment is initially recorded at cost, then reduced by the dividends and increased or decreased by the investor's proportionate share of the investee's net earnings or loss. The Cooperative recorded income of \$279,478 and \$228,715 from equity investments for the years ended December 31, 2005 and 2004, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 7 - NONREGULATED TELECOMMUNICATIONS EQUIPMENT

The Cooperative accounts for the lease and sales of nonregulated equipment such as customer premise equipment, mobile telephones, pagers, and other equipment as nonregulated activities. The nonregulated plant, net of accumulated depreciation associated with these activities is included in the balance sheet as a nonregulated investment. The net income from these activities is included with other nonoperating income. Details of the plant and operations are as follows:

	<u>2005</u>	<u>2004</u>
<b>Plant:</b>		
Customer premise equipment	\$ 765,684	\$ 765,684
Lease property	591,823	602,705
Answering paging equipment	305,400	373,749
Demonstration equipment	44,156	44,156
Vehicles and work equipment	259,477	259,475
Leasehold improvements	50,452	50,455
	<u>2,016,992</u>	<u>2,096,224</u>
Less accumulated depreciation	<u>1,841,040</u>	<u>1,869,341</u>
Net plant	<u>\$ 175,952</u>	<u>\$ 226,883</u>
<b>Operations:</b>		
<b>Revenues</b>		
Lease revenue	\$ 209,467	\$ 218,476
Installation and maintenance revenue	445,579	452,193
Sales of equipment (less cost of sales: 2005 - \$189,097; 2004 - \$185,353)	25,877	74,744
Answering/paging revenue	122,223	121,064
Other miscellaneous service revenue	152,560	163,617
Interest income	-	443
Total revenues	<u>955,706</u>	<u>1,030,537</u>
<b>Expenses</b>		
Maintenance, installation and lease expense	728,606	746,345
Depreciation and amortization	89,269	96,501
Customer service and other	717,515	810,114
Total expenses	<u>1,535,390</u>	<u>1,652,960</u>
Net (loss) before income taxes	<u>\$ (579,684)</u>	<u>\$ (622,423)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - GOODWILL

	<u>2005</u>	<u>2004</u>
Goodwill	\$ 20,841,997	\$ 20,841,997
Accumulated amortization	<u>(4,026,588)</u>	<u>(4,026,588)</u>
	<u>\$ 16,815,409</u>	<u>\$ 16,815,409</u>

On May 15, 1994, SRT Services Corporation acquired all issued and outstanding stock of Minot Telephone Cooperative for \$58 million. SRT Services Corporation and Subsidiary were subsequently merged into SRT Communications, Inc. The acquired assets and liabilities were recorded in the consolidated financial statements at their fair market value. The difference between the original purchase price and the fair market value of the assets less liabilities at the time of the purchase was recorded as goodwill. Goodwill at the date of purchase was calculated at \$20,841,997 and was being amortized over 40 years on a straight-line basis.

In 2002, the Cooperative adopted Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets*. Under this new standard, it is no longer permissible to amortize goodwill to expense. Rather, an impairment approach must be used for valuation whereby a decrease in the intangible asset's fair value below its carrying amount will result in a write-down of the asset. If there is no decrease in value below the carrying amount as determined by impairment testing, the carrying amount of goodwill does not change. No impairment charges have been recorded since the adoption of the new standard.

NOTE 9 - DEFERRED CHARGES

	<u>2005</u>	<u>2004</u>
Customer list - SRT Long Distance (net of amortization; 2005 - \$2,325,000; 2004 - \$2,125,000)	\$ 675,000	\$ 875,000
Customer list - Mid-Tel Long Distance (net of amortization; 2005 - \$1,506,663; 2004 - \$1,346,663)	846,587	1,006,587
Customer list - Magic Internet (net of amortization; 2005 - \$150,147; 2004 - \$90,088)	450,442	510,501
Customer List - Star City CATV (net of amortization; 2005 - \$65,250; 2004 - \$36,250)	224,750	253,750
MMDS licenses (net of amortization; 2005 - \$222,753; 2004 - \$160,589)	274,556	336,720
Deferred compensation deposits	50,147	50,147
Debt issuance costs (net of amortization; 2005 - \$70,526; 2004 - \$64,459)	20,474	26,541
Deferred software and maintenance charges	1,436,512	808,246
Other	<u>169,680</u>	<u>165,998</u>
	<u>\$ 4,148,148</u>	<u>\$ 4,033,490</u>

Souris River Telecommunications Company (d/b/a SRT Long Distance) purchased the assets associated with the Rochester Telephone Company's long distance business in Minot for \$3,000,000. The assets, consisting primarily of intangibles such as customer lists, are being amortized over a period of 15 years on a straight-line basis. Amortization of \$200,000 was charged to expense in 2005 and 2004.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During 1996, the Cooperative purchased the customer lists of Mid-Tel Long Distance, Inc. for \$2,353,250. These intangible assets are being amortized over a period of 15 years on a straight-line basis. Amortization of approximately \$160,000 was charged to expense in 2005 and 2004.

During 2003, the Cooperative purchased Magic Internet Services, Inc. for \$720,581. Intangible assets of \$600,588 resulting from the purchase are being amortized over a period of 10 years on a straight-line basis. Amortization of approximately \$60,000 was charged to expense in 2005 and 2004.

During 2003, the Cooperative purchased the customer lists of Star City Cable TV for \$290,000. These intangible assets are being amortized over a period of 10 years on a straight-line basis. Amortization of approximately \$29,000 was charged to expense in 2005 and 2004.

The deferred compensation balances are on deposit with the National Telephone Cooperative Association's deferred compensation agency, and are to fund deferred compensation plans which the Cooperative has entered into with a number of its employees. The reserve, representing payments to be made to retired employees, is included with deferred credits.

The Cooperative incurred costs of \$91,000 in acquiring debt from St. Paul Bank for Cooperatives (now CoBank). The costs are being amortized using the straight-line method over a 15 year period. Amortization of \$6,067 was charged to expense in 2005 and 2004.

Expenditures for software are generally capitalized and amortized over 36 months.

**NOTE 10 - TELECOMMUNICATIONS PLANT AND DEPRECIATION**

	2005		2004	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	\$ 19,255,881	3.0 - 20.0%	\$ 17,353,665	3.0 - 20.0%
Central office switching	25,868,847	8 - 20.0	24,210,092	8 - 20.0
Central office transmission	30,658,873	5 - 12.0	29,098,337	5 - 12.0
Information origination/termination assets	7,682	10.0	7,682	10.0
Cable and wire facilities	56,411,523	4.4 - 20	53,012,546	4.4 - 20
Intangible assets	34,871		113,851	
Total in service	<u>132,237,677</u>		<u>123,796,173</u>	
Telephone plant acquisition adjustment	20,765,583	6.67	20,765,583	6.67
Under construction	<u>3,813,854</u>		<u>2,217,490</u>	
Total plant	<u>\$ 156,817,114</u>		<u>\$ 146,779,246</u>	

Telephone plant acquisition adjustment is the difference between the original cost basis, less accumulated depreciation and the fair market value of telephone plant acquired. Telephone plant acquisition adjustment is being amortized on the straight-line basis over 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - LONG-TERM DEBT

	<u>2005</u>	<u>2004</u>
Rural Utilities Service (RUS)		
2% mortgage notes due in quarterly installments through January 2016	\$ 1,092,182	\$ 1,190,216
5% mortgage notes due in quarterly installments through June 2025	6,952,097	7,428,108
4.75-6.125% mortgage notes due in monthly installments through June 2013	1,472,228	1,630,518
Advanced payments	(2,826,942)	(2,689,899)
	<u>6,689,565</u>	<u>7,558,943</u>
CoBank		
Variable rate repriced term loans (6.13% at December 31, 2005) due in monthly installments through December 2008	9,729,884	-
Contract 24, interest rate of 7.72% through 12/1/05, note due in monthly installments through June 2009	-	5,000,000
Contract 25, interest rate of 7.6% through 12/1/05, note due in monthly installments through June 2009	-	5,000,000
	<u>9,729,884</u>	<u>10,000,000</u>
	16,419,449	17,558,943
Less current maturities	<u>(3,966,380)</u>	<u>(970,115)</u>
	<u>\$ 12,453,069</u>	<u>\$ 16,588,828</u>

Substantially all assets of the Cooperative are pledged as collateral on the notes executed with CoBank. The mortgage covenants require the Cooperative to meet certain financial ratios, minimum net worth levels and minimum cash flow requirements. The Cooperative was in compliance with these covenants at December 31, 2005 and 2004.

It is estimated that principal repayments on the above debt for the next five years will be as follows:

	<u>CoBank</u>	<u>RUS</u>	<u>Total</u>
2006	\$ 3,241,380	\$ 725,000	\$ 3,966,380
2007	3,241,380	750,000	3,991,380
2008	3,241,380	775,000	4,016,380
2009	5,744	800,000	805,744
2010	-	825,000	825,000

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - DEFERRED CREDITS**

	<u>2005</u>	<u>2004</u>
Deferred compensation reserve	\$ 50,147	\$ 50,147
Deferred revenue - USAC	-	63,528
Other	7,413	7,315
	<u>\$ 57,560</u>	<u>\$ 120,990</u>

**NOTE 13 - PATRONAGE CAPITAL**

	<u>2005</u>	<u>2004</u>
Assignable	\$ 7,301,320	\$ 7,504,432
Assigned to date	76,222,506	68,640,573
	<u>83,523,826</u>	<u>76,145,005</u>
Retired to date	36,253,114	32,367,372
	<u>\$ 47,270,712</u>	<u>\$ 43,777,633</u>
Assigned to date - special allocation	\$ 19,868,442	\$ 19,868,442
Retired to date - special allocations	908,941	742,016
	<u>\$ 18,959,501</u>	<u>\$ 19,126,426</u>

The long-term debt agreements with Rural Utility Service contain restrictions on retirements of patronage capital, memberships, and equity capital. The restrictions are related in general to the Cooperative's net worth and assets as defined in said agreements. The Cooperative may, however, make distributions in any calendar year equal to twenty-five percent of the net margins of the immediate preceding calendar year.

**NOTE 14 - OTHER EQUITIES**

	<u>2005</u>	<u>2004</u>
Gains on retirements of capital credits	\$ 2,131,055	\$ 1,765,233
Unallocated margins	6,717,101	6,647,082
	<u>\$ 8,848,156</u>	<u>\$ 8,412,315</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 15 - INCOME TAXES

The Cooperative has been exempt from income taxes since 1958. However, during 2005 and 2004, the Cooperative did not meet the 85-percent-member-revenue requirements of Section 501(c)(12) of the Internal Revenue Code. As a result, the Cooperative is subject to both state and federal income taxes for 2005 and 2004. The subsidiaries are taxable corporations and file a consolidated return with the Cooperative. The provision for 2005 and 2004 income taxes are reflected in the consolidated statements of operations as follows:

	<u>2005</u>	<u>2004</u>
(Benefit from) provision for income taxes		
Operating taxes - federal and state income	\$ (47,214)	\$ 65,877
Other nonoperating taxes - federal and state income	<u>(8,332)</u>	<u>11,625</u>
(Benefit from) provision for income taxes	<u>\$ (55,546)</u>	<u>\$ 77,502</u>
(Benefit from) provision for income taxes consists of the following:		
Net operating loss credit - Federal and State	\$ 142,000	\$ 204,022
Deferred income taxes - accelerated depreciation and amortization	(207,546)	(160,101)
Deferred income taxes - other	<u>10,000</u>	<u>33,581</u>
Total (benefit from) provision for income taxes	<u>\$ (55,546)</u>	<u>\$ 77,502</u>
Deferred income taxes:		
Deferred income taxes - accelerated depreciation and amortization	\$ 782,149	\$ 989,695
Deferred tax assets - other	(61,000)	(71,000)
Deferred income taxes - unrealized gain on available-for-sale securities	7,370	11,505
Net operating loss carryforward	(87,000)	(229,000)
Alternative minimum tax credit carryforward	<u>(39,015)</u>	<u>(39,015)</u>
Total deferred income taxes	<u>\$ 602,504</u>	<u>\$ 662,185</u>

The accumulated deferred income tax credits are the result of using accelerated depreciation methods for tax purposes and straight-line depreciation for book purposes. During 2003, the Cooperative purchased the stock of Magic Internet Services, Inc. The Cooperative assumed various deferred tax assets with the purchase. During 2003, the assets and liabilities of Magic Internet Services, Inc. were merged into Souris River Telecommunications Company.

**NOTE 16 - PENSION PLAN**

The Cooperative has a contributory defined benefit pension plan covering substantially all employees. The plan is funded through payments to the National Telephone Cooperative Association, (NTCA) which has established a trusteed plan whereby annuities, effective upon retirement, will be available to participants in amounts established by the plan. In this master multiemployer plan, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. The total cost to the Cooperative of their plan for the years ended December 31, 2005 and 2004, approximated \$978,000 and \$898,000, respectively, which was charged to expense and other accounts on the basis of payroll distribution.

Employees of the Cooperative are also eligible for a 401(k) savings plan. The plan is offered through the National Telephone Cooperative Association. The Cooperative makes a contribution of up to 2% of employees' base wages. The Cooperative made contributions of approximately \$211,000 and \$198,000 in 2005 and 2004, respectively.

**NOTE 17 - ACCUMULATED POSTRETIREMENT BENEFITS**

The Cooperative and subsidiaries sponsor a defined benefit postretirement plan relating to health insurance premiums. The plan covers retired and current employees that were hired prior to December 31, 2003. Employees hired after December 31, 2003 are not eligible for the postretirement benefit plan.

If the retired employee has more than 25 years of service and is age 60 or older at the date of retirement, or is at least age 55 and meets NTCA's "Rule of 85" requirement, the Cooperative will pay 80% of the monthly postretirement premium until the retiree reaches the age of 65. After attainment of age 65, the retiree will be eligible to continue to participate until their death at a cost of 70% of the premium to be paid by the retiree and 30% by the Cooperative.

If the retired employee has more than 25 years of service and is younger than age 60 at the date of retirement, the retiree will be eligible to continue to participate in the health plan until their death at a cost of 70% of the premium to be paid by the retiree and 30% by the Cooperative.

If the retired employee has more than 20 and fewer than 25 years of service, the retiree will be eligible to continue to participate in the health plan until their death at a cost of 80% of the premium to be paid by the retiree and 20% by the Cooperative.

Accumulated postretirement benefit obligation:

	<u>2005</u>	<u>2004</u>
Retirees	\$ 1,954,841	\$ 2,082,171
Fully eligible active plan participants	1,144,976	1,293,269
Other active plan participants	969,610	733,785
	<u>4,069,427</u>	<u>4,109,225</u>
Unrecognized net gain (loss)	68,323	(344,041)
Accumulated postretirement benefit obligation	4,137,750	3,765,184
Amount funded	<u>(2,680,292)</u>	<u>(2,382,373)</u>
Net accumulated postretirement benefit obligation	<u>\$ 1,457,458</u>	<u>\$ 1,382,811</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net periodic postretirement benefit costs for the years ended December 31, 2005 and 2004, included the following components:

	<u>2005</u>	<u>2004</u>
Service costs	\$ 418,785	\$ 537,274
Interest cost	<u>301,215</u>	<u>262,726</u>
Net postretirement benefit cost	<u>\$ 720,000</u>	<u>\$ 800,000</u>

For measurement purposes a 4% rate of increase in per capita cost of applicable health insurance premiums was assumed. To illustrate, increasing the assumed health care cost trend rate by 1 percentage point in each year would increase the accumulated postretirement benefit obligation by approximately \$535,000. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0% in 2005.

### NOTE 18 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Set forth is information with respect to changes in current assets and current liabilities, and cash paid for interest and income taxes:

	<u>2005</u>	<u>2004</u>
(Increase) decrease in current assets		
Trading securities	\$ (35,490)	\$ (1,005,609)
Telecommunications accounts receivable	95,454	(200,085)
Other accounts receivable	292,217	1,673,214
Income taxes receivable	213,879	426,359
Interest receivable	(9,286)	(3,455)
Materials and supplies	(159,967)	97,108
Prepayments	615	(96,215)
Increase (decrease) in current liabilities		
Accounts payable	(46,326)	(1,937,227)
Customer deposits	10,884	2,990
Taxes accrued - other	(3,635)	4,617
Other current liabilities	7,889	200,757
Other liabilities	<u>11,217</u>	<u>52,698</u>
	<u>\$ 377,451</u>	<u>\$ (784,848)</u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments for interest	<u>\$ 1,232,882</u>	<u>\$ 1,293,830</u>
Cash (refunds) from income taxes	<u>\$ (213,879)</u>	<u>\$ (323,227)</u>



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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The Board of Directors  
**SRT Communications, Inc. and Subsidiaries**  
Minot, North Dakota

Our report on our audits of the consolidated financial statements of SRT Communications, Inc. and subsidiaries as of December 31, 2005 and 2004, appears on page 1. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The consolidating information on pages 22 through 31 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Eide Bailly LLP*

February 24, 2006  
Sioux Falls, South Dakota

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**NORTH DAKOTA 537**  
**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**DIRECTORS, OFFICERS, AND MANAGER**  
**DECEMBER 31, 2005**

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<u>Name</u>	<u>Position</u>
James Newman	President
John Marshall	Vice President
Tom Wentz, Jr.	Secretary – Treasurer
Ardel Rice	Assistant Secretary – Treasurer
Allan Engh	Director
Dennis Erber	Director
Gerald Henry	Director
Tom Henry	Director
Susan Schmutzler	Director
Dennis Schott	Director
Tom Seymour	Director
Stanley Vangsness	Director
Steven Lysne	Manager

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2005**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 2,632,428	\$ -	\$ 2,598,069	\$ 34,359	\$ -	\$ -
Temporary cash investments	10,841,473		10,841,473			
Investments in trading securities	1,448,938		1,448,938			
Investments in held- to-maturity securities	50,400		50,400			
Accounts receivable						
Telecommunications	2,141,162		2,141,162			
Other	2,988,582		2,770,345			218,237
Affiliated company		(10,269,863)		10,269,863		
Interest receivable	68,560		68,560			
Materials and supplies	947,582		947,582			
Prepayments	594,749		459,155	275	135,319	0
Total current assets	<u>21,713,874</u>	<u>(10,269,863)</u>	<u>21,325,684</u>	<u>10,304,497</u>	<u>135,319</u>	<u>218,237</u>
<b>INVESTMENTS AND NONCURRENT ASSETS</b>						
Investments in held- to-maturity securities	1,783,523		1,783,523			
Investments in available- for-sale securities	20,367		20,367			
Other investments	5,177,527	(1,990,167)	4,898,262	279,265	1,990,167	
Investments in affiliated company		(8,393,885)	8,393,885			
Nonregulated investments						
Television equipment	766,691			766,691		
Telecommunications equipment	175,952		175,952			
Goodwill, net of amortization	16,815,409		16,815,409			
Deferred charges	4,148,148		2,472,911	224,748	1,056,251	394,238
Total investments and noncurrent assets	<u>28,887,617</u>	<u>(10,384,052)</u>	<u>34,560,309</u>	<u>1,270,704</u>	<u>3,046,418</u>	<u>394,238</u>
<b>TELECOMMUNICATIONS PLANT</b>						
In service	132,237,677		114,432,107		3,907,346	13,898,224
Acquisition adjustment	20,765,583		20,765,583			
Under construction	3,813,854		2,913,150		37,476	863,228
Total investment in plant	<u>156,817,114</u>	<u>-</u>	<u>138,110,840</u>	<u>-</u>	<u>3,944,822</u>	<u>14,761,452</u>
Less accumulated depreciation and amortization	<u>108,699,792</u>	<u>-</u>	<u>98,319,566</u>	<u>-</u>	<u>1,988,881</u>	<u>8,391,345</u>
Net plant	<u>48,117,322</u>	<u>-</u>	<u>39,791,274</u>	<u>-</u>	<u>1,955,941</u>	<u>6,370,107</u>
	<u>\$ 98,718,813</u>	<u>\$ (20,653,915)</u>	<u>\$ 95,677,267</u>	<u>\$ 11,575,201</u>	<u>\$ 5,137,678</u>	<u>\$ 6,982,582</u>

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>EQUITIES AND LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Current maturities of long-term debt	\$ 3,966,380	\$ -	\$ 3,966,380	\$ -	\$ -	\$ -
Accounts payable	1,469,226		1,435,926		2,069	31,231
Accounts payable - construction	2,466,707		2,097,477		0	369,230
Accounts payable - affiliated company		(10,269,863)	(3,354,949)		5,496,618	8,128,194
Customer deposits	161,550		161,420	130		
Accrued taxes, other	415,708		318,199			97,509
Other current liabilities	578,257		578,257			
Total current liabilities	<u>9,057,828</u>	<u>(10,269,863)</u>	<u>5,202,710</u>	<u>130</u>	<u>5,498,687</u>	<u>8,626,164</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>						
Rural Utilities Service	6,689,564		6,689,564			
CoBank	9,729,885		9,729,885			
Less current maturities	<u>(3,966,380)</u>		<u>(3,966,380)</u>			
Total long-term debt, less current maturities	<u>12,453,069</u>	<u>-</u>	<u>12,453,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER LIABILITIES</b>						
Deferred income taxes	602,504		(118,645)	92,149	(61,000)	690,000
Post retirement benefit liability	1,457,458		1,457,458			
Deferred credits	57,560		57,560			
Total other liabilities	<u>2,117,522</u>	<u>-</u>	<u>1,396,373</u>	<u>92,149</u>	<u>(61,000)</u>	<u>690,000</u>
<b>EQUITIES</b>						
Patronage capital	47,270,712		48,746,132	(232,488)	(726,496)	(516,436)
Other patronage allocations	18,959,501		18,959,501			
Common stock		(8,393,885)	5,430,000	2,963,885		
Other equities	8,848,156	(1,990,167)	3,477,457	8,751,525	426,487	(1,817,146)
Accumulated other comprehensive income - net of income taxes	12,025		12,025			
Total equities	<u>75,090,394</u>	<u>(10,384,052)</u>	<u>76,625,115</u>	<u>11,482,922</u>	<u>(300,009)</u>	<u>(2,333,582)</u>
	<u>\$ 98,718,813</u>	<u>\$ (20,653,915)</u>	<u>\$ 95,677,267</u>	<u>\$ 11,575,201</u>	<u>\$ 5,137,678</u>	<u>\$ 6,982,582</u>

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2004**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 5,162,249	\$ -	\$ 5,124,074	\$ 38,175	\$ -	\$ -
Temporary cash investments	8,870,750		8,870,750			
Investment in trading securities	1,413,448		1,413,448			
Accounts receivable						
Telecommunications	2,236,616		2,236,616			
Other	2,926,887		2,741,037		33,719	152,131
Affiliated company		(10,623,775)		10,623,775		
Income taxes receivable	213,879		213,879			
Interest receivable	59,274		59,274			
Materials and supplies	787,615		787,615			
Prepayments	595,364		452,004		75,336	68,024
Total current assets	<u>22,266,082</u>	<u>(10,623,775)</u>	<u>21,898,697</u>	<u>10,661,950</u>	<u>109,055</u>	<u>220,155</u>
<b>INVESTMENTS AND NONCURRENT ASSETS</b>						
Investments in held- to-maturity securities	1,001,273		1,001,273			
Investments in available- for-sale securities	31,248		31,248			
Other investments	5,132,940	(1,404,115)	4,854,065	278,875	1,404,115	
Investments in affiliated company		(8,393,885)	8,393,885			
Nonregulated investments						
Television equipment	554,660			554,660		
Telecommunications equipment	226,883		226,883			
Goodwill, net of amortization	16,815,409		16,815,409			
Deferred charges	4,033,490		2,291,604	253,750	917,462	570,674
Total investments and noncurrent assets	<u>27,795,903</u>	<u>(9,798,000)</u>	<u>33,614,367</u>	<u>1,087,285</u>	<u>2,321,577</u>	<u>570,674</u>
<b>TELECOMMUNICATIONS PLANT</b>						
In service	123,796,173		108,390,332		2,810,575	12,595,266
Acquisition adjustment	20,765,583		20,765,583			
Under construction	2,217,490		2,163,029		54,461	
Total investment in plant	<u>146,779,246</u>	<u>-</u>	<u>131,318,944</u>	<u>-</u>	<u>2,865,036</u>	<u>12,595,266</u>
Less accumulated depreciation and amortization	<u>103,065,414</u>		<u>95,535,847</u>		<u>1,522,131</u>	<u>6,007,436</u>
Net plant	<u>43,713,832</u>	<u>-</u>	<u>35,783,097</u>	<u>-</u>	<u>1,342,905</u>	<u>6,587,830</u>
	<u>\$ 93,775,817</u>	<u>\$ (20,421,775)</u>	<u>\$ 91,296,161</u>	<u>\$ 11,749,235</u>	<u>\$ 3,773,537</u>	<u>\$ 7,378,659</u>

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>EQUITIES AND LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Current maturities of long-term debt	\$ 970,115	\$ -	\$ 970,115	\$ -	\$ -	\$ -
Accounts payable	1,161,640		1,133,241		1,550	26,849
Accounts payable - construction	413,726		413,726			
Accounts payable - affiliated company		(10,623,775)	(1,553,045)		4,050,595	8,126,225
Customer deposits	150,666		149,536	130		1,000
Accrued taxes, other	419,343		333,612			85,731
Other current liabilities	570,368		565,368		5,000	
Total current liabilities	<u>3,685,858</u>	<u>(10,623,775)</u>	<u>2,012,553</u>	<u>130</u>	<u>4,057,145</u>	<u>8,239,805</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>						
Rural Utilities Service	7,558,943		7,558,943			
CoBank	10,000,000		10,000,000			
Less current maturities	(970,115)		(970,115)			
Total long-term debt, less current maturities	<u>16,588,828</u>	<u>-</u>	<u>16,588,828</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER LIABILITIES</b>						
Deferred income taxes	662,185		(256,510)	33,695	(71,000)	956,000
Post retirement benefit liability	1,382,811		1,382,811			
Deferred credits	120,990		27,520		93,470	
Total other liabilities	<u>2,165,986</u>	<u>-</u>	<u>1,153,821</u>	<u>33,695</u>	<u>22,470</u>	<u>956,000</u>
<b>EQUITIES</b>						
Patronage capital	43,777,633		45,557,183	(134,626)	(863,424)	(781,500)
Other patronage allocations	19,126,426		19,126,426			
Common stock		(8,393,885)	5,430,000	2,963,885		
Other equities	8,412,315	(1,404,115)	1,408,579	8,886,151	557,346	(1,035,646)
Accumulated other comprehensive income - net of income taxes	18,771		18,771			
Total equities	<u>71,335,145</u>	<u>(9,798,000)</u>	<u>71,540,959</u>	<u>11,715,410</u>	<u>(306,078)</u>	<u>(1,817,146)</u>
	<u>\$ 93,775,817</u>	<u>\$ (20,421,775)</u>	<u>\$ 91,296,161</u>	<u>\$ 11,749,235</u>	<u>\$ 3,773,537</u>	<u>\$ 7,378,659</u>

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2005**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>OPERATING REVENUES</b>						
Local network services	\$ 7,962,850	\$ (567,793)	\$ 8,530,643	\$ -	\$ -	\$ -
Network access services	19,218,462	(2,473,343)	21,691,805			
Long distance network services	3,573,965	(610,280)	4,184,245			
Miscellaneous telephone	1,464,565	(739,795)	2,204,360			
Uncollectibles	(165,562)		(165,562)			
Telephone revenue	32,054,280	(4,391,211)	36,445,491	-	-	-
PCS network services - net	4,979,268					4,979,268
Internet revenue	4,535,077				4,535,077	
Cable television revenue - net	412,237			412,237		
Nonregulated	955,706	955,706				
Total operating revenues	42,936,568	(3,435,505)	36,445,491	412,237	4,535,077	4,979,268
<b>OPERATING EXPENSES</b>						
Plant specific operations	5,703,201	(1,825,789)	5,703,201	225,709	869,684	730,396
Plant nonspecific operations	6,038,442	(5,941,903)	6,999,229	195,609	3,411,356	1,374,151
Depreciation and amortization	4,628,290	(2,975,969)	4,628,290	69,205	546,865	2,359,899
Customer operations	2,852,370	(1,584,967)	2,852,370	55,506	560,168	969,293
Corporate operations	4,696,198	(465,356)	4,696,198	215,621	160,950	88,785
Operating taxes - other	338,706	(21,438)	338,706	935		20,503
Telephone operating expenses	24,257,207	(12,815,422)	25,217,994	762,585	5,549,023	5,543,027
PCS operating expenses	4,234,313	4,234,313				
Internet operating expenses	3,559,313	3,559,313				
Television operating expenses	630,585	630,585				
Nonregulated expenses	1,535,390	1,535,390				
Total operating expenses	34,216,808	(2,855,821)	25,217,994	762,585	5,549,023	5,543,027
<b>NET OPERATING MARGIN (DEFICIT)</b>	<b>8,719,760</b>	<b>(579,684)</b>	<b>11,227,497</b>	<b>(350,348)</b>	<b>(1,013,946)</b>	<b>(563,759)</b>
<b>NONOPERATING INCOME (EXPENSE)</b>						
Interest and dividend income	1,241,135		1,241,135			
AFUDC	360,577		360,577			
Amortization of acquisition adjustment	(1,143,254)		(1,143,254)			
Amortization of intangibles	(1,047,372)		(528,169)	(29,000)	(172,050)	(318,153)
Earnings from equity investments	279,478		279,478			
Nonregulated:						
Telecommunications operations	-	579,684	(579,684)			
Other nonoperating	(123,646)		(162,182)	(240)		38,776
Net nonoperating (expense) income	(433,082)	579,684	(532,099)	(29,240)	(172,050)	(279,377)
<b>NET MARGIN BEFORE INTEREST AND INCOME TAXES</b>	<b>8,286,678</b>	<b>-</b>	<b>10,695,398</b>	<b>(379,588)</b>	<b>(1,185,996)</b>	<b>(843,136)</b>
<b>INTEREST AND RELATED ITEMS</b>						
Interest on long-term debt	1,218,295		1,218,295			
Patronage capital - CoBank	(106,137)		(106,137)			
Total interest and related items	1,112,158	-	1,112,158	-	-	-
<b>NET MARGIN BEFORE TAXES</b>	<b>7,174,520</b>	<b>-</b>	<b>9,583,240</b>	<b>(379,588)</b>	<b>(1,185,996)</b>	<b>(843,136)</b>
<b>INCOME TAXES</b>	<b>(55,546)</b>	<b>-</b>	<b>877,754</b>	<b>(147,100)</b>	<b>(459,500)</b>	<b>(326,700)</b>
<b>NET MARGIN (DEFICIT)</b>	<b>7,230,066</b>	<b>-</b>	<b>8,705,486</b>	<b>(232,488)</b>	<b>(726,496)</b>	<b>(516,436)</b>

# CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

	<u>Consolidated</u>	<u>Eliminations</u>	<u>SRT Communications, Inc.</u>	<u>Souris River Television, Inc.</u>	<u>Souris River Telecommunications Company</u>	<u>North Dakota Network, Co.</u>
<b>OTHER COMPREHENSIVE INCOME</b>						
Unrealized gain on available-for-sale securities	(10,880)		(10,880)			
Income tax effect on comprehensive income	4,134		4,134			
Total other comprehensive income	<u>(6,746)</u>	<u>-</u>	<u>(6,746)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,223,320</u>	<u>\$ -</u>	<u>\$ 8,698,740</u>	<u>\$ (232,488)</u>	<u>\$ (726,496)</u>	<u>\$ (516,436)</u>

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2004**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>OPERATING REVENUES</b>						
Local network services	\$ 8,023,271	\$ (996,211)	\$ 9,019,482	\$ -	\$ -	\$ -
Network access services	19,926,607	(2,234,894)	22,161,501			
Long distance network services	3,721,360	(504,200)	4,225,560			
Miscellaneous telephone	1,409,282	(561,882)	1,971,164			
Uncollectibles	(52,677)		(52,677)			
Telephone revenue	33,027,843	(4,297,187)	37,325,030	-	-	-
PCS network services - net	3,764,725					3,764,725
Internet revenue	4,405,014				4,405,014	
Cable television revenue - net	309,565			309,565		
Nonregulated	1,030,537	1,030,537				
Total operating revenues	42,537,684	(3,266,650)	37,325,030	309,565	4,405,014	3,764,725
<b>OPERATING EXPENSES</b>						
Plant specific operations	5,601,694	(1,883,065)	5,601,694	241,715	982,074	659,276
Plant nonspecific operations	5,606,164	(5,370,722)	6,519,819	56,100	3,475,976	924,991
Depreciation and amortization	4,592,796	(2,722,378)	4,592,796	16,734	484,151	2,221,493
Customer operations	2,947,199	(1,477,223)	2,947,199	13,918	599,449	863,856
Corporate operations	4,324,207	(381,878)	4,324,207	171,125	111,013	99,740
Operating taxes - other	332,603	(23,640)	332,603	699		22,941
Telephone operating expenses	23,404,663	(11,858,906)	24,318,318	500,291	5,652,663	4,792,297
PCS operating expenses	3,708,140	3,708,140				
Internet operating expenses	3,395,288	3,395,288				
Television operating expenses	458,291	458,291				
Nonregulated expenses	1,652,960	1,652,960				
Total operating expenses	32,619,342	(2,644,227)	24,318,318	500,291	5,652,663	4,792,297
NET OPERATING MARGIN (DEFICIT)	9,918,342	(622,423)	13,006,712	(190,726)	(1,247,649)	(1,027,572)
<b>NONOPERATING INCOME (EXPENSE)</b>						
Interest and dividend income	773,705		773,594		111	
AFUDC	131,176		131,176			
Amortization of acquisition adjustment	(1,143,254)		(1,143,254)			
Amortization of intangibles	(1,069,704)		(630,590)	(29,000)	(161,986)	(248,128)
Earnings from equity investments	228,715		228,715			
Nonregulated:						
Telecommunications operations	-	622,423	(622,423)			
Other nonoperating	(114,442)		(114,342)		-	(100)
Net nonoperating (expense) income	(1,193,804)	622,423	(1,377,124)	(29,000)	(161,875)	(248,228)
NET MARGIN BEFORE INTEREST AND INCOME TAXES	8,724,538	-	11,629,588	(219,726)	(1,409,524)	(1,275,800)
<b>INTEREST AND RELATED ITEMS</b>						
Interest on long-term debt	1,289,200		1,289,200			
Patronage capital - CoBank	(117,775)		(117,775)			
Total interest and related items	1,171,425	-	1,171,425	-	-	-
NET MARGIN BEFORE TAXES	7,553,113	-	10,458,163	(219,726)	(1,409,524)	(1,275,800)
INCOME TAXES	77,502		1,203,002	(85,100)	(546,100)	(494,300)
NET MARGIN (DEFICIT)	7,475,611	-	9,255,161	(134,626)	(863,424)	(781,500)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

	<u>Consolidated</u>	<u>Eliminations</u>	<u>SRT Communications, Inc.</u>	<u>Souris River Television, Inc.</u>	<u>Souris River Telecommunications Company</u>	<u>North Dakota Network, Co.</u>
<b>OTHER COMPREHENSIVE INCOME</b>						
Unrealized gain on available-for-sale securities	16,089		16,089			
Income tax effect on comprehensive income	(6,114)		(6,114)			
Total other comprehensive income	<u>9,975</u>	<u>-</u>	<u>9,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,485,586</u>	<u>\$ -</u>	<u>\$ 9,265,136</u>	<u>\$ (134,626)</u>	<u>\$ (863,424)</u>	<u>\$ (781,500)</u>

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2005**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>OPERATING ACTIVITIES</b>						
Net margin (loss)	\$ 7,230,066	\$ -	\$ 8,705,486	\$ (232,488)	\$ (726,496)	\$ (516,436)
Adjustments to reconcile net margin (loss) to net cash from operating activities						
Depreciation:						
Telecommunications plant	7,535,054		4,628,290		546,865	2,359,899
Television plant	69,205			69,205		
Nonregulated telecommunications plant	89,269		89,269			
Amortization accruals:						
Acquisition adjustment	1,143,254		1,143,254			
Long distance intangibles	360,000		360,000			
Debt issuance costs	6,067		6,067			
Other	681,305		162,102	29,000	172,050	318,153
Equity in earnings of affiliates	(279,478)		(279,478)			
Deferred income taxes	(59,681)		137,865	58,454	10,000	(266,000)
Noncash patronage credits	(106,137)		(106,137)			
Excise tax refunds	71,254		71,254			
	16,740,178	-	14,917,972	(75,829)	2,419	1,895,616
Decrease (increase) in current assets and liabilities	377,451		(1,317,041)	353,637	1,321,808	19,047
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>17,117,629</b>	<b>-</b>	<b>13,600,931</b>	<b>277,808</b>	<b>1,324,227</b>	<b>1,914,663</b>
<b>INVESTING ACTIVITIES</b>						
Telecommunications plant additions and replacements - net	(12,642,443)	720,590	(9,779,722)	(281,234)	(1,159,901)	(2,142,176)
Nonregulated plant additions - net	(758,928)	(720,590)	(38,338)			
Change in accounts payable - construction	2,052,981		1,683,751			369,230
Deferred charges	(1,162,032)		(709,476)		(310,839)	(141,717)
Net sales of temporary investments	(1,970,723)		(1,970,723)			
Net sales of securities	(821,769)		(821,769)			
Decrease (increase) in other investments	334,282	586,052	334,672	(390)	(586,052)	
<b>NET CASH (FOR) FROM INVESTING ACTIVITIES</b>	<b>(14,968,632)</b>	<b>586,052</b>	<b>(11,301,605)</b>	<b>(281,624)</b>	<b>(2,056,792)</b>	<b>(1,914,663)</b>
<b>FINANCING ACTIVITIES</b>						
Principal payments on long-term debt	(1,002,450)		(1,002,450)			
Increase in advanced payments on long-term debt	(137,043)		(137,043)			
Equity transfer		(586,052)	(146,513)		732,565	
Retirement of capital credits	(3,539,325)		(3,539,325)			
<b>NET CASH (FOR) FROM FINANCING ACTIVITIES</b>	<b>(4,678,818)</b>	<b>(586,052)</b>	<b>(4,825,331)</b>	<b>-</b>	<b>732,565</b>	<b>-</b>

(continued on next page)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Consolidated</u>	<u>Eliminations</u>	<u>SRT Communications, Inc.</u>	<u>Souris River Television, Inc.</u>	<u>Souris River Telecommunications Company</u>	<u>North Dakota Network, Co.</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,529,821)		(2,526,005)	(3,816)		
<b>CASH AND CASH EQUIVALENTS</b>						
Beginning of year	<u>5,162,249</u>	<u>-</u>	<u>5,124,074</u>	<u>38,175</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 2,632,428</u>	<u>\$ -</u>	<u>\$ 2,598,069</u>	<u>\$ 34,359</u>	<u>\$ -</u>	<u>\$ -</u>

**SRT COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**  
**DECEMBER 31, 2004**

	Consolidated	Eliminations	SRT Communications, Inc.	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
<b>OPERATING ACTIVITIES</b>						
Net margin (loss)	\$ 7,475,611	\$ -	\$ 9,255,161	\$ (134,626)	\$ (863,424)	\$ (781,500)
Adjustments to reconcile net margin (loss) to net cash from operating activities						
Depreciation:						
Telecommunications plant	7,298,440		4,592,796		484,151	2,221,493
Television plant	16,734			16,734		
Nonregulated telecommunications plant	96,501		96,501			
Amortization accruals:						
Acquisition adjustment	1,143,254		1,143,254			
Long distance intangibles	360,000		360,000			
Debt issuance costs	6,066		6,066			
Other	703,638		264,523	29,001	161,986	248,128
Equity in earnings of affiliates	(228,715)		(228,715)			
Deferred income taxes	(33,924)		92,597	33,695	(23,040)	(137,176)
Noncash patronage credits	(117,775)		(117,775)			
Excise tax refunds	28,821		28,821			
	16,748,651	-	15,493,229	(55,196)	(240,327)	1,550,945
(Increase) decrease in current assets and liabilities	(784,848)		(1,900,293)	665,497	631,807	(181,859)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>15,963,803</b>	<b>-</b>	<b>13,592,936</b>	<b>610,301</b>	<b>391,480</b>	<b>1,369,086</b>
<b>INVESTING ACTIVITIES</b>						
Telecommunications plant additions and replacements - net	(5,607,914)	720,590	(4,375,680)	(568,017)	(512,328)	(872,479)
Nonregulated plant additions - net	(814,838)	(720,590)	(94,248)			
Change in accounts payable - construction	14,408		14,408			
Deferred charges	(717,262)		(161,014)		(59,641)	(496,607)
Net sales of temporary investments	(2,625,412)		(2,625,412)			
Net sales of securities	(168,355)		(168,355)			
Decrease (increase) in other investments	644,350	508,728	644,536	(186)	(508,728)	
<b>NET CASH (FOR) FROM INVESTING ACTIVITIES</b>	<b>(9,275,023)</b>	<b>508,728</b>	<b>(6,765,765)</b>	<b>(568,203)</b>	<b>(1,080,697)</b>	<b>(1,369,086)</b>
<b>FINANCING ACTIVITIES</b>						
Principal payments on long-term debt	(3,620,881)		(3,620,881)			
Increase in advanced payments on long-term debt	(130,398)		(130,398)			
Equity transfer		(508,728)	(91,092)	(36,089)	635,909	
Retirement of capital credits	(3,192,037)		(3,192,037)			
<b>NET CASH (FOR) FROM FINANCING ACTIVITIES</b>	<b>(6,943,316)</b>	<b>(508,728)</b>	<b>(7,034,408)</b>	<b>(36,089)</b>	<b>635,909</b>	<b>-</b>

(continued on next page)

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION – page 2**

	<u>Consolidated</u>	<u>Eliminations</u>	<u>SRT Communications, Inc.</u>	<u>Souris River Television, Inc.</u>	<u>Souris River Telecommunications Company</u>	<u>North Dakota Network, Co.</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(254,536)	-	(207,237)	6,009	(53,308)	-
CASH AND CASH EQUIVALENTS						
Beginning of year	<u>5,416,785</u>	<u>-</u>	<u>5,331,311</u>	<u>32,166</u>	<u>53,308</u>	<u>-</u>
End of year	<u>\$ 5,162,249</u>	<u>\$ -</u>	<u>\$ 5,124,074</u>	<u>\$ 38,175</u>	<u>\$ -</u>	<u>\$ -</u>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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The Board of Directors  
**SRT Communications, Inc. and Subsidiaries**  
Minot, North Dakota

We have audited the consolidated financial statements of **SRT Communications, Inc. and Subsidiaries** as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether **SRT Communications, Inc. and Subsidiaries'** consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered **SRT Communications, Inc. and Subsidiaries'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

February 24, 2006  
Sioux Falls, South Dakota

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## MANAGEMENT LETTER

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The Board of Directors  
**SRT Communications, Inc. and Subsidiaries**  
Minot, North Dakota

We have audited the consolidated financial statements of **SRT Communications, Inc. and Subsidiaries** for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In planning and performing our audit, we considered **SRT Communications, Inc. and Subsidiaries'** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control over financial reporting components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Code of Federal Regulations 7 CFR Part 1773.33 requires comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control structure over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), related party transactions and investments. The additional matters tested also include a schedule of investments, upon which we express an opinion. In addition, our audit of the consolidated financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

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No reports (other than our independent auditor's report, and our independent auditor's report on compliance and on internal control over financial reporting, all dated February 24, 2006) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

## **Comments On Certain Specific Aspects Of The Internal Control Structure**

We noted no matters regarding **SRT Communications, Inc. and Subsidiaries'** internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- The materials control.

## **Comments On Compliance With Specific RUS Loan Security Instrument Provisions**

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditor's report on compliance dated February 24, 2006. At your request, we have performed the following procedures with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- o Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate for the year December 31, 2005:
  - Obtained from management, representations that there were no new contracts, agreements or leases entered into during the year ended December 31, 2005, between the borrower and the affiliate as defined in 7 CFR Part 1773.33(e)(2)(i); and,
  - Reviewed Board of Director minutes to ascertain there were no such contracts entered into during the year ended December 31, 2005, between the borrower and an affiliate.
- o Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
  - Agreed amounts reported in Form 479 to **SRT Communications, Inc. and Subsidiaries'** records.

The results of our tests indicate that, with respect to the items tested, **SRT Communications, Inc. and Subsidiaries** complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to our attention that caused us to believe that **SRT Communications, Inc. and Subsidiaries** had not complied, in all material respects, with those provisions. The specific provisions tested include the requirements that:

- The borrower has obtained written approval of the RUS (and other mortgagees) to enter into any contract, agreement or lease with an affiliate as defined in 7 CFR Part 1773.33(e)(2)(i); and,
- The borrower has submitted its Form 479 to the RUS and the Form 479, Financial and Statistical Report, as of December 31, 2005, as represented by the Cooperative as having been submitted to RUS, is in agreement with **SRT Communications, Inc. and Subsidiaries'** records in all material respects and appears reasonable based on audit procedures performed.

## **Comments On Other Additional Matters**

In connection with our audit of the consolidated financial statements of **SRT Communications, Inc. and Subsidiaries**, nothing came to our attention that caused us to believe that **SRT Communications, Inc. and Subsidiaries** failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material-related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2005, in the consolidated financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(e); and,
- The detailed schedule of investments.

## **Detailed Schedule of Investments**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7 CFR Part 1773.33(i), and provided below, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

	8.45% Ownership At Equity		100% Ownership Consolidated	
	Dakota Carrier Network, LLC	Souris River Television, Inc.	Souris River Telecommunications Company	North Dakota Network, Co.
Investments, less distributions through December 31, 2003	\$ 1,038,672	\$ 2,963,885	\$ 1,084,681	\$ -
Cumulative earnings (losses) through December 31, 2003	(182,344)	8,922,240	(1,163,244)	(1,035,646)
Book value of investment December 31, 2003	856,328	11,886,125	(78,563)	(1,035,646)
Investment (dividends) in 2004	(84,313)	(36,089)	635,909	-
Earnings in 2004	228,715	(134,626)	(863,424)	(781,500)
Book value of investment December 31, 2005	1,000,730	11,715,410	(306,078)	(1,817,146)
Investment (dividends) in 2005	(71,368)	-	732,565	-
Earnings in 2005	279,478	(232,488)	(726,496)	(516,436)
	<u>\$ 1,208,840</u>	<u>\$ 11,482,922</u>	<u>\$ (300,009)</u>	<u>\$ (2,333,582)</u>

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

February 24, 2006  
Sioux Falls, South Dakota

PU-06-419; PU-06-420

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Dave Dircks  
 North Dakota Telephone Company  
 PO Box 180  
 Devils Lake ND 58301-0180

A. Signature  
 X Maria Keefe  Agent  
 Addressee

B. Received by (Printed Name) Maria Keefe  
 C. Date of Delivery 12-11-06

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7005 3110 0003 6265 3570

PU-06-419; PU-06-420

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Steve D Kepne  
 SRJ Communications Inc  
 PO Box 2027  
 Minot ND 58702-2027

A. Signature  
 X *[Signature]*  Agent  
 Addressee

B. Received by (Printed Name) GERAUDNEKEW  
 C. Date of Delivery 12-8-06

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

DEC 8 2006

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7005 3110 0003 6265 3563

011-06-430

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  
 Print your name and address on the reverse so that we can return the card to you.  
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Julie Lizotte  
 Director of Regulatory Affairs  
 SRT COMMUNICATIONS  
 PO BOX 2027  
 MINOT ND 58702-2027

2. Article Number (Transfer from service label) 7005 3110 0003 6265 2351

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**A. Signature**  
 Agent  
 Addressee

**B. Received by (Printed Name)** A Peters

**C. Date of Delivery** 5-14-7

**D. Is delivery address different from item 1?**  Yes  
 If YES, enter delivery address below:  No  
**MAY 14 2007**

**3. Service Type**  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

**4. Restricted Delivery? (Extra Fee)**  Yes

011-06-430

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  
 Print your name and address on the reverse so that we can return the card to you.  
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Steve Dlysne CEO  
 SRT COMMUNICATIONS INC  
 PO BOX 2027  
 MINOT ND 58702-2027

2. Article Number (Transfer from service label) 7005 3110 0003 6265 2337

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

**A. Signature**  
 Agent  
 Addressee

**B. Received by (Printed Name)** A Peters

**C. Date of Delivery** 5-14-7

**D. Is delivery address different from item 1?**  Yes  
 If YES, enter delivery address below:  No  
**MAY 14 2007**

**3. Service Type**  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

**4. Restricted Delivery? (Extra Fee)**  Yes