



THINK **BIG** INSPIRED LOCALLY

2019 ANNUAL REPORT



JUNE 11, 2020
VIRTUAL ANNUAL MEETING



BEK COMMUNICATIONS COOPERATIVE

is a leader in residential communications, business communications, security and surveillance, cloud-based solutions, statewide broadcasting and nurse call systems.

BEK has earned a reputation as a market leader through innovating efforts such as:



One of the first in North Dakota to deploy rural fiber-to-the-home, beginning in 2004. The BEK Fiber network now covers an area larger than the state of Massachusetts.

An early investor in North Dakota Long Distance.

Cooperative member of NISC – a billing and processing company for electric and telecom companies.

Investor in Codero – a company that develops consumer and enterprise hosted and cloud products such as managed servers, data backup services and DRaaS (Disaster Recovery as a Service).

Member of Broadband Association of North Dakota (BAND) – which helps to promote the benefits of high-speed broadband internet to rural North Dakota communities.

Investor in Dakota Carrier Network (DCN) – which provides state network access for schools, public safety, counties, state government, cell towers, and large enterprises.

Consistently a top national performer in sales of West-Com nurse call systems. BEK Nurse Call is now deployed in over 60 health care locations across North Dakota, and two out-of-state locations in Montana and Minnesota.

First in the nation to launch a statewide local content network regularly viewed by more than 350,000 households. BEK Sports regularly broadcasts Class B, Class A, and collegiate sports, along with professional indoor football and lifestyle content.

BEK has earned six competitive grant awards, totaling \$17.1 million, for use in expanding BEK's service area. These grants helped fund the extension of the BEK Fiber infrastructure to rural Barnes, southwest Burleigh, northeast Morton and southeast Oliver counties.

Providing fiber connectivity to cell towers in BEK service areas. And an investor in Verizon ND – helping provide the best cellular network in the state.

Early adoption of cloud-based services including business communications, voice, television, security/home automation and surveillance services.

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NOTICE OF ANNUAL MEETING

– NO IN-PERSON MEETING IN STEELE, ND, THIS YEAR

THURSDAY, JUNE 11, 2020

Notice is hereby given that the 68th Annual Meeting of the members of BEK Communications Cooperative will be broadcast Thursday, June 11, 2020, on the following channels and media streams:

BEK Digital Television Channels:

- 25, 26 and 2/1002 in the West
- 25, 26 and 4/1004 in the East

BEK TV Over the Air:

- Bismarck/Mandan: KNDB 26.1
- Minot: KNDM 24.1
- Fargo: KRDK 4.1

BEK is also live streaming the meeting on Facebook, YouTube and on the BEK website. Members are encouraged to ask questions during the meeting using the comments section on the Facebook Live broadcast.

The meeting will be called to order at 7:00p.m.

The purpose of the meeting is to review reports, receive election results, and review activities.



FCC CHAIRMAN AJIT PAI MAKES AN UNPRECEDENTED VISIT TO ND

And He Chose BEK Communications Cooperative.

What do you do when the Chairman of the FCC calls your small-town telecommunications cooperative and asks, “Can I stop by and meet some of your customers?” You say yes!

Earlier this year, BEK Communications received that once-in-a-lifetime phone call. FCC Chairman Ajit Pai, the Nation’s chief telecommunications policy influencer and rural broadband advocate, took a personal interest in BEK’s CAF II (Connect America Fund) grant-funded area buildouts. He asked to see first-hand how BEK provides broadband access that improves quality of life and economic opportunities in our state.

We were not only surprised but deeply humbled and honored. The cooperative has invited and hosted a multitude of government officials and distinguished guests over the decades. But for BEK, and the state of North Dakota, this was a first.

Chairman Pai arrived in North Dakota on September 16th. His day began with a roundtable meeting at Dakota Carrier Network (DCN). BEK Communications CEO/GM Derrick Bulawa joined other area telecom leaders and DCN co-owners, along with Senator John Hoeven, DCN CEO Seth Arndorfer, Lt. Governor Brent Sanford, USDA State Director Clare Carlson and Chairman Pai. The conversation centered on cooperatives like BEK and other parties who devote considerable time and effort to deliver broadband across the state.

To witness this for himself, Chairman Pai then traveled to rural Mandan to visit part of BEK’s CAF II and USDA Community Connect Grant funded fiber buildout. He

watched Jordan Tripp, Network Service Lead, expertly splice fiber during a new-customer fiber installation. Most importantly, Chairman Pai spoke at length with North Dakota residents whose lives and businesses are significantly impacted by fiber-based services delivered to their rural homes.

First, Erica Hager graciously shared her story. Erica is an entrepreneur and the owner of Bison Booties. She runs this wildly successful business from her prairie home, selling original, handcrafted North Dakota products to customers all over the world.

Next, Jamie Wetsch, a software engineer whose telecommuting job requires blistering internet speeds and unfettered reliability, articulated his gratitude for modern-day service in his rural home. And his kids? They just want to do their homework at home instead of the in-town library. BEK Fiber solved both problems, with bandwidth to spare.

Finally, Cullen Quinn was so excited to get BEK Fiber that he couldn't decide what to do first. The Quinn family will no doubt celebrate the savings they'll enjoy after moving from cellular internet to fiber.

As a testament to his sincere interest in our residents and commitment to this platform, Chairman Pai stayed 40 minutes past his scheduled departure time. It was clear that this visit mattered to him as much as us, as he was captivated and touched by the experiences of each of our customers.

Broadband access for underserved, rural areas is a key piece of Chairman Pai's platform. And states like North Dakota are foremost on his mind. His comprehensive approach for closing the digital divide includes funding opportunities for cooperatives like BEK who are eager to build in rural areas largely ignored by big corporations.

We are proud to say that, out of the dozens of internet providers in North Dakota, BEK was one of only two to be awarded CAF II grant funding in 2019. We are equally proud and grateful to continue our initiative to bring fiber to our rural neighbors in underserved areas throughout the state.

It was clear that this visit mattered to him as much as us.

BEK Communications Cooperative thanks FCC Chairman Ajit Pai for visiting and spending time with our leaders, employees and customers. His philosophy and initiatives make it possible for rural residents to get gigabit-capable fiber to their homes at affordable rates. The contributions to North Dakota's culture, education quality, health care, and economy cannot be understated.



2019 SCHOLARSHIP WINNERS



SHANNON BRYN
Barnes Co. North High School



MORGAN DUTTON
Kidder County High School



ISAAC GROSS
Napoleon High School



MCKENNA RAE JOHNSON
Napoleon High School



KAELIE DAWN KOSIAK
Wishek High School



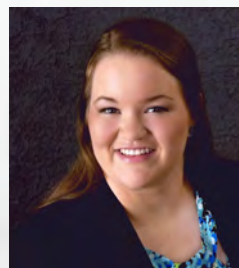
TYLER LONG
Napoleon High School



VERONICA SCHWARTZENBERGER
Napoleon High School



MARRIANN SENFTNER
St. Mary's High School



KADEN STROM
Legacy High School

BEK Communications received a total of 40 scholarship applications from high school seniors throughout BEK's service area. Congratulations to these nine \$500 scholarship winners!

Are you a cooperative member with a senior?

For more information or to apply for the BEK Communications Scholarship, visit www.bek.coop/coop/scholarships/.



2019 COMMON CENTS GRANT WINNERS

BEK Communications Cooperative is honored to give back to our local communities. Supporting community projects and organizations throughout our service area is just common sense.

Tax-exempt, nonprofit community organizations or groups in BEK Communications Cooperative's service area are eligible to apply for the Common Cents Community Grant Program. Funding is awarded twice each year.

COMMON CENTS GRANT INFORMATION

The application deadline is **July 15, 2020**.

For more information, visit: bek.coop/coop/common-cents/ or call **1.888.475.2361**

Strasburg Fire Department

Steele Fire Department

The Abused Persons Outreach Center

Marketplace for Kids

Sterling Lions Club

Wing Rural Ambulance

Linton Fire Department

Educational Foundation for VCPS

South Central Adult Services

Steele County Historical Society

Sheyenne Valley Comm. Foundation

Strasburg Senior Citizens

Linton Senior Citizens

Driscoll Betterment Club



**#1 FASTEST FIBER
PROVIDER IN ND**



**TOP INTERNET SPEEDS
NATIONWIDE**



**YOUR GIGABIT CERTIFIED
COOPERATIVE**

PRESIDENT AND CEO'S PERSPECTIVE



BRETT STROH

*Board of Directors
President*



DERRICK BULAWA

CEO/General Manager

THINK BIG - INSPIRED LOCALLY

For more than 68 years, BEK has successfully satisfied our members' exploding appetite for communications, technology and connectivity. Our significant investments over that time have driven our success as we've led our industry through a revolution in bringing world-class communications services to rural North Dakota.

Today, we continue moving forward to deliver on the promise of those investments and create additional value for you, our members. We're doing this at a time when the technology, media and telecommunications sectors are in the midst of a new revolution; as consumers rapidly change how they engage with content, retail and entertainment.

As a truly modern communications and media cooperative, BEK is well-positioned to lead this next revolution once again, ensuring our members can compete, be educated, receive healthcare, and be entertained in this new world. As we all live and work in our serving area, we are inspired by the ingenious creativity of our members that live and operate in the harshest and most rural parts of the country. We pay attention to the needs and passion that it takes to be successful in North Dakota. Doing so inspires your cooperative to be the first to find products and services to meet those needs.



Today, we continue moving forward to deliver on the promise of those investments and create additional value for you, our members.

Then we find a way to push those unique products beyond BEK's borders. **Think Big** is part of our culture, and we are **Inspired Locally** by your creativity. This is a fitting theme for this year's annual report: **Think Big – Inspired Locally**.

BEK's business lines are organized in three world class groupings today: **Network Services**, **Media and Entertainment** and **Cloud Products**;



NETWORK SERVICES

The Board of Directors established a principle in 2002 that delivery of service through fiber optics was going to be the future for BEK. It provides the highest capacity, reliability, flexibility and is capable of traversing great

distances, especially when serving our rural members. This principle was so important it was branded BEK Fiber and is the backbone for all BEK services and products. This was inspired by the need to push world class communications services to our most rural members regardless of cost or difficulty. The Board implemented the principle that all members deserved the same quality of service no matter how distant a member lived from our central offices.

In 2012, BEK fulfilled our promise to deliver world-class fiber service to every member, and then saw the opportunity to **Think Big**. At that time, most of the state of North

Dakota did not have fiber services, while BEK Fiber was already a well-known brand. With the help of multiple grants from the USDA, your cooperative has delivered big on the **Thinking Big**. BEK was successful at adding customers from rural Bismarck, rural Mandan, Valley City, rural Valley City, along with the acquisition of Inter-Community Telephone Company and the assets of the Absaraka Cooperative Telephone Company. In 2019, we began upgrading the customers in Inter-Community Telephone Company to fiber, which will take a few more years to complete. Also in 2019, BEK was awarded another grant providing the financial resources to complete the rural Mandan build in 2020. With the combined resources of the USDA Grant program and your Cooperative, we have grown BEK to more than 11,300 customers. This epitomizes **Think Big – Inspired Locally**.



MEDIA AND ENTERTAINMENT

This business line was uniquely inspired to meet the needs of the rural Class B sports enthusiasts and to bring communities closer together as both weather and distance limit our members' ability to attend their children's or extended families' sports activities. This was the inspiration behind BEK Sports, which has since grown into a statewide broadcaster, television station owner, a purchaser of statewide sports rights, and investor in sports franchises.

Today, BEK TV is carried over-the-air on KNDB, KNDM and KRDK stations, satellite on Dish Network and DirecTV, and all cable operators in North Dakota, northeastern Montana and western Minnesota. It also provides nationwide streaming of over 400 live games each year and two 24-hour sports channels for all-day entertainment. This is truly a business line

that was **Inspired Locally**, as it started with a boys' basketball game between Napoleon and Steele-Dawson, played in Steele on February 7, 2007, in which the Steele-Dawson Pirates defeated the Napoleon Imperials in a decisive win. Today, BEK TV broadcasts live sports from most high schools, colleges and universities in the state, in addition to club hockey, professional rodeo, MMA and IFL Indoor Football. If this business line doesn't fit the **Think Big – Inspired Locally** message, then nothing else will.



CLOUD PRODUCTS

These products are designed, built and operated by BEK to meet the demands of BEK members and are also available nationwide. This business line includes:

- BEK Watch (Surveillance)
- BEK Protect (Security and Automation)
- BEK Connect (Business IP Phones)
- BEK Now (TV Streaming Service)

It continues to grow to reach member families, businesses and offices located both within and outside the BEK Fiber network and also outside the state. These products provide the most flexibility, portability and expandability of any product set that BEK deploys today.

Who would have imagined that a business IP phone service like BEK Connect would serve a family business in Linton, get recommended to the University of Mary outside of Bismarck and then serve their campuses in Bismarck, Kansas City and Rome, Italy. Today BEK has deployed over 6,000 business connections with BEK Connect. And we're just getting started. That is **Think Big – Inspired Locally**.



INVESTMENTS

BEK's Board of Directors has demonstrated a winning record on its long term investments, with many more wins than losses. Sometimes it is impractical or impossible for BEK to make investments on its own. There have been times in the past, and will be again in the future, that require BEK to invest with other partners to ensure that BEK members get the communication services critical to living in rural North Dakota. A few great examples of the inspired vision of your Board are: Verizon, North Dakota Long Distance, Dakota Carrier Network, Dakota Pro Football, Codero, National Information Solutions Cooperative, National Rural Telecommunications Cooperative, National Exchange Carrier Association, National Telecommunications Cooperative Association and Broadband Association of North Dakota. Long term investments into these organizations have become a bedrock of how BEK has operated for over 68 years and charts the path for BEK's vision for the future, guided by ***Think Big – Inspired Locally.***

REGULATORY CHANGE

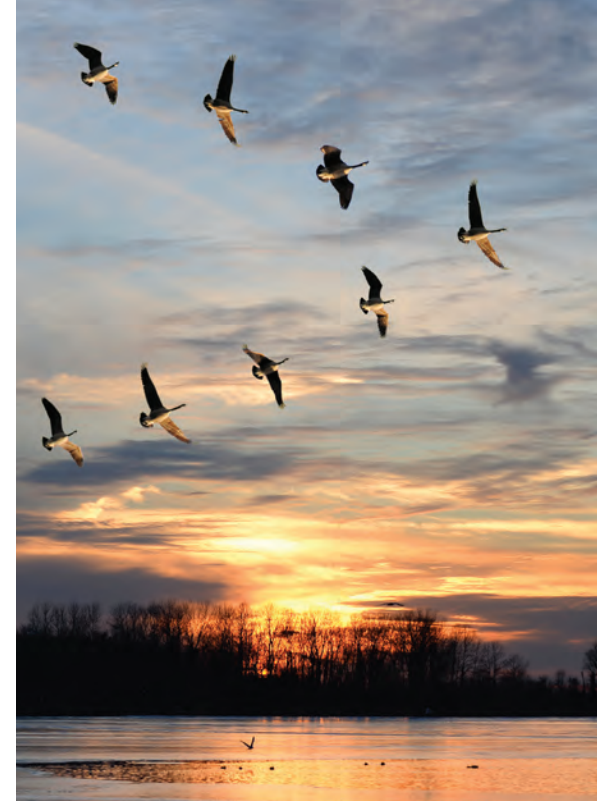
As predicted for the last ten years, the Federal Communications Commission finally proposed a set of regulatory changes that created an opportunity for BEK to move away from a Rate-of-Return support model to an Alternative Connect America Model (ACAM).

In short, this means that BEK is now on a fixed support model for nine more years and must

grow to be self-sustaining by 2029, which is when the support ends. This means that BEK will need to expand its footprint, grow its customer base and add new products to ensure that BEK is financially stable without the support of the Universal Service Fund. With superb insight, your Board of Directors foresaw this possibility and set BEK on a path to grow in 2006, and has had a steady hand to make the long term investments to meet the demands of its members and grow the cooperative to be strong for generations to come.

The Board of Directors of BEK works diligently to strike a balance between the unique needs of our members, the need for cooperative growth, the newly formed regulations and the finite resources they are required to work within. Your Board will always ***Think Big – Inspired Locally.***

THINK
BIG
INSPIRED
LOCALLY



OUR FINANCIAL REPORT



SHANE MORRIS
Secretary/Treasurer



BRANDON VAUGHAN
Chief Financial Officer

THINK BIG - INSPIRED LOCALLY

TO THE VALUED MEMBERS OF BEK,

2019 was a transformative year for BEK Communications. Through changes occurring in the regulatory landscape of telecommunications services, BEK Communications took advantage of an offer to receive additional Universal Service Support. BEK evaluated and eventually accepted the ACAM II Support model which between our three ILECS ultimately provides \$12,508,606 of support per year over a ten-year period beginning January 1, 2019, and ending December 31, 2028. It is estimated that BEK will receive an additional \$37,389,472 in Universal Service Support over that period versus remaining in our current regulatory format of a Rate-of-Return telecommunications company. This poses great opportunity for growth for the cooperative and is good news for this 10-year period. However, after December 31, 2028, there is no current model for Universal Service Support funding for the future. In 2029, we will go from receiving \$12,508,606 per year in Universal Service Support, to receiving no support. To make up the \$12.5M gap in cash flow, it's imperative that the cooperative take an aggressive approach over the next decade to advance our geographic footprint, increase our customer base and increase the products offered to our customers on our fiber network. With this in mind, Absaraka Cooperative Telephone Company was brought into the company as customers of ICTC effective October 31, 2019. Its assets, customers and ACAM Universal Service Support were acquired with the

transaction. BEK Communications was also awarded a RUS USDA Community Connect grant in 2019 at a value of \$844,023. This will add to our RUS USDA Grant funds and our CAF II funds, both awarded in 2018, to provide fiber connectivity to rural Morton County.

BEK allocated \$6,557,633 to cooperative members, which brings BEK's capital credits held to a total of \$46,187,688.

KEY POINTS

\$134,878,534 in total assets

8,294 total square miles served

11,002 network customers

7,511 total miles of fiber

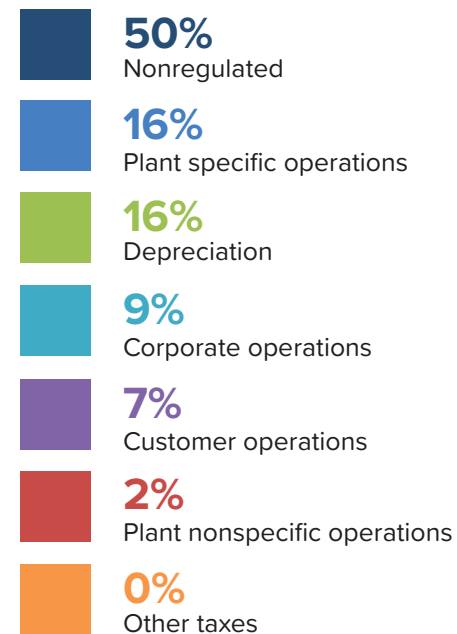
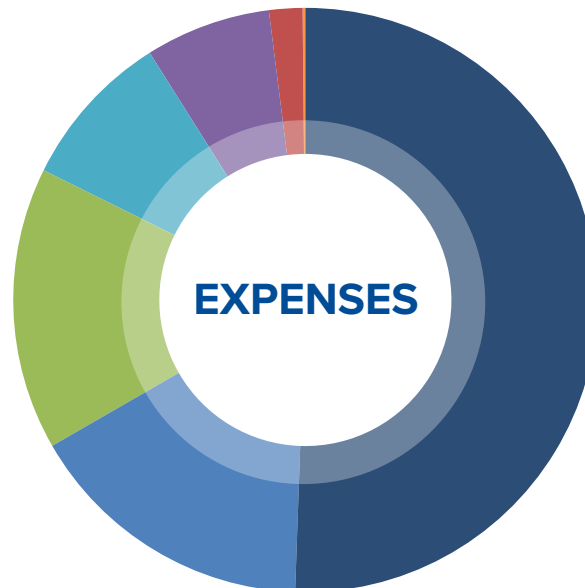
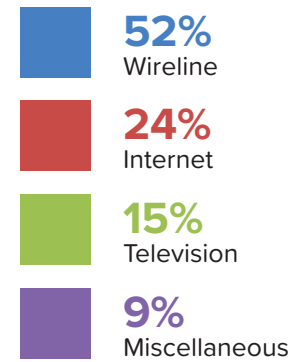
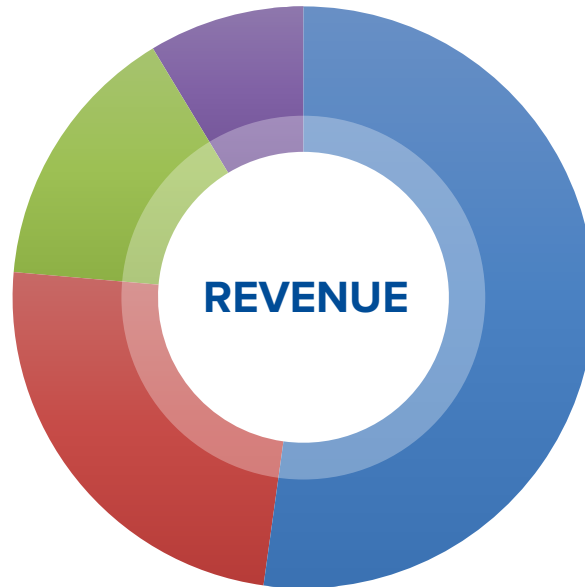
1,673 miles of copper in the ICTC area

BEK continues to **Think Big** while being **Inspired Locally** which is only possible through the continued support of its dedicated members.

CONSOLIDATED STATEMENT OF INCOME

OPERATING REVENUES	2019	2018
Wireline	\$21,033,057	\$13,632,946
Internet	9,747,098	8,346,540
Television	6,028,199	5,722,901
Miscellaneous	3,490,067	3,274,006
	<u>40,298,421</u>	<u>30,976,393</u>
OPERATING EXPENSES		
Plant specific operations	5,132,526	4,591,640
Plant nonspecific operations	588,009	697,530
Depreciation	4,979,270	3,882,524
Customer operations	2,211,938	1,726,934
Corporate operations	2,779,872	3,098,934
Other taxes	47,966	57,592
Nonregulated	16,095,020	15,125,088
	<u>31,834,601</u>	<u>29,180,242</u>
Operating margins	<u>8,463,820</u>	<u>1,796,151</u>
NONOPERATING INCOME (EXPENSE)		
Interest and dividend income	4,549,158	3,958,343
Allowance for funds used during construction	124,551	3,239
Interest expense	(2,151,776)	(1,099,760)
Gain (loss) on sale of assets	(122,642)	(37,473)
Amortization of intangibles	(1,293,222)	(179,431)
Other nonoperating income (expense)	(266,253)	(141,735)
Income from affiliates	995,871	1,100,484
	<u>1,835,687</u>	<u>3,603,667</u>
Net margins before income taxes	<u>10,299,507</u>	<u>5,399,818</u>
Income tax expense (benefit)	<u>(1,508,675)</u>	<u>(82,947)</u>
Net margins	<u>11,808,182</u>	<u>5,482,765</u>

FINANCIAL GRAPHS



BALANCE SHEET

— ASSETS —

CURRENT ASSETS	2019	2018
Cash and Cash Equivalents	\$5,316,634	\$4,313,698
Subscriber Accounts Receivable (Less allowance of \$36,797 in 2019 & \$20,918 in 2018)	577,999	206,728
Settlements Accounts Receivable (Less allowance of \$39,435 in 2019 & \$38,284 in 2018)	1,800,511	1,790,053
Other Accounts Receivable	98,080	179,174
Materials and Supplies	1,159,741	816,932
Other Current Assets	709,002	475,184
Total current assets	9,661,967	7,781,769
NONCURRENT ASSETS		
Goodwill and intangible assets, net	10,005,654	10,300,525
Available for sale securities	-	1,308,814
Investment in affiliates	5,542,362	7,943,959
Investment in nonaffiliates	6,249,110	7,168,912
Other noncurrent assets	25,000	-
Total noncurrent assets	21,822,126	26,722,210
PROPERTY, PLANT AND EQUIPMENT		
Regulated plant in service	113,500,339	109,907,144
Regulated plant under construction	7,951,014	25,556
Nonregulated plant in service	66,277,862	61,759,700
Nonregulated plant under construction	996,617	28,469
	188,725,832	171,720,869
Less accumulated depreciation and amortization	85,331,391	78,311,200
	103,394,441	93,409,669
	\$134,878,534	\$127,913,648

BALANCE SHEET

— LIABILITIES & EQUITIES —

CURRENT LIABILITIES	2019	2018
Accounts payable, general	\$3,937,225	\$2,238,534
Advanced billings and customer deposits	22,082	18,731
Current maturities of long-term debt	4,838,384	5,154,317
Line of credit	-	5,000
Accrued income taxes	281,560	-
Other accrued taxes	54,004	221,262
Other accrued liabilities	957,175	1,499,351
Total current liabilities	10,090,430	9,137,195
LONG-TERM DEBT, net of current maturities	41,361,560	44,409,272
OTHER NONCURRENT LIABILITIES		
Deferred revenue	9,192,423	8,940,188
Deferred taxes	2,187,074	4,092,889
Total noncurrent liabilities	11,379,497	13,033,077
MEMBERS EQUITY	72,047,047	61,334,104
	<u>\$134,878,534</u>	<u>\$127,913,648</u>

PROPOSED AMENDMENTS TO BYLAWS

As a part of the 2020 Annual Membership Meeting, on June 11, 2020, at 7:00 p.m., the Members of the Cooperative will be asked to consider the following amendments to the Bylaws of the Cooperative. The complete text of the proposed amendments is as follows:

Proposed Amendment #1

Article I, Section 1.

Authorization for Designation of Service Area

Shall this section be amended to permit the Cooperative's Board of Directors the authority to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

ART. I, SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, partnership, association, corporation or body politic or sub-division thereof who or which resides in the service area certified to BEK COMMUNICATIONS COOPERATIVE (hereinafter called the "Co-op") by the North Dakota Public Service Commission **and which has been designated by the board as being part of the Co-op area** shall automatically become a member of the Co-op by:

Proposed Amendment # 2

Article III, Section 3 (new) and Amendments to Article III, Sections 3, 4, 5 and 6 (renumbered 4, 5, 6 and 7).

Authorization to Allow Concurrent, Real-time Electronic Participation in Member Meetings Through the Internet or Other Electronic Communications Technology.

Shall the procedures for conducting meetings of the Members of the Cooperative be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

SECTION 3. ELECTRONIC PARTICIPATION. To the extent authorized by the board and subject to guidelines and procedures adopted by the board, members may participate in the annual meeting or any special meeting through the internet or other electronic communications technology. In all cases, the procedures utilized shall: (1) permit the Co-op to verify that each person participating in the meeting is a member; and (2) permit members the opportunity to read or hear the proceedings substantially current with their occurrence, vote on matters submitted to the members, ask questions, and make comments. If the board authorizes participation through electronic communication, then the notice of the meetings must describe the means of remote or electronic communication to be used.

ART. III, SECTION 5. QUORUM. As long as the total number of members does not exceed five hundred, ten percentum of the total number of members present **or participating electronically** shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members or two percentum of the membership, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person **or participating electronically** may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

ART. III, SECTION 6. VOTING.

- (a) Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person **or participating electronically** except as otherwise provided by law, the articles of incorporation or these Bylaws. If a husband and wife hold a joint membership, they shall jointly be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. Signed votes shall be valid and entitled to the same force and effect as a vote in person if the member has been previously notified in writing of the exact motion or resolution upon which the vote is taken. Signed votes shall be used only when specifically authorized by resolution or vote of the Board of Directors. An individual may represent more than one member who is other than a natural person, and may also vote as an individual if he is a member. If a member who is other than a natural person is not represented by any of its principal officers, that member may designate an individual to represent it by giving the Co-op a written notice at or before the member meeting, which shows that the designated individual has been authorized by the managing board of such member to represent it at the meeting of this Co-op. An individual person may vote that person's individual membership and may represent more than one member that is not a natural person.
- (b) **All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. In the election of directors, a voice vote of the members present may be permitted if there is no competition for the seat or seats to be filled. All mail and electronic votes shall also be considered.**
- (c) **Except as otherwise provided in these Bylaws or by the board, a member may vote by mail or by electronic transmission in conjunction with a member meeting, but only in a manner prescribed by the board.**
 - i. **A member may vote by mail or act by electronic transmission on any matter, or as otherwise provided by the directors, in conjunction with a member meeting by the Co-op delivering or providing access to a written or electronic mail ballot ("Mail Ballot") to each member entitled to vote on the matter and from whom the Co-op received a written request for a Mail Ballot at least 10 days before the member meeting. A member submitting a completed ballot may revoke the**

PROPOSED AMENDMENTS TO BYLAWS CONT'D

ballot and vote at the member meeting regarding a matter described in the ballot in a manner prescribed by the board. The Co-op must count completed Mail Ballots received before the member meeting in determining whether a member quorum exists at the member meeting as to the matters included in the ballot. The Co-op must count as a member's vote a properly completed Mail Ballot received on or before the time and date stated in the ballot.

- ii. Mail or Electronic Ballot. A Mail Ballot must; (1) set forth and describe a proposed action, identify a candidate, and include the language of a motion, resolution, bylaw amendment, or other written statement, upon which a member is asked to vote or act; (2) state the date of a member meeting at which members are scheduled to vote or act on the matter; (3) provide an opportunity to vote for or against or to abstain from voting on the matter; (4) instruct the member how to complete, return, or cast a mail or electronic ballot, and (5) state the time and date by which the Co-op must receive the completed mail or electronic ballot.

(d) A member's failure to receive a mail or electronic ballot does not affect a vote or action taken by Mail Ballot.

(e) Material soliciting approval of a matter by Mail Ballot, must; (1) contain or be accompanied by, a copy or summary of the matter, (2) state the member quorum required to vote on the matter; (3) for all matters other than the election of directors, state the percentage of approval necessary to approve the matter; and (4) state the time and date by which the Co-op must receive a completed mail or electronic ballot.

(f) A Mail Ballot may not be procured or cast through fraud or other improper means. As determined by the Co-op, a Mail Ballot procured or cast through fraud or other improper means is invalid.

Proposed Amendment #3

Article V, Section 1.

Authorization for Setting Location of the Board's Annual Reorganization Meeting.

Shall this section be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

ART. V, SECTION 1. REGULAR MEETINGS. A regular meeting of the board shall be held without notice immediately after, ~~and at the same place as,~~ the annual meeting of the members **at a location chosen by the board**. A regular meeting of the board shall also be held monthly at such time and place as the board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

HOW TO VOTE BEFORE THE 2020 VIRTUAL ANNUAL MEETING

All procedural, director, and bylaws voting will be done by mail.

- You will receive a ballot and a postage paid return envelope in the mail around May 26, 2020.
- Your ballot will resemble one of the samples shown to the right, relative to your cooperative district.
- Sections on your ballot include:
 - Approval of the 2019 annual meeting minutes (located on page 22 and 23 of this report)
 - Director election if applicable in your district
 - Approval of proposed amendments to the cooperative bylaws (located on pages 17, 18 and 19 of this report)
- Please clearly mark your selection with **blue or black ink**. Do not use a line or checkmark, please fully fill in the box.
- Remember to **sign your ballot!** Ballots without signatures are considered spoiled and cannot be counted.
- Your ballot must be postmarked no later than **June 5, 2020**.

SAMPLE DISTRICT BALLOTS

BEK COMMUNICATIONS

Voting Instructions

- Mark your selection by filling in the box next to your choice.
- Envelopes must be postmarked no later than **June 5, 2020**.

MARKING INSTRUCTIONS

■ EXAMPLE
PLEASE USE BLUE OR BLACK INK PEN

District 1

2020 BEK Communications Cooperative Ballot

2019 Annual Meeting Minutes

I approve the 2019 Annual Meeting Minutes as recorded in the 2019 Annual Report.

☐ Yes ☐ No

Director for District 1

Choose one candidate.

☐ Sanford Williams (incumbent)

Bylaws - Proposed Amendment 1

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

☐ Yes ☐ No

Bylaws - Proposed Amendment 2

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

☐ Yes ☐ No

Bylaws - Proposed Amendment 3

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

☐ Yes ☐ No

Member Signature: **Sample Ballot**

00123456

Paper ballots must be postmarked no later than June 5, 2020.

District 1

BEK COMMUNICATIONS

Voting Instructions

- Mark your selection by filling in the box next to your choice.
- Envelopes must be postmarked no later than **June 5, 2020**.

MARKING INSTRUCTIONS

■ EXAMPLE
PLEASE USE BLUE OR BLACK INK PEN

District 2

2020 BEK Communications Cooperative Ballot

2019 Annual Meeting Minutes

I approve the 2019 Annual Meeting Minutes as recorded in the 2019 Annual Report.

☐ Yes ☐ No

Director for District 2

Choose one candidate.

☐ Bob Subart (incumbent)

Bylaws - Proposed Amendment 1

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

☐ Yes ☐ No

Bylaws - Proposed Amendment 2

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

☐ Yes ☐ No

Bylaws - Proposed Amendment 3

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

☐ Yes ☐ No

Member Signature: **Sample Ballot**

00123456

Paper ballots must be postmarked no later than June 5, 2020.

District 2

BEK COMMUNICATIONS

Voting Instructions

- Mark your selection by filling in the box next to your choice.
- Envelopes must be postmarked no later than **June 5, 2020**.

MARKING INSTRUCTIONS

■ EXAMPLE
PLEASE USE BLUE OR BLACK INK PEN

District 3

2020 BEK Communications Cooperative Ballot

2019 Annual Meeting Minutes

I approve the 2019 Annual Meeting Minutes as recorded in the 2019 Annual Report.

☐ Yes ☐ No

Director for District 3

Choose one candidate.

☐ Kevin Bernhardt (incumbent)

Bylaws - Proposed Amendment 1

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

☐ Yes ☐ No

Bylaws - Proposed Amendment 2

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

☐ Yes ☐ No

Bylaws - Proposed Amendment 3

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

☐ Yes ☐ No

Member Signature: **Sample Ballot**

00123456

Paper ballots must be postmarked no later than June 5, 2020.

District 3

BEK COMMUNICATIONS

Voting Instructions

- Mark your selection by filling in the box next to your choice.
- Envelopes must be postmarked no later than **June 5, 2020**.

MARKING INSTRUCTIONS

■ EXAMPLE
PLEASE USE BLUE OR BLACK INK PEN

District 4

2020 BEK Communications Cooperative Ballot

2019 Annual Meeting Minutes

I approve the 2019 Annual Meeting Minutes as recorded in the 2019 Annual Report.

☐ Yes ☐ No

Director for District 4

No election in 2020

Bylaws - Proposed Amendment 1

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

☐ Yes ☐ No

Bylaws - Proposed Amendment 2

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

☐ Yes ☐ No

Bylaws - Proposed Amendment 3

Shall the Cooperative's Bylaws be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

☐ Yes ☐ No

Member Signature: **Sample Ballot**

00123456

Paper ballots must be postmarked no later than June 5, 2020.

District 4

68TH ANNUAL MEETING AGENDA

THURSDAY, JUNE 11, 2020



BRETT STROH
President

1. CALL MEETING TO ORDER

(BRETT STROH)

- At this time I will call the meeting to order.
 - Article III, Section 1. Annual Meeting, Requires a meeting in the month of June at such place designated by the Board of Directors.
- Welcome to the 68th Annual Meeting of BEK Communications Cooperative.

There are _____ members present in person which is insufficient to establish a quorum. Additionally, we have received _____ signed member ballots. The Bylaws and North Dakota law allow the Cooperative to count members in person plus signed ballots for determining a quorum for those items set out in the written ballots.

- Article III, Section 4, of the Bylaws provides that a quorum consists of 2% of the total members. There is a quorum to consider the 5 items on the written ballot.

2. PLEDGE OF ALLEGIANCE (BRETT STROH)

- Please join me in the Pledge of Allegiance to our Nation's Flag.

3. SIGNED BALLOT VOTING PROCEDURE

(BRETT STROH)

- I would like to take a few minutes to provide the basis for the voting procedure we are using this year at the BEK Annual Meeting.
 - Article III, Section 5, of the Bylaws authorizes the Cooperative to consider signed ballots as part of the annual meeting.

- Voting: Signed votes shall be valid and entitled to the same force and effect as a vote in person, if the member has been previously notified in writing of the exact motion and resolution upon which the vote is taken.
- Signed votes shall be used only when specifically authorized by resolution of the vote of the Board of Directors.
- The Board authorized the use of signed ballots at a Meeting of the Board held on April 22, 2020. The ballots were authorized at a Special Meeting of the Board on April 24, 2020.

- All eligible voting members received a ballot via the US Postal Service Mail. All member's ballots returned with a signature, were registered electronically, counted and verified under the supervision of independent tellers and results will be shared later in the meeting.

4. PROCEDURAL APPROVALS

(BRETT STROH)

- The Notice of Annual Meeting was provided on Page 3 of the Annual Report mailed no later than on May 26th.
- The certification of mailing was completed no later than May 26th by a duly employed accountant at BEK Communications Cooperative.
- The complete minutes of the 2019 Annual Meeting are on pages 22-23 in the Annual Report.
 - The 2019 Annual Meeting Minutes were approved by the members with a recorded vote of:
Yes _____ No _____ Spoiled _____

2019 ANNUAL MEETING COMPLETE MINUTES

The 67th Annual Meeting of the members of BEK Communications Cooperative (the “Cooperative”) was held at the Kidder County School gymnasium in Steele, North Dakota, on June 13, 2019, pursuant to the Notice of Annual Meeting previously mailed to all members.

The employees of the Cooperative served a beef supper to the members and their families prior to the meeting.

The Knights of Columbus Fourth Degree, Assembly 785 from Mandan, and Assembly 791 from Bismarck presented the colors. The National Anthem was sung by St. Philip’s Men’s Choir from Napoleon.

At 7:05 p.m., President Brett Stroh called the meeting to order and announced that as of 7:00 p.m. there were 241 registered members present, constituting a quorum.

President Stroh then gave the invocation.

President Stroh introduced the Directors of the Cooperative and their spouses.

A motion was made and seconded to dispense with the reading of the Meeting Notice and the motion passed.

A motion was made and seconded to dispense with the reading of the certificate of mailing of the Meeting Notice and the motion passed.

President Stroh presented the condensed minutes of the 2018 Annual Meeting as contained in the Annual Meeting report booklet which had been previously distributed to the members. A motion was made and seconded to dispense with the reading of the minutes of the 2018 Annual Meeting and that the minutes be approved. The motion passed.

President Stroh presented his written President’s report and the written report of the Secretary-Treasurer Bill Becker which were contained in the Annual Meeting report booklet.

President Stroh explained the election procedures including the methods by which candidates may be nominated: nominating committee and petition.

President Stroh announced that the report of the nominating committee which had met on February 27, 2019, appears in the Annual Report.

President Stroh explained that the Cooperative did not receive any petitions for director candidates. As allowed in the Bylaws, because the election for Districts I, III and IV are uncontested, the candidates can be elected by voice vote instead of by secret ballot. A motion was made and seconded to dispense with election by secret ballot and to elect Shane Morris, Vickie Martin, and Billie Becker by casting a unanimous ballot by voice vote. The motion passed.

President Stroh explained that the Nominating Committee nominated two director candidates in District II, Corey Fanta and Bob Subart, in the “special election” to fill the one remaining year of Doug Kalianoff’s three-year term due to his retirement. Mr. Fanta and Mr. Subart each spoke to the members.

President Stroh announced that the special election for District II was now open, the members from District II cast their paper ballots, and authorized BEK employees collected the ballots to be counted.

President Stroh then introduced Chris Skidmore from the Cooperative’s accounting firm, Moss Adams. Mr. Skidmore presented the results of the 2018 audit of the Cooperative to the Members.

President Stroh then introduced the Cooperative’s CEO Derrick Bulawa. Mr. Bulawa presented to the Members a short video entitled “2018 Year in Review”, highlighting the operations of the Cooperative over the previous year. Mr. Bulawa provided to the Members his CEO report.

Mr. Bulawa then recognized guests of the Cooperative in attendance. The following Directors were present: Doug Kalianoff, Sanford Williams, Bill Becker, Shane Morris, Vickie Martin, Kevin Bernhardt, Leo Meier, and Gerald Burlack. Mr. Bulawa announced that 498 meals had been served and 241 members registered for the Annual Meeting.

The Election Teller read the results of the District II special election to fill the term of Doug Kalianoff. The Election Teller announced that 35 ballots were cast for Corey Fanta, and 57 ballots were cast for Bob Subart, with 92 total ballots cast. Mr. Subart was elected by majority vote to fill Doug Kalianoff’s remaining term as a District II Director.

President Stroh asked whether there was any old business that needed to be addressed by the Members. There was none.

President Stroh asked whether there was any new business that needed to be addressed by the Members. There was none.

At 7:58 p.m., President Stroh thanked the Members for attending and adjourned the Annual Meeting.

Mr. Bulawa and the employees of the Cooperative announced prize winners and handed out prizes to the children winners and the Members and their guests.

SHANE MORRIS, *Secretary/Treasurer* **BRETT STROH**, *President*

5. PRESIDENT'S & SECRETARY/ TREASURER'S REPORT (BRETT STROH)

- My report is found on pages 8-11 of the annual report. Please take a minute to look at it.
- Chairman's personal comments
- The Secretary-Treasurer's Report is available on pages 12-16 of the Annual Report. Auditor Chris Skidmore from Moss Adams will share the Audit Report Presentation with you.



CHRIS SKIDMORE
with Moss Adams

- Auditor's Report
- Chris Skidmore

6. ELECTION PROCEDURE (BRETT STROH)

- The Bylaws establish two ways to become a candidate:
 - Committee on Nominations and,
 - Petition

Nominating Committee Report

- The following candidates were nominated by the Committee on Nominations on February 26, 2020

DISTRICT I



SANFORD WILLIAMS
Wing

DISTRICT II



BOB SUBART
Robinson

DISTRICT III



KEVIN BERNHARDT
Linton

DISTRICT IV

No Election in 2020

7. DIRECTOR ELECTIONS (BRETT STROH)

DISTRICT I

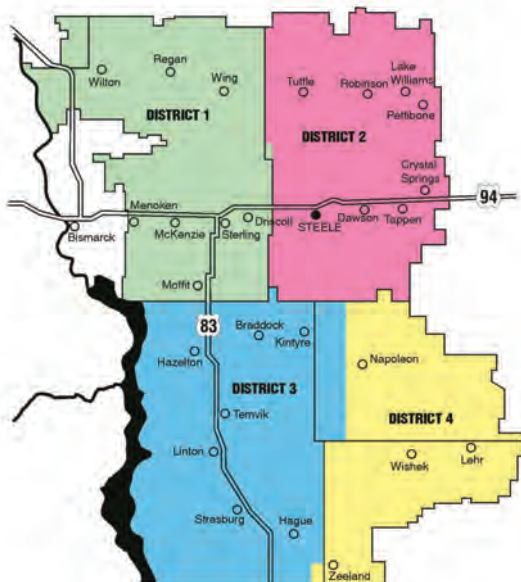
- Sanford Williams has been nominated from District I.
- The Cooperative did not receive any additional petition for director candidates as stated in the Bylaws on becoming a candidate.
- Sanford Williams was re-elected with ____ votes, ____ spoiled.

DISTRICT II

- Bob Subart has been nominated from District II.
- The Cooperative did not receive any additional petition for director candidates as stated in the Bylaws on becoming a candidate.
- Bob Subart was re-elected with ____ votes, ____ spoiled.

DISTRICT III

- Kevin Bernhardt has been nominated from District III.
- The Cooperative did not receive any additional petition for director candidates as stated in the Bylaws on becoming a candidate.
- Kevin Bernhardt was re-elected with ____ votes, ____ spoiled.



8. PROPOSED ARTICLE AND BYLAW AMENDMENTS (MONTE ROGNEBY)

AMENDMENT #1

- Found on page 17 in your annual report booklet. Proposed Amendment #1;



MONTE L. ROGNEBY
with Vogel Law

Article I, Section 1.

Authorization for Designation of Service Area

Shall this section be amended to permit the Cooperative's Board of Directors the authority to establish the designated area of the Cooperative for purposes of defining the geographic area for membership.

- Bylaw Amendment #1 – Passed/Failed
- A recorded vote of Yes ____ No ____ Spoiled ____

AMENDMENT #2

- Found on pages 17 - 19 of your booklet, is the language for Proposed Amendment #2.

Article III, Section 3 (new) and Amendments to Article III, Sections 3, 4, 5 and 6 (renumbered 4, 5, 6 and 7).

Authorization to Allow Concurrent, Real-time Electronic Participation in Member Meetings Through the Internet or Other Electronic Communications Technology.

Shall the procedures for conducting meetings of the Members of the Cooperative be amended to authorize the Cooperative's Board of Directors to allow concurrent, real-time participation in meetings of the Members of the Cooperative through the Internet or other electronic communications technology.

- Bylaw Amendment #2 – Passed/Failed
- A recorded vote of Yes ____ No ____ Spoiled ____

AMENDMENT #3

- Found on page 19 of your booklet is the language for Proposed Amendment #3.

Article V, Section 1.

Authorization for Setting Location of the Board's Annual Reorganization Meeting.

Shall this section be amended to authorize the Cooperative's Board of Directors to conduct the Board's annual organizational meeting at a location different from the location of the annual meeting.

- Bylaw Amendment #3 – Passed/Failed
- A recorded vote of Yes _____ No _____ Spoiled _____

9. MANAGER'S REPORT (BRETT STROH)

- I will now ask Derrick Bulawa, BEK's CEO to give his report.



DERRICK BULAWA
CEO/General Manager

- Manager's Report (Derrick Bulawa)
 - Video
 - "2019 Year in Review"
 - Presentations slides
- Member Door Prizes
- Kids' Door Prizes
- "Thank you, Mr. Bulawa."

10. CLOSING (BRETT STROH)

- Thank you for participating in this 68th Annual Meeting of BEK Communications Cooperative. The meeting is now adjourned.



BOARD OF DIRECTORS

DISTRICT I



SHANE MORRIS
Secretary/Treasurer



SANFORD WILLIAMS

DISTRICT II



BOB SUBART



BRETT STROH
President

DISTRICT III



KEVIN BERNHARDT
Vice President



VICKIE MARTIN



LEO MEIER

DISTRICT IV



BILL BECKER



GERALD BURLACK



EMPLOYEES



TANNER AASEN



FRED ABRAHAM



DEDE ANDERSON



KURT ANDERSON



PERRY ANDERSON



AARON BACKER



ALLEN BECKER



DEBBIE BEDETTE



JESSICA BERG



JAY BERTSCH



CARMEN BIESTERFELD



TAMMY BIRRENKOTT



BRENT BORKHUIS



RYAN BRADLEY



DEREK BRAUN



SAM BREKKE



DERRICK BULAWA



TOSHIA CADENA



AMANDA CLARK



PATRICK COCHRAN



PATRICK CONTEH



NISSA CRANDALL



BECKY DEMARAY



LYNETTE DEMARAY



TAMMY DOCKTER



CHRIS DORSEY



DAN DVORAK



KARI ENZMINGER



AUBREY EVEN



PAUL FRANK



MIKE GAYETTE



DARIN GRAF



JESSE GUNSCH



LARRY GURULE



JORDAN HASSLER



RYAN HEINSOHN



JUDI HINTZ



BETH JOHNSON



STACY JOHNSON



KEITH JOHS



KELLY KRUEGER



ROY KUIL



LANCE LANGFORD



KEVIN LECH



TIM LERUD



SCOTT LOERCH



JOE LOKKEN



JORDAN LOWREY

EMPLOYEES



JAMISON MAGSTADT



DAVID MALSAM



MICHAEL MITTLEIDER



CONRAD NELSON



MATT OHLHAUSER



MATTHEW OLAUSON



PAUL OLSON



RORY OPP



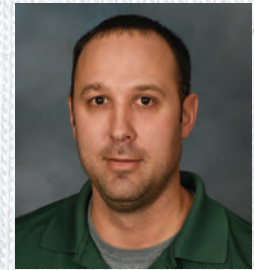
SHAUN PENDO



MARY PETERSON



BRUCE PUEPPKE



SHAWN PUKLICH



NOAH REED



JOE REWALD



JONNY ROHRICH



APRIL RUTLEDGE



JASON RUTLEDGE



ERIC SAUTER



BRENT SCHMITT



RON SCHNEIDER



JESSE SCHWAB



PAM SCREEN



BOBBI SILBERNAGEL



COREY SILVERNAGEL



RODNEY STOCKERT



STEVE SWISS



BRIAN TAIT



COLLETTE THOMAS



TERRI THOMAS



JORDAN TRIPP



BRANDON VAUGHAN



BRENDA WALETZKO



MELISSA WALL



NICHOLAS WEIPPERT



DEAN WEISS



RICHARD WINKING



BECKI WOLF



DERRICK WOLF



RYAN ZINK

NOT PICTURED:

Gary O'Halloran
Rebecca Holm
Brock Anderson
Vance Jahner
Don Dyer

Mark Bethke
Zack Heinle
Perry Faul
Michael Kratz
Phil Creighton

Zachary Hoffner
Chris Clayton
Mick Tidrow





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