

**Before the  
STATE OF SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION**

Application of  
  
BEK Communications Cooperative  
  
For a Certificate of Public Convenience And  
Necessity to Provide  
Facilities-Based Local Exchange  
Telecommunications Services  
in South Dakota

**APPLICATION**

BEK Communications Cooperative (“BEK” or “Applicant”), pursuant to South Dakota Compiled Law Section 49-31-3 and Administrative Rules of South Dakota Chapter 20:10:24:02 and 20:10:24:05, hereby requests that the South Dakota Public Utilities Commission (the “Commission”) grant to BEK a Certificate of Public Convenience and Necessity (“CPCN”) to provide facilities-based local exchange telecommunication services in South Dakota.

**I. DESCRIPTION OF APPLICANT**

BEK is a North Dakota corporation with its principal office and place of business at 200 East Broadway, Steele, North Dakota 58482. BEK can be reached at 701-475-2361. BEK is a member-owned cooperative that offers a wide range of communications services including local telephone, long distance, high-speed internet, and multi-channel video. As of January 1, 2008, BEK serves 5467 members and 6495 access lines over a six-county region in south-central North Dakota.

By this application, BEK seeks authority to provide service to one customer in South Dakota. BEK currently provides service to this customer through an exchange BEK purchased from US West (now Qwest) on June 1, 1996. BEK has recently engaged in

discussions with Valley Telecom Cooperative, Inc., a South Dakota telecommunications company, regarding adjustments to the service territory border between the two companies in an effort to align the border with the North Dakota – South Dakota border. We reached agreement regarding the border changes except with respect to two customers, each of whom is currently being served by the service provider in the other state. The distance from each customer to the network of the service provider in his state makes it expensive and impractical to align the service territory border with the state line in each case. Accordingly, BEK seeks authority to serve this customer with local exchange services.

**II. INFORMATION SPECIFIED BY ADMINISTRATIVE RULES OF SOUTH DAKOTA CHAPTER 20:10:24:03**

**(1) The applicant's name, address, telephone number, facsimile number, web page URL, and E-mail address;**

BEK Communications Cooperative  
200 East Broadway  
PO Box 230  
Steele, ND 58482-0230  
701-475-2361 (tel) 701-475-2100 (fax)  
www.bektel.com  
bekcomm@bektel.com

**(2) A description of the legal and organizational structure of the applicant's company;**

BEK is a corporation organized under the laws of the State of North Dakota. BEK has three wholly-owned subsidiaries: BEK Inc., which operates a business-oriented internet business; BEK Sports Network, Inc., which produces local sports content for BEK's video service; and BEK Communications I Inc., which operates a business telephone and networking company under the name BEK Business Solutions.

**(3) The name under which applicant will provide local exchange services if different than in subdivision (1) of this section;**

Same as in subdivision (1).

**(4) The location of the applicant's principal office, if any, in this state and the name and address of its current registered agent, if applicable;**

BEK does not have an office in South Dakota. BEK's registered agent in South Dakota is Kevin A. Doyle, CPA, 200 East 10<sup>th</sup> St. Suite 500, Sioux Falls, SD 57117-5126.

**(5) A copy of its certificate of authority to transact business in South Dakota from the secretary of state;**

See attached Exhibit A

**(6) A description of the applicant's experience providing any telecommunications services in South Dakota or in other jurisdictions, including the types of services provided, and the dates and nature of state or federal authorization to provide the services;**

Founded in 1952, BEK Communications Cooperative is a full-service communications company headquartered in Steele, North Dakota. On September 28, 2000, the North Dakota Public Service Commission reissued to BEK Certificates of Public Convenience and Necessity Nos. 358, 370, 371, 377, 401, 409, 437, 796, and 797. BEK provides voice and data services to approximately 5500 members throughout six counties in south-central North Dakota. BEK's service area covers 5348 square miles and includes 6495 access lines served by 1664 miles of fiber optic cable and 2366 miles of copper cable, with a total plant investment greater than \$50 million. BEK offers Digital Subscriber Line (DSL) on 98% of its access lines and fiber to the home to well over 2000 homes and businesses.

**(7) Names and addresses of applicant's affiliates, subsidiaries, and parent organizations, if any;**

BEK has no parent organizations and three subsidiaries:

1. BEK Inc.  
200 East Broadway  
PO Box 230  
Steele, ND 58482-0230

2. BEK Sports Network, Inc.,  
200 East Broadway  
PO Box 230  
Steele, ND 58482-0230
3. BEK Communications I Inc.  
723 Memorial Highway  
Bismarck, ND 58504

BEK also has ownership interests and board representation in four affiliates:

1. Northwest Dakota Cellular, Inc.  
206 Central Ave. N  
PO BOX 488  
Hazen, ND 58545-0488
2. Central Dakota Cellular, Inc.  
206 Central Ave. N  
PO BOX 488  
Hazen, ND 58545-0488
3. North Dakota Long Distance, LLC  
211 22nd Street NW  
PO BOX 857  
Devils Lake, ND 58301-0857
4. DCN, LLC (dba Dakota Carrier Networks)  
3901 Great Plains Dr. S  
PO BOX 2484  
Fargo, ND 58108-2484

**(8) A list and specific description of the types of services the applicant seeks to offer and how the services will be provided including:**

**(a) Information indicating the classes of customers the applicant intends to serve;**

BEK intends to offer local exchange services to a single residential customer.

**(b) Information indicating the extent to and time-frame by which applicant will provide service through the use of its own facilities, the purchase of unbundled network elements, or resale;**

BEK purchased several exchanges from US West (now Qwest) on June 1, 1996. Since that time, BEK has provided service to the customers on those exchanges, including

the one South Dakota residential customer to whom BEK intends to continue to provide service using its own facilities.

**(c) A description of all facilities that the applicant will utilize to furnish the proposed local exchange services, including any facilities of underlying carriers; and**

BEK has existing buried telecommunications cables, acquired from US West in 1996, through which it intends to provide service.

**(d) Information identifying the types of services it seeks authority to provide by reference to the general nature of the service;**

BEK intends to offer local exchange service and digital subscriber line service.

**(9) A service area map or narrative description indicating with particularity the geographic area proposed to be served by the applicant;**

BEK intends to provide service to the one residence in the territory indicated on attached Exhibit B

**(10) Information regarding the technical competence of the applicant to provide its proposed local exchange services including:**

**(a) A description of the education and experience of the applicant's management personnel who will oversee the proposed local exchange services; and**

See attached Exhibit C for information on the education and experience of BEK's key management personnel.

**(b) Information regarding policies, personnel, or arrangements made by the applicant which demonstrates the applicant's ability to respond to customer complaints and inquiries promptly and to perform facility and equipment maintenance necessary to ensure compliance with any commission quality of service requirements;**

BEK has a long history of providing high quality local exchange and interexchange services to its customers, having operated as a telecommunications carrier since the early 1950s. BEK has designated departments established to handle customer service, billing and repair issues. BEK provides a toll free number that is printed on every billing statement.

Complaints are generally resolved through a customer's interaction with a Customer Service representative. BEK attempts to resolve these matters as expeditiously as possible. Should the Customer Service Department be unable to resolve a particular issue, BEK has escalation procedures in place and also publicizes a direct-dial number to the CEO for customer concerns or complaints. These escalated complaints are normally resolved within 30 days.

**(11) Information explaining how the applicant will provide customers with access to emergency services such as 911 or enhanced 911, operator services, interexchange services, directory assistance, and telecommunications relay services;**

The one South Dakota customer served by BEK is served through the facilities acquired from US West. 911 services are provided to the South Dakota customer the same as to BEK's North Dakota customers on that exchange and PSAP. The nearest emergency services on either side of the state line are dispatched to the customer premises.

**(12) For the most recent 12 month period, financial statements of the applicant consisting of balance sheets, income statements, and cash flow statements. The applicant shall provide audited financial statements, if available;**

See attached Exhibit D.

**(13) Information detailing the following matters associated with interconnection to provide proposed local exchange services:**

**(a) The identity of all local exchange carriers with which the applicant plans to interconnect;**

Not applicable.

**(b) The likely timing of initiation of interconnection service and a statement as to when negotiations for interconnection started or when negotiations are likely to start; and**

Not applicable.

**(c) A copy of any request for interconnection made by the applicant to any local exchange carrier;**

Not applicable.

**(14) A description of how the applicant intends to market its local exchange services, its target market, whether the applicant engages in multilevel marketing, and copies of any company brochures that will be used to assist in sale of the services;**

BEK does not intend to serve any customers other than the one customer in South Dakota already connected BEK's network.

**(15) If the applicant is seeking authority to provide local exchange service in the service area of a rural telephone company, the date by which the applicant expects to meet the service obligations imposed pursuant to § 20:10:32:15 and applicant's plans for meeting the service obligations;**

BEK does not seek authority to provide local exchange service in the service area of any South Dakota rural telephone company.

**(16) A list of the states in which the applicant is registered or certified to provide telecommunications services, whether the applicant has ever been denied registration or certification in any state and the reasons for any such denial, a statement as to whether or not the applicant is in good standing with the appropriate regulatory agency in the states where it is registered or certified, and a detailed explanation of why the applicant is not in good standing in a given state, if applicable;**

BEK is certified to provide telecommunications services in North Dakota and is presently in good standing as shown in attached Exhibit E. BEK has never been denied registration or certification as a telecommunications carrier in any state.

**(17) The names, addresses, telephone numbers, E-mail addresses, and facsimile numbers of the applicant's representatives to whom all inquiries must be made regarding customer complaints and other regulatory matters;**

Derrick Bulawa, CEO  
200 E Broadway  
Steele, ND 58482  
701-475-2361 (tel)  
701-475-2100 (fax)  
derrick@bektel.com (email)

**(18) Information concerning how the applicant plans to bill and collect charges from customers who subscribe to its proposed local exchange services;**

BEK will bill all subscribers for services each month via direct billing.

**(19) Information concerning the applicant's policies relating to solicitation of new customers and a description of the efforts the applicant shall use to prevent the unauthorized switching of local service customers by the applicant, its employees, or agents;**

BEK confirms that it is in compliance with all FCC and state requirements regarding marketing and service provisions. BEK uses written letters of authority in addition to third party verification on all orders. New orders are not provisioned without these two steps.

BEK will not solicit or add any new customers in the State of South Dakota. BEK makes this application solely to continue service to the one customer in South Dakota that BEK is serving via the facilities acquired from US West.

**(20) The number and nature of complaints filed against the applicant with any state or federal commission regarding the unauthorized switching of a customer's telecommunications provider and the act of charging customers for services that have not been ordered;**

The applicant is aware of no complaints with any state or federal regulatory commission against Applicant regarding the unauthorized switching of a customer's telecommunications provider or the charging of customers for services that have not been ordered.

**(21) Information concerning how the applicant will make available to any person information concerning the applicant's current rates, terms, and conditions for all of its telecommunications services;**

Information about BEK's rates, terms and conditions are available on BEK's web site at [www.bektel.com](http://www.bektel.com), and are also provided in written form on request and at the time service is initiated.

**(22) Information concerning how the applicant will notify a customer of any materially adverse change to any rate, term, or condition of any telecommunications service being provided to the customer. The notification must be made at least thirty days in advance of the change;**

**(23) A written request for waiver of those rules believed to be inapplicable;**

BEK does not seek such a waiver.

**(24) Federal tax identification number and South Dakota sales tax number;**

BEK's federal tax identification number is 45-0236554.

BEK does not have a South Dakota sales tax number.

**(25) Other information requested by the commission needed to demonstrate that the applicant has sufficient technical, financial, and managerial capabilities to provide the local exchange services it intends to offer consistent with the requirements of this chapter and other applicable rules and laws.**

BEK will promptly supply any additional information requested by the Commission.

**III. DESIGNATED CONTACTS**

The designated contacts for purposes of this Application are:

Jerod E. Tufte  
Tufte Law Office, PC  
106 W. Broadway  
PO Box 139  
Steele, ND 58482  
701-475-5200 (tel)  
701-203-4053 (fax)  
jerod@tuftelaw.com

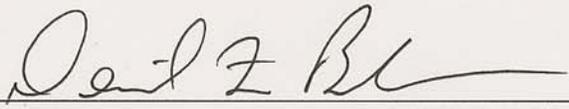
Derrick Bulawa, CEO  
BEK Communications Cooperative  
200 E. Broadway  
PO Box 230  
Steele, ND 58482  
701-475-2361 (tel)  
701-475-2100 (fax)  
derrick@bektel.com

**IV. REQUEST FOR CERTIFICATION OF BEK**

WHEREFORE, BEK Communications Cooperative respectfully requests that the South Dakota Public Utilities Commission grant this Application to issue BEK a Certificate of Authority to permit BEK to provide local exchange and exchange access telecommunications services in the State of South Dakota.

Respectfully submitted,

BEK Communications Cooperative

By: \_\_\_\_\_

Derrick Bulawa, CEO  
BEK Communications Cooperative  
200 E. Broadway  
PO Box 230  
Steele, ND 58482  
701-475-2361

Dated: March 12, 2008

Exhibit A.

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

### Certificate of Authority

ORGANIZATIONAL ID #: FC010244

I, **Chris Nelson**, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **BEK COMMUNICATIONS COOPERATIVE (ND)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this January 30, 2008.



*Chris Nelson*

**Chris Nelson**  
Secretary of State

Cert of Authority Merge

Exhibit B.

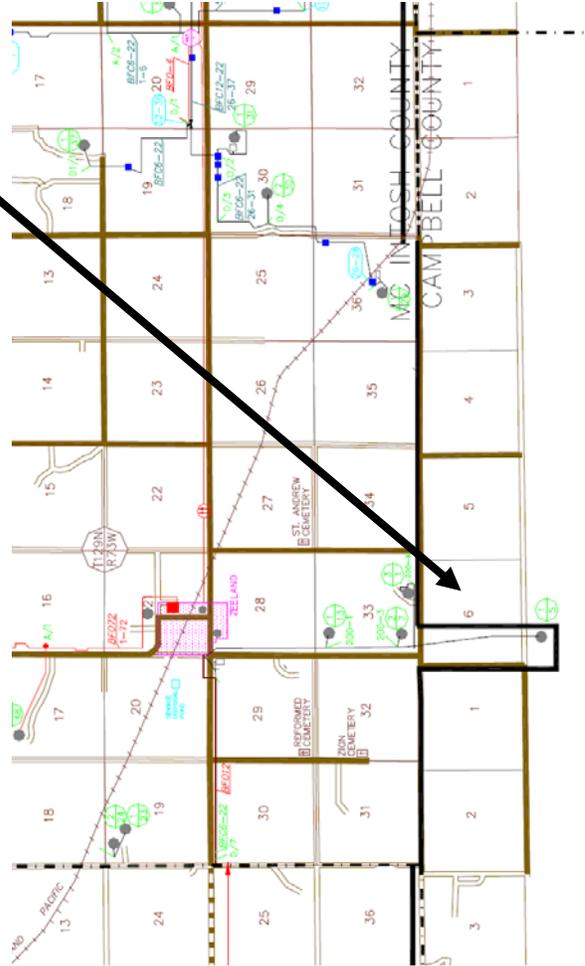
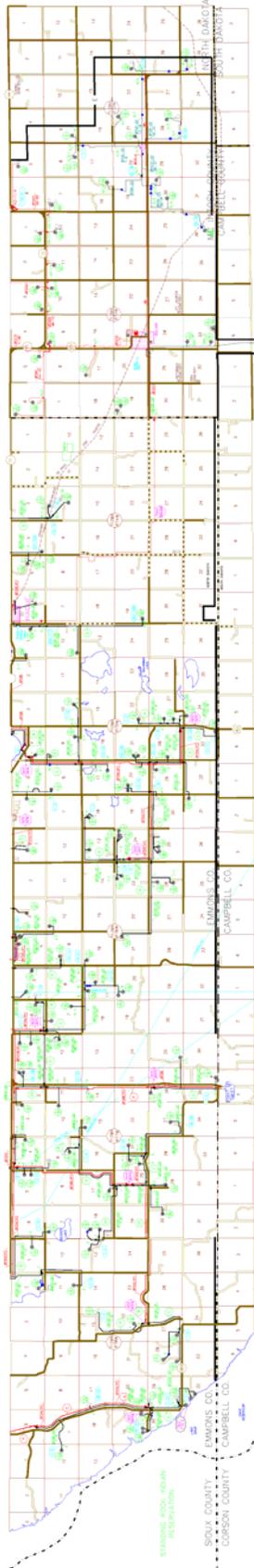


Exhibit C.

## Leadership Profile

### **Executive Leadership, International Business, Leading-Edge Technology Application, Strategic Planning, Business Development, P&L Management, Fund Raising, Early-Stage Investments, Alliance Development**

Solution-oriented business strategist with a proven record of success in customer base growth, revamping operations to cut costs and improve cash flow, and driving profitability. Proven ability to effectively launch new technologies and turn around faltering business units, generating high growth, boosted revenues, and cost savings in diverse start-up, high growth, reorganization, and turnaround situations. Management-level knowledge and advanced technical expertise in e-commerce, Web services, online acquisition marketing, infrastructure management, digital media, telecom, Internet technology, satellite television, IP video delivery, wireless, and RF technologies. Well-developed interpersonal skills with proven ability to lead, motivate, and inspire teams to meet and surpass corporate objectives with hands-on involvement and teaching leadership by example.

## Professional Experience

### **BEK Communications Cooperative Steele, North Dakota**

#### **CEO/General Manager 2006 to present**

Provided hands-on leadership and strategies for evolving a 55 year old telephone cooperative into a multi-product and multi-service success story. As a rural ILEC faced with competition, BEK needed to evolve from a comfortable cooperative into an aggressive competitor in order to protect its market from a dominant cable threat. In doing so we developed business models, go-to-market strategies, and executed on the a 200 channel IPTV business, live sports channel, aggressive deployment of Fiber to the Home and deployment of very high speed internet services.

- Led the strategic team responsible for the business planning, modeling, and presentations underpinning the Board approval and funding of the new ventures.
- Achieved penetration of over 50% in all new services in the 2<sup>nd</sup> year, IPTV, Internet & Unlimited LD
- The company was recognized a key leading in the deployment IPTV services nationally.

### **VCinema, Inc Long Island, New York**

#### **President 2004 to present**

Provided hands-on leadership in securing capital, operational and financial modeling, and day-to-day operations for this early-stage IP content delivery company. Developed the strategies for providing consumers with the capability of downloading premium studio and TV content directly to enabled DVRs, PCs, laptops, cell phones, and portable media players. Developed business models, go-to-market strategies, and fundraising presentations. Directed the due diligence and execution readiness processes. Led the management team in the development of operating models, capacity planning, and operating and execution strategies.

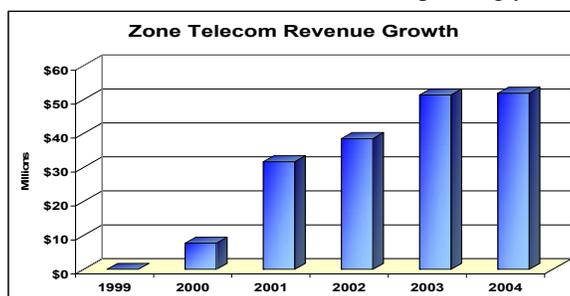
- Led the strategic team responsible for the business planning, modeling, and presentations underpinning the \$1.35 million in "Angel" funding closed to date.
- Achieved technology approval for the company from three of the six major motion picture studios.
- The company was nominated for best digital home product at RetailVision 2005, a Gartner event.

## Zone Telecom New Jersey/Hong Kong/Singapore

### President 2001 to 2004

Created the business model, technology, and functionality for this integrated telecom-Internet start-up offering long distance, data circuits, Internet bandwidth, dedicated circuits, VPNs and VOIP services, with Internet-enabled self-service and business intelligence tools. Established product vision, secured funding, and oversaw shareholder management, investor relations, strategic investments, medium- and long-term strategies, and provided day-to-day leadership for the executive team. Conducted weekly and monthly reviews of operating and business metrics. Expanded service offerings into Asian markets with direct operating services in Hong Kong and Singapore.

- Drove revenues from zero to more than \$50 million in three full operating years, as illustrated below:



- Secured \$35 million to fund the business utilizing multiple public and private placements.
- Opened the enterprise market by signing the company's first enterprise with a \$7 million two-year contract.
- Led the acquisition of more than 600,000 customers in three years.
- Produced a best-in-class business model—service costs: <2 percent, churn: <1 percent, bad debt: <1 percent, and AR: 15 days.

## e-Kong Group (SEHK 524; OTC EKONY) Hong Kong

### CEO 1999 to 2004

Recruited to execute a turnaround for this struggling public company with a new focus on telecom, Internet technology, and e-commerce services. Designed a recapitalization plan and spearheaded a strong revenue growth strategy. Provided day-to-day oversight for multiple operating companies in the telecom, Internet, e-commerce, and technology industries. Reconstituted the board, replacing ineffective members with credible and well respected people having successful track records in high-technology ventures.

- Successfully executed the turnaround of a company in the Hong Kong public market within six months, yielding 17 times share price increase.
- Leveraged multiple public and private placements to raise \$120 million in capital within three years.
- Drove revenues from \$4 million to \$55 million (\$4 million EBITDA) by 2003, saving the company from bankruptcy and the prospect of being de-listed.
- Co-chaired e-Kong Ventures investment group, which provided \$30 million in early stage funding for technology companies.
- Notable successes in portfolio companies include Zone Telecom, which achieved \$50 million in revenues in 2003, SportingBet.com with a \$1.65 billion market cap, and Space Asia, which sold at a \$65 million valuation.

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**UNIFI Communications  
Massachusetts/Hong Kong****COO/President North Asia  
1995 to 1999**

Directed P&Ls for businesses in five countries (Hong Kong, China, Korea, Japan, and Taiwan) for this value-added Internet telecom services provider. Launched services in Asian markets, acquired licensing, compiled business plans, conducted JV negotiations, and directed management, sales and execution strategies, assembling management teams in each market. Services were offered by this early-stage private IP network in 13 global markets, including the U.S., Asia, and Europe; the company achieved a ranking of number 20 on the INC 500 list of fastest-growing companies in 1998.

- Drove North Asia annual revenues from zero to \$20 million (40 percent of the company's global revenue).
- Negotiated and managed a joint venture in China that reached profitability within six months at a \$6 million annual revenue rate.
- As chairman of a Joint Venture in Japan, I managed the growth of the organization to a cash positive position while effectively nurturing a complex relationship with Nichimen our JV partner.
- Promoted to COO with the directive to package the 13 international operating units for sale, yielding more than \$15 million.

**STAR TV  
Hong Kong****GM/VP, Satellite & Technical Operations  
1990 to 1994**

Key player in the operation and growth of Asia's first regional satellite television company providing direct-to-home entertainment covering 53 Asian and Middle Eastern countries, including 12 channels in five languages. Negotiated government-issued broadcast license amendments and satellite capacity, led the development of uplink and broadcast facilities, set specifications for satellites and equipment certification, and spearheaded business development for pay-TV and compression technology.

- Developed and operated the \$50 million Clearwater Bay broadcast center that housed the studios and associated post-production, play-out, uplink, and communications facilities, supporting over 170 million viewers per day.
- Implemented the region-wide certification program for all reception equipment. In three years, it is estimated that the industry distributed over \$4 billion in STAR TV certified hardware across Asia.
- Headed up the pay-TV business development project team that added \$200 million to the company's valuation.
- Key member of the team that drove the sale of the company to News Corporation for \$980 million.

**Employment Prior to 1990**

Progressed through general management, advisory, and engineering positions with Pacific Century Group, GTE, Contel ASC, and Equatorial Communications (wireless and satellite technology and service companies). Primary focus was on satellite and data systems design for the Asian markets. Significant accomplishments included:

- Personally responsible for the design, installation and training of India's first national data network (NICNET) supporting over 1,000 VSAT terminals. NICNET is the central data system for the government of India.
- Designed and installed a VSAT system in China used to integrate the air traffic radar system and remote boarder crossing points. This was China's first national VSAT network.
- Designed and installed similar networks in Australia, Norway, Hong Kong, Singapore, Indonesia, Iowa, New York and California.

## Education/Training

- BS Electronics Engineering Technology, DeVry Institute of Technology, Columbus Ohio, 1985.  
Honors for Academic Achievements.
- Introduction to Mandarin—written and spoken.

### Turned Around and Revitalized a Failing Company

#### Situation:

Goldtron, a publicly-listed videotape manufacturing company on the Hong Kong Stock Exchange, was nearly-bankrupt, with over \$20 million in liabilities, very little revenue, and no sustainable profitability. It was on the verge of being de-listed for listing rules violations. MagicTel, an early-stage Internet company offering voice over Internet services, was also on the verge of bankruptcy for three key reasons; early stage VOIP technology was poor quality, the two-stage dial-up access method created a change in consumer behavior, and customer acquisition was slow. MagicTel had no operational value other than being an Internet-based company with well-known shareholders that would create excitement in the public markets and the Internet-based services provided by MagicTel had broader public market and investor support. The idea was to find a public company like Goldtron who would be willing to buy MagicTel and give its shareholders a liquidity event.

#### Action Plan:

- Made private presentations to key shareholders and board members of both companies outlining the future company's business plan, financial models, and executions strategies.
- Negotiated the P&S agreement on behalf of Goldtron and secured the approval of shareholders and the stock exchange.
- Served as CEO of the combined entity with a focus on eliminating the considerable debt both companies had accumulated.
- Developed a business plan to excite the public market and facilitate sufficient share price movement to recapitalize the company. This plan allowed old shareholders to exit if they wished and raised about \$1 million.
- Redirected the new company's focus on communications, Internet technologies, and e-commerce services. Established a new company identity and brand under the name "e-Kong" (China's equivalent to e-Bay).
- Raised a second round of capital totaling \$10 million, which allowed for the hiring of a hand-picked executive team, the execution of several Internet businesses, and the initiation of the early-stage venture capital fund.
- Sought out and installed a credible board of directors with experience in the technology sector that would establish robust market credibility for a final round of fund raising.
- Successfully raised \$100 million in the Hong Kong public markets to meet the company's three- to five-year funding needs.

#### Results:

Within nine months this faltering public company "Goldtron" was transformed into a high-tech company with no debt, a new executive team, a new board, a new brand name (e-Kong) and nearly \$100 million in the bank. The company was focused on telecom, Internet, and e-commerce operations and investments. It was geared up to achieve over \$50 million in revenue within five years. As a result, was appointed to the board of e-Kong and served as its CEO for five years.

## Boosted Revenues Tenfold

### Situation:

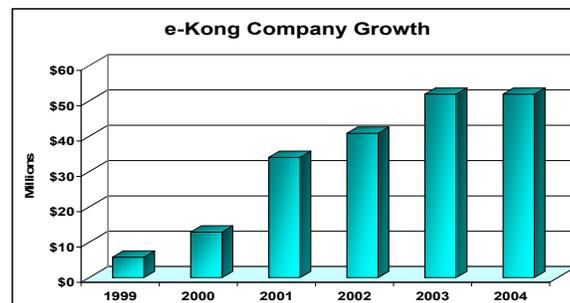
After a year's turnaround, work-out, and recapitalization effort, e-Kong was well capitalized and had no significant revenue sources. Rather than "resting on its laurels," it was critical that the execution strategy be crystallized and publicly articulated. With the management team effectively filled out, the first revenue and investment opportunities would be brought to market. The company's market cap was over \$900 million, with very little revenue, and was still operating in a start-up mode. There was significant pressure from the board and the investors to generate revenue, diversify operations, and make strategic investments. Public markets had just begun to crash as the Internet boom was ending. The objective was to focus on telecom, Internet, and e-commerce operations and investments, to drive revenues to more than \$50 million, and to hold strategic positions in companies with potential value.

### Action Plan:

- Recruited proven leaders and individual contributors with good performance records to make up the executive and management teams.
- Conducted due diligence to invest in an emerging market leader in the online advertisement sector (Space Asia).
- Launched the Zone Telecom business as the company's first operating service. Zone Telecom was launched in the Hong Kong market in mid-2000, in Singapore in late 2000, and in the U.S. in late 2001.
- Secured majority investment positions and operating control of Speed Insure (online insurance), EventClicks (online corporate travel) and NetDefense (Internet security, firewalls and intrusions detections services).
- Acquired minority investment positions in six more Internet companies through the company's investment arm.
- Conducted analyses of all operating companies and investments to determine which would provide the best long-term opportunities. As Zone Telecom was the most mature asset and had the capability of generating a significant return for shareholders, it was unanimously chosen as the venture to be fully funded.
- Over the next few years, with the downturn in the markets, non-core assets were sold off and operations streamlined with a focus on the Zone Telecom businesses.
- Assumed daily operations leadership for Zone Telecom USA and focused on growing revenue from almost nothing to \$35 million in a little over two years.

### Results:

Drove revenues from \$5 million to more than \$50 million in three full operating years and secured numerous operating assets that are still held by the company today. The company sold its stake in Space Asia at a \$65 million valuation. Another asset, SportingBet.com, is the world's largest online sports betting site, with a market-cap of more than \$1.65 billion. The majority-controlled assets generated significant revenue growth for e-Kong, as illustrated below:



## Key Accomplishment Summary

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Derrick F. Bulawa

### Secured 600,000 Customers and \$50 Million in Revenues for Startup Venture

#### Situation:

Zone Telecom was a startup niche player in the voice and data communications industry focused on Internet-savvy customers willing to use self-service-only tools to secure price discounts. The key to the success of this business was its ability to attract only Internet-savvy customers that fit the self-service model, paid with a credit card, and rarely called the company for support. Successfully executing within these operating principles would yield superior business metrics and allow the company to prevail over the competition.

#### Action Plan:

- Pioneered online customer registration—set up processes to gather enough personal customer data that would clearly identify a specific person so that online registration would constitute a legal contract in the eyes of a court. These processes were reinforced a year later when the FCC approved the Electronic Signature Act.
- The infrastructure to support all the self-service capabilities needed to be developed in-house because the equipment suppliers were at least three years behind the company's functional needs.
- Developed a unique customer-accessible Web front-end for telecom switches allowing customers to change carriers in real-time, change routes in real-time, and set-up personal least-cost routing for their own accounts.
- Designed a real-time rating system that allowed customers to change the price of a call, get impulse discounts, and create special service areas using a Web interface.
- Provided Web-based service tools that gave customers the ability to accomplish anything online that a customer service agent could do over the phone.
- Developed a one-of-a-kind customer acquisition strategy utilizing portals like Yahoo and MSN; collaborated with wholesale banner ad brokers to attract customers, yielding a \$45 per customer acquisition cost. These processes ensured that acquired customers would be capable of utilizing customized self-service tools to secure desired telecom services.
- In the third quarter of 2001, the online acquisition campaign was underway and Zone was acquiring nearly 15,000 customers per month in the U.S. and realizing similar growth in Hong Kong and Singapore.

#### Results:

After three full operating years Zone Telecom achieved over 600,000 customers and annual revenue of more than \$50 million. The results of our focused acquisition strategy produced a best in class business model, with service costs <2 percent, churn <1 percent, bad debt <1 percent, and AR of 15 days. The business metrics that we estimated would be achieved in the business model were surpassed, as the general telecom industry was suffering from service costs greater than 7 percent, churn of 3 to 5 percent, bad debt of 6 percent, and an AR of 45 to 60 days.

## Key Accomplishment Summary

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Derrick F. Bulawa

### Built an Icon in the Satellite TV Industry

#### Situation:

STAR TV was in the final stages of gaining a much-sought-after license allowing direct satellite broadcast of TV signals from Hong Kong. The next step would be to design, build, and operate a facility to handle broadcast, production, and satellite transmission. Key objectives were to establish 12 satellite TV channel uplinks, support play-out, production, and post-production activities, and build a facility that represented STAR TV; completion time for launch was set at three months, coinciding with the maiden broadcast featuring a live boxing match which was already scheduled to be distributed via satellite across Asia. The complex multi-staged development process of building this facility with the mandate to be operational within 90 days was an enormous challenge.

#### Action Plan:

- Established a temporary facility in a remote village near China's border with Hong Kong, achieving the 90-day operational objective. This facility was located near an old TV production facility capable of housing the play-out operations.
- Worked with Scientific Atlanta to find an 11 meter portable satellite system that was purchased and air-freighted to Hong Kong in an expedited manner, providing the uplink capabilities for the launch.
- Built temporary facilities at the permanent location in Clearwater Bay, Hong Kong, allowing STAR TV to expand its channel operations and support 12 channels broadcast via AsiaSat I. While the facilities were only temporary, they needed to be in place before the onset of the Pacific typhoon season with its 15.5 meter antenna anchored sufficiently to withstand wind speeds of up to 180 kph.
- With the temporary facilities already operational, construction was begun on the 65,000 sq. ft. building that would house long-term production, operation, and broadcast facilities. Construction of this facility required as many as 600 construction laborers working nearly 24 hours a day for an additional 18 months. The final building was erected around the operating broadcast facilities.

#### Results:

Temporary facilities were established and operational within the three-month deadline and the maiden broadcast proceeded as scheduled. Permanent construction of all facilities was completed after nearly three years and \$50 million. All deadlines, objectives, and milestones were met—the result was a business icon in the broadcast TV industry. The photograph shows the STAR TV broadcast center that housed the play-out, post production, transmission, reception, and studio facilities for STAR TV, which became the icon that represented STAR TV. In 1993 STAR TV achieved a milestone of 170 million viewers per day, and was then sold to News Corporation for \$980 million in a two part sale.



## **Problem-Solving from the Top**

### **Developing the Business Plan**

There has been a dramatic change in recent years in the nature of a company's documentation required to obtain funding approval from investors or shareholders. In early years, documentation needed to be very comprehensive and all-encompassing, with contingencies for every possible issue or scenario, no matter how irrelevant. With the advent of the Internet bubble, a business plan could consist of a very short paragraph with a financial model that justified an excessive valuation. Now it seems that business plan demands have found a happy medium, with most wanting a concise two-page summary, a written business plan not longer than 25 pages with specific focus on your key points of differentiation, a go-to-market strategy, and an outline of relevant risks. This should be supported by a detailed financial model that will typically demonstrate substantial credibility in the plan and execution methodology.

### **Raising Capital**

In seeking funding to launch a new business or service, "no" is not always a conclusive answer. What "no" may indicate is that the plan may have an obvious flaw, may have failed to consider an important factor, or might be too aggressive in execution. Whatever the issues, each attempt is an opportunity to learn from the situation and improve the plan. In a real-life example, a VC that vehemently declined an investment became an investor only six months later, once the plan had been modified. The key is benefiting from experience and using feedback to continually improve; "no" should be the cue that the business plan needs more work. It can be said that there is no such thing as failure, only feedback.

### **Harvesting Working Capital from Legacy Products**

Over time, it is inevitable that a product will reach its peak performance and begin to under-perform in the market. The first reaction is normally to increase features and functionality, while attempting to remain price-competitive. Careful analysis might reveal that a better business decision is to implement a change in strategy from product extension to new product development with a razor-sharp focus on market capabilities. While the lion's share of company focus should be on future growth, it is critical to harvest the maximum amount of cash from legacy products to fund the development and deployment of a new product.

### **Using Metrics for P&L Management**

P&L management is much like a machine—it does exactly what it is designed to do, so it needs to be monitored by plenty of meters, gauges, and alarms. While the CFO is ultimately responsible for the technical performance of P&L reporting, compliance is the responsibility of the entire company, from operations to sales groups. Like a machine, a P&L system will process anything that you put into it, the old "garbage in, garbage out" rule does apply. It can be very useful to open P&L management to a broader management team to ensure the implementation of the most effective metrics and the integrity of the early measurement from existing operations. It is important, however, to never encroach on the CFO's ownership of the P&L integrity and reporting of the company's financials. Typical metrics might include customer growth, revenue, and average revenue per customer, fixed and variable gross margins, internal department costs, and AP/AR in absolute numbers, as well as, a percentage of revenues. Finally, it is critical to understand customer life and payback at the gross margin level in terms of months.

### **Finding the Real Problem with a Failing Product**

A typical reaction to the lackluster performance of a product or a service is to blame some aspect of the offering or a key individual responsible for its execution. In a boardroom or executive meeting where incentives, bonuses, and stock options are at stake, it is critical that the behavioral dynamics are managed carefully and emotions do not cloud the real issues. Establishing the fact pattern, results, metrics and anecdotal evidence to support the apparent failure is key to drilling into the product's market interaction. Once a failure theory is detailed by the group, customer interviews can be completed to test the theory and arrive at potential modifications. This kind of strategy can bring the real facts to light and prevent emotions or misconceptions to drive decisions that can result in failure.

### **Generating Revenue Growth under any Conditions**

#### **Deeper Penetration**

Leaders are always challenged with fostering continued growth—one of the most difficult decisions can be to seek deeper penetration in a market segment that may be either very competitive or shrinking in size. Continued success can be enjoyed in a market if both the business model and the product evolve with market economics. As markets become more mature, customers expect to gain cost savings from market consolidation, modified product offerings, and niche service offerings. A company can exploit these opportunities by examining growth opportunities within the broader market segment.

#### **Broadening Services**

Continued growth can be achieved by broadening a service or product offering. Broadening of services can be a great strategy, as long as the expansion leverages the company's existing infrastructure and core competencies. In addition, it is important to have insight into whether the related service will gain the customer's mindshare as it relates to existing services. Customers must receive products or services that exceed their expectations in price, quality, shipping time, or in other measurable ways. Those value-added factors should increase performance, productivity, the company's bottom line, and customer loyalty.

#### **Opening International Markets**

While opening international markets can be a very rewarding experience, it is also one of the riskiest propositions an operational business can face. All factors must be weighed to promote growth of an existing service in other countries that may have less competition or higher price points. Some of the driving factors can be the company's desire to leverage the maximum return out of a "sunk" investment, maximize growth in parallel or multiple markets, or maximize cash return without making additional investments. There are many unseen challenges such as lack of market knowledge, service compliance with local environment, staff training, localization of service and infrastructure, and cultural reaction to the service. It is critical to make sure that the leadership team considers these factors in the planning phase of the market entry strategy as key steps in risk mitigation.

#### **Adding New Services**

Evolving a company from a single-product company to a multi-product company is an enormous undertaking that is commonly misunderstood. A company that has been successful with its initial service offering must continue to add new services that may require additional investment in infrastructure, different sales skills, technical skills and management skills. Often companies initially try to fit the new service into the existing organization and fail to meet growth expectations; it is more cost-effective and yields better results if the organization is tailored to the needs of the new offering from the beginning, eliminating the risk of false starts and failed objectives.

#### **Getting More from the Customer**

Customers frequently feel the need to distribute their business across several service or product suppliers, either for competitive prices or for risk mitigation. The company that takes the time to become familiar with customer issues could likely lock in all of that customer's business. It may require contractual price commitment or service and capability guarantees, but the rewards are generally far greater than the risks of those commitments. Sometimes all it takes is just personal time in follow-up and periodic contact to say hello or see how business is going. Imagine the benefit to top-line revenues with 100 percent penetration into the top 20 percent of the customer base!

## **Roxanne Pflieger**

713 San Angelo Dr.  
Bismarck, ND 58504  
701-400-1506

### **EXPERIENCE:**

#### **BEK Communications Cooperative • Steele, ND**

Chief Operating Office • 01/2005 – present

- Oversee network, outside plant, sales, marketing and customer service operations for the cooperative.
- Responsible for planning, implementation, and analysis of company objectives.
- Responsible for communication of company objectives to employees.

Business Manager • 06/1998 – 01/2005

- Responsible for all company marketing and public relations activities.
- Supervised customer service staff and activities.

#### **Wal-Mart Stores, Inc. • Various locations**

Assistant Manager • 05/1992-06/1998

- Responsible for total store operations and communication of corporate direction for up to 275 employees.
- Held role of Lead Assistant Manager, responsible for all activities in absence of the manager.
- Assisted in problem solving and correcting situations in an opportunity store.

Management Trainee • 08/1991-05/1992

- Followed a 20 week training schedule which emphasized operational skills, personal effectiveness, merchandising and people skills.

Management Intern • 06/1991-08/1991

- Basic orientation to Wal-Mart Management Principles and Practices.

#### **Other**

- **Varsity Mart • Fargo, ND** – Apparel Sales Clerk
- **Div Con Inc. • Bismarck, ND** – Office Assistant
- **Gravel Products • Minot, ND** – Grade Checker, Laborer
- **Opp Harvesting • Carson, ND** – Truck Driver

### **EDUCATION:**

Bachelor of University Studies, Management Information Systems.  
North Dakota State University, Fargo, ND. May 1992.

## Dean Priebe

P O Box 96  
Steele, ND 58482

Home Phone: 701-475-2603

Business Phone: 701-475-2361

### EXPERIENCE

#### Financial/Office Manager

BEK Communications Cooperative 1990 - present  
200 East Broadway  
Steele, ND 58482

As Financial Manager of BEK Communications Cooperative, I am responsible for the overall function of the financial dealings of the cooperative. The cooperative holdings include telephone services, DSL, wireless, internet and video.

I handle all the financial reports, including RUS reports, and oversee the accounting, billing and financial investments for the cooperative. I am directly responsible for compiling the budget. I supervise the completion of all the work papers for the auditing firm and work closely with government agencies that audit this firm. I also deal with the worst of the delinquent accounts for the telephone cooperative.

Until the cooperative expanded in size, as Office Manager, I was responsible for the promotion and advertising of the products and services that our cooperative provided. I was directly involved in Directv, from the ground up. I also wrote the monthly newsletter.

I supervise the office employees and am directly responsible to the CEO. I have been instrumental in keeping up with the latest accounting programs that NISC offers. Our cooperative was the beta site for their new iVue programming, keeping the cooperative on the cutting edge with the latest accounting programs.

I have a good working knowledge of the outside plant operations, including construction projects. BEK's latest project is video over our fiber to the home, as well as other projects in the near future.

I also compile and present the financials to the Board of Directors monthly. I make the reports board friendly and easy to understand, with a Power Point presentation.

I have been instrumental in planning the viability of new businesses that the cooperative is considering.

While employed at BEK Communications Cooperative, I have held offices in the following organizations:

North Dakota Apprentice, Training and Safety-board of directors for 5 years

Tri-State Operating Conference - board of directors for 3 years

President of the North Dakota Office Managers Association

I co-founded the North Dakota Office Workers Conference

I was on the Supervisory Committee for the North Dakota Telephone & Electric Credit Union.

Steele Lion's Club

Officer of St. John's Lutheran Church

Lifetime Member of American Legion

Past Little League coach

Exhibit D.

**NORTH DAKOTA 529 BEK  
BEK COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,120,506	\$ 4,620,694
Temporary cash investments	1,280,000	4,280,000
Telecommunications accounts receivable (less allowance for uncollectible accounts: 2006 - \$107,206; 2005 - \$107,068)	13,636	5,152
Other accounts receivable (less allowance for uncollectible accounts: 2006 - \$3,366; 2005 - \$2,188)	810,513	410,114
Income taxes receivable - state	-	18,722
Materials and supplies	705,496	665,784
Prepayments	27,344	20,920
<b>Total current assets</b>	<u><b>3,957,495</b></u>	<u><b>10,021,386</b></u>
<b>INVESTMENTS AND NONCURRENT ASSETS</b>		
Investments in nonaffiliated companies	1,789,340	1,893,650
Investment in affiliated companies	1,665,261	1,446,255
Investment in marketable securities	1,148,839	1,046,119
Nonregulated investment (Business Solutions)	475,766	-
Nonregulated investment (Biznet)	447,688	-
Nonregulated investment (BEK Sports)	187,620	-
Nonregulated investments (Internet)	247,909	116,333
Deferred charges	-	213,286
<b>Total investments and noncurrent assets</b>	<u><b>5,962,423</b></u>	<u><b>4,715,643</b></u>
<b>TELECOMMUNICATIONS PLANT</b>		
In service	59,118,051	51,377,068
Telecommunications plant adjustment	3,361,166	3,361,166
Under construction	1,782,075	191,845
<b>Total telecommunications plant</b>	<u><b>64,261,292</b></u>	<u><b>54,930,079</b></u>
Less accumulated depreciation and amortization	29,123,344	25,260,839
<b>Net telecommunications plant</b>	<u><b>35,137,948</b></u>	<u><b>29,669,240</b></u>
	<u><b>\$ 45,057,866</b></u>	<u><b>\$ 44,406,269</b></u>

See Notes to Financial Statements

	<u>2006</u>	<u>2005</u>
<b>LIABILITIES AND EQUITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 1,474,000	\$ 1,434,000
Accounts payable	728,809	552,870
Customer deposits	25,422	23,520
Accrued income taxes	97,270	6,930
Other current liabilities	281,851	274,725
	<u>2,607,352</u>	<u>2,292,045</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES	<u>16,993,832</u>	<u>18,484,044</u>
DEFERRED CREDITS		
Deferred income taxes	<u>437,676</u>	<u>398,129</u>
EQUITIES		
Patronage capital	15,643,304	13,504,256
Retained earnings of subsidiaries	1,853,343	1,853,343
Other equities	6,823,480	7,238,746
Accumulated other comprehensive income	698,879	635,706
	<u>25,019,006</u>	<u>23,232,051</u>
Total equities	<u>\$ 45,057,866</u>	<u>\$ 44,406,269</u>

**NORTH DAKOTA 529 BEK  
BEK COMMUNICATIONS COOPERATIVE AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Local network services	\$ 1,953,394	\$ 1,975,268
Network access services	8,802,674	8,474,206
Long distance network services	21,887	34,565
Billing and collection	151,532	146,246
Miscellaneous	556,218	555,520
	<u>11,485,705</u>	<u>11,185,805</u>
<b>OPERATING EXPENSES</b>		
Plant specific operations	1,836,736	1,893,602
Plant nonspecific operations	259,398	226,828
Depreciation	4,265,633	4,141,648
Customer operations	519,160	494,484
Corporate operations	1,973,693	1,902,123
Operating taxes - other	49,658	49,559
	<u>8,904,278</u>	<u>8,708,244</u>
	<u>2,581,427</u>	<u>2,477,561</u>
<b>OPERATING MARGIN</b>		
<b>NONOPERATING INCOME (CHARGES)</b>		
Dividend income	1,177,163	291,605
Interest income	324,713	258,986
Amortization of plant adjustment	(224,078)	(224,078)
Special charges (donations)	(32,869)	(31,573)
Income from affiliates		
North Dakota Long Distance LLC	75,744	29,631
DCN LLC	331,024	287,754
Margin (loss) from nonregulated investments		
BEK Business Solutions	(90,158)	-
BEK Biznet	(62,564)	-
BEK Sports	(138,797)	-
Internet	(123,747)	(304,365)
Other nonoperating revenues (911 fees)	5,630	7,598
	<u>1,242,061</u>	<u>315,558</u>
	<u>3,823,488</u>	<u>2,793,119</u>
<b>NET MARGIN BEFORE INTEREST EXPENSE AND INCOME TAXES</b>		

(continued on next page)

**STATEMENTS OF OPERATIONS – Page 2**

	<u>2006</u>	<u>2005</u>
<b>INTEREST EXPENSE</b>		
Interest on long-term debt	930,587	993,812
Other interest	<u>815</u>	<u>2,338</u>
Total interest expense	<u>931,402</u>	<u>996,150</u>
<b>NET MARGIN BEFORE INCOME TAXES</b>	<b>2,892,086</b>	<b>1,796,969</b>
<b>INCOME TAXES</b>	<u>281,306</u>	<u>70,434</u>
<b>NET INCOME</b>	<u><u>\$ 2,610,780</u></u>	<u><u>\$ 1,726,535</u></u>

**NORTH DAKOTA 529 BEK**  
**BEK COMMUNICATIONS COOPERATIVE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 2,610,780	\$ 1,726,535
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization		
Telecommunications plant	4,265,633	4,141,648
Internet plant	85,359	57,629
Amortization of plant adjustment	253,693	224,078
Income on investment in LLC's	(406,768)	(317,385)
Changes in assets and liabilities		
Telecommunications accounts receivable	(8,484)	11,716
Other accounts receivable	(400,399)	254
Prepayments	(6,424)	(12,627)
Deferred charges	213,286	26,194
Accounts payable	175,939	(5,677)
Customer deposits	1,901	(175)
Accrued income taxes	90,340	(14,844)
Other current liabilities	7,302	(7,725)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>6,882,158</u>	<u>5,829,621</u>
<b>INVESTING ACTIVITIES</b>		
Telecommunications plant additions and replacements (net)	(10,773,372)	(4,043,739)
Increase in materials and supplies	(39,712)	(119,649)
Cash proceeds from temporary cash investments	3,000,000	-
Cash used for other investments	(467,803)	(267,538)
Cash proceeds from other investments	256,298	312,517
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<u>(8,024,589)</u>	<u>(4,118,409)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(1,450,212)	(1,386,988)
Retirement of capital credits	(907,545)	(1,105,513)
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<u>(2,357,757)</u>	<u>(2,492,501)</u>

(continued on next page)

STATEMENTS OF CASH FLOWS – Page 2

	<u>2006</u>	<u>2005</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,500,188)	(781,289)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,620,694</u>	<u>5,401,983</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,120,506</u>	<u>\$ 4,620,694</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash payments for Interest	<u>\$ 931,402</u>	<u>\$ 996,150</u>
Income taxes	<u>\$ 188,473</u>	<u>\$ 104,000</u>

Exhibit E.

# *State of North Dakota*

## SECRETARY OF STATE



### CERTIFICATE OF GOOD STANDING OF

BEK COMMUNICATIONS COOPERATIVE

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that BEK COMMUNICATIONS COOPERATIVE , a North Dakota MUTUAL AID CORPORATION, was incorporated in this office on October 16, 1952 and, according to the records of this office as of this date, has paid all fees due this office as required by North Dakota statutes governing a North Dakota MUTUAL AID CORPORATION.

**ACCORDINGLY** the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Good Standing to

BEK COMMUNICATIONS COOPERATIVE

Issued: February 12, 2008

A handwritten signature in black ink, reading "Alvin A. Jaeger".

Alvin A. Jaeger  
Secretary of State