

2002 Annual Report
MINNESOTA
TELEPHONE
ASSOCIATION

2002

**IN
REVIEW**

Dear Friends,

As we close out another year of successes, challenges, and unfortunately another year of the most severe downturn in the telecommunications industry, I would like to take a moment to share my thoughts about our industry and our association.

Last year, through the diligent efforts of our members, committees and staff we were successful in educating legislators, the media, and even some officials within state offices, about the negative effects that would come from proposed legislation devoid of real world economics.

MTA was successful in its efforts to thwart potentially harmful bills from making it to the Minnesota House and Senate floors. We also worked on passage of several bills that benefited our industry – including the revised 911 legislation.

And our lobbying efforts will continue in 2003.

Now that we have a governor who is more willing to work with business, we are beginning to rebuild our relationships with Minnesota's administration and commerce departments. We look forward to cooperation and mutual respect in the coming years.

On the national front, telecommunication trade associations understand the value of speaking with one voice before legislators, regulators and other decision-makers. In Minnesota, we too need to come together under one banner and champion our proposals – and "our story" – to policy makers, the media and our communities.

Despite the recent economic slide, MTA members continue to deploy voice, video and data capabilities in advance of their communities' communications needs. We're even deploying high-speed data infrastructure in markets with less than 300 people.

MTA's diverse membership includes small and large companies, rural and metro, incumbent and competitive, non-profit and private. MTA's vision is to fully understand and represent its members' needs so we can speak with one voice.

We will continue to represent the varied interests of members and to use member input to develop an industry-leading trade association.

Although the membership did not approve last year's proposed merger of the two state telecom associations, the results of the planning process will benefit the association in 2003 and beyond as it positions itself to be a modern, effective organization.

Plans to streamline the association's decision-making processes and committee structure were seen as integral components of the merger talks and will help MTA remain a results-oriented trade association, one which is given credibility by regulators and lawmakers.

Thank you for supporting Minnesota's premiere telecom trade association.

Walter S. Clay
President, Minnesota Telephone Association
Chairman, President and CEO, Hutchinson Telephone Company

Legislative & Regulatory Representation

With Legislator's interests turned toward the state's budget problems, telecommunications issues took a back burner at the Capitol last year. However, MTA was still able to get several bills passed into law and derailed some that weren't beneficial to the industry as a whole.

Chapter 372 (SF 2392)

This bill revised and updated the language of the current 911 statute. CLECs were authorized to receive reimbursement for their 911 costs and a lengthy and outdated cumbersome two-step invoicing procedure for reimbursement of recurring costs was replaced with a carrier self-certification invoicing process. Beginning January 1, 2003, carriers began submitting their requests for reimbursement of 911 costs on a newly developed self-certification form, removing the PUC from involvement in the oversight of the billing and invoicing procedure. The law now also requires Eligible Telecommunication Carriers (ETCs) to file tariffs for 911 services with the PUC.

Chapter 328 (SF 2150)

This bill created two new categories of licensing. The categories of power limited technician and technology systems contractor are now included in the electrician licensing statute. Cable communication companies were also added to the section of law that exempts telephone companies from licensure.

Chapter 329 (HF 3125)

This MTA initiative authorizes telephone companies to provide e-billing of customers at the request of the customer.

Regulatory Relations

On the regulatory front, MTA committees developed generic tariffs that member companies used to file tariffs for the Department of Transportation's 511 service and United Way's 211 service.

MTA staff were also instrumental in educating Department of Commerce staff about statewide negative public sentiment that would occur as a result of a proposed media awareness campaign against Minnesota's largest incumbent local carrier.

At the federal level, MTA kept its membership updated on the Federal Communications Commission's revisions to its rules that regulate how telecommunications companies use their customer proprietary network information, or CPNI.

MTA On The Road

MTA staff was on the road in 2002 visiting a number of our Active member companies. Some of the companies we visited:

Cellular Mobile Systems (St. Cloud), Benton Cooperative Telephone Co. (Rice), Albany Mutual Telephone Association (Albany), Sytek Communications (Upsala), Crosslake Communications (Crosslake), Emily Cooperative Telephone Co. (Emily), TDS Telecom (Pequot Lakes), Consolidated Telephone Co. (Brainerd), Park Region Telephone (Underwood), Lakedale Telephone Co. (Annandale), Midwest Telephone Co. (Parkers Prairie), Gardonville Cooperative Telephone Association (Brandon), diversiCOM Melrose Telephone Co. (Melrose), En-Tel Communications (Willmar), Clara City Telephone Co. (Clara City), HBC Telecom (Winona), CenturyTel (La Crosse, Wis.) and Ace Communications Group (Houston).

More visits are in the works for 2003.

A History of Service

In 2002, five member companies celebrated their golden anniversaries. Congratulations to the following companies for reaching this historic milestone.

50 YEARS

Benton Cooperative Telephone Company, Rice

Consolidated Telephone Company, Brainerd

Federated Telephone Cooperative, Chokio

Paul Bunyan Rural Telephone Cooperative, Bemidji

Polar Communications, Park River, North Dakota

Continuing Education

Each year we offer seminars and conferences designed to help our members sharpen their skills, increase their knowledge of the telecommunications industry, and enhance the value of membership.

CALEA Workshop

MTA hosted a one-day CALEA Workshop in February of 2002 to help members understand the many different aspects of the Communications Assistance for Law Enforcement Act (CALEA).

The workshop instructor was the former chief of the FBI's CALEA Implementation Section and explained how the new regulations affect telecom providers.

Based upon the high attendance level and the positive evaluations received, the workshop was a huge success.

MTA University

For the second consecutive year, the MTA Education & Safety Committee coordinated the MTA University in St. Cloud. "MTA U" is an educational workshop designed to help personnel from all levels of a telecom organization stay up-to-date on industry trends, terms and technology.

The two-day workshop featured a DSL primer for customer service representatives, an overview of Minnesota's 911 system, and more.

MTA U is a great example of your trade association responding to member feedback. The program originally began in response to member inquiries about additional training opportunities.

Planning continues for future MTA University programs.

Annual Convention & Conferences

Throughout the year, MTA offers several opportunities for individuals to network with other telecom professionals.

The big four – Convention, State Government Conference, Golf Day and Fall Conference – are the main events that we work on each year. Additional programs are added each year to the schedule as member needs arise.

MTA 93rd Annual Convention

Our Annual Convention was held at the Hyatt Regency and Millennium Hotels in Minneapolis. The trade show portion of the convention featured 167 exhibiting companies in 236 booths. Through the Breakout Sessions, General Sessions and receptions, we continue to offer educational and networking opportunities for convention guests. Last year's total attendance for the 3-day event was 2,354, or just 66 short of the previous year's all-time record of 2,420.

State Government Conference

The State Government Conference is held each year following the adjournment of the Minnesota Legislative session. The 2002 conference was held at the Hotel Sofitel in Bloomington and in addition to a summary of the Legislative session, the conference featured a briefing on the politics of the three-party system by Jack Uldrich, Minnesota Independence Party Chair; a panel discussion on the Next Phase of Competition; a discussion of the political future of Minnesota led by the Speaker of the House, Rep. Steve Sviggum; and more.

Golf Day

The MTA Golf Day, typically scheduled for the Monday after Independence Day, was held at the Crow River Country Club in Hutchinson. Golf Day is a popular event for members and provides a great opportunity to relax and network with friends and other industry professionals.

Fall Conference & Communications Seminar

We moved the Fall Conference and Communications Seminar to a new venue last year – the Kelly Inn located near downtown St. Cloud. That wasn't the only thing that changed. In fact, CHANGE was the focus of this year's program, especially at the half-day Communications Seminar where 152 attendees participated in the internationally recognized "Who Moved My Cheese?" program. The one-day Fall Conference saw registration increase from 155 in 2001 to 211 in 2002. Attendees listened to presentations about the importance of developing national leaders, the effects of the recent telecom bankruptcies, what's ahead for the future of broadband services, and more.

Member Recognition



21st Century Award winners display their awards. Pictured left to right: 2000-2001 MTA President Anthony Mayer, Gary Fladland, Kris Nelson, Robert Weiss, Victor Dobras and MTA Executive Secretary Michael Nowick.

21st Century Leadership Awards

In its third year of recognizing MTA members, the 21st Century Leadership Awards were presented in the following categories:

Humanitarian – **Kris Nelson**, Consolidated Telephone Company

Public Service – **Robert Weiss**, Sleepy Eye Telephone Company

Industry Leadership – **Victor Dobras**, Sprint

Economic Development – **Consolidated Telephone Company**, Brainerd

MTA Safety Awards

The annual MTA Safety Awards were presented to five member companies during the 93rd annual meeting in Minneapolis.

Companies recognized for their in-house safety programs were: **Johnson Telephone Co.** (Remer), **Consolidated Telephone Co.** (Brainerd), **Loretel Systems** (Ada), and **Garden Valley Telephone Co.** (Erskine). **Connections, Etc.** (Big Lake) was awarded the 2002 Safety Director's Award for safety practices that go beyond normal safety efforts. The first annual Safety Leadership Award was presented to **George Wallin**, Connections, Etc., in recognition of his leadership and dedication to the safety and health of his company's employees.

Innovations '02

A unique opportunity for MTA Associate members is the "Innovations" tabletop showcase at our annual convention. Associate members display new, innovative products or services that are developed for the telecommunications industry. Convention guests then vote for the most innovative product or service.

The MCK EXTender 4000 for IP, distributed by **Badger Communications® Corporation** of Durand Wisconsin, received the

most innovative product award. Second place was awarded to **Turin Networks** of Petaluma, California, for their Traverse™ Multiservice Optical Transport Platform. **Innovative Systems** of Mitchell, South Dakota, received third place for their Application Peripheral Voice Mail.



Representatives from Badger Communications® Corporation receive their first place ribbon from members of the MTA Associate Members Convention Committee.



MTA Members Develop International Training

Telecommunications officials and regulators from developing countries in South America, Europe, Asia and Africa were in Minnesota for two days last August for training from MTA members and officials from the Departments of Administration, Commerce and the Public Utilities Commission. The training was part of an educational course offered by MTA and Washington, D.C.-based United States Telecommunications Training Institute (USTTI).

The course provided an introduction to the regulatory framework that governs telecommunications carriers in Minnesota. As part of the course work, participants were able to observe the operations of several MTA member companies during field trips to Rural Cellular Corporation, a wireless carrier in Alexandria; TDS Telecom, an incumbent local carrier in New London; and En-Tel Communications, a competitive local carrier based in Willmar.

MTA members that helped sponsor the program include Midwest Telephone Co. (Parkers Prairie), Park Region Telephone (Underwood) and Sprint (St. Paul/Chaska).

The goal of this collaborative effort is to share the United States' telecommunications, technological, and managerial advances on a global basis by providing a comprehensive array of tuition-free telecommunications, broadcast and IT training courses for qualified women and men who regulate and manage the communications infrastructures in the developing countries of the world.

2002 Committees & Chairs

The success of MTA is due in large part to the many individuals that volunteer their time to our member committees. Listed below are MTA committees and current chairmen.

911 Committee

Kevin T. Larson, Consolidated Telephone Company, Brainerd

Associate Members Convention Committee

Keith Carlson, Optical Solutions, Minneapolis

Associate Members Golf Committee

Thomas R. Farm, Olsen Thielen & Co., Ltd., St. Paul

Auditing Committee

Bill Otis, NU-Telecom, New Ulm

Budget, Dues & Bylaws Committee

Walter S. Clay, Hutchinson Telephone Co., Hutchinson

CLEC Committee

Paavo Pyykkonen, NorthStar Access, Elk River

Compensation, Contracts & Tariffs Committee

Bill VanderSluis, HickoryTech, Mankato

Convention Planning Committee

Walter S. Clay, Hutchinson Telephone Co., Hutchinson

Directors Nominating Committee

Walter S. Clay, Hutchinson Telephone Co., Hutchinson

EAS Committee

Robert K. Eddy, Connections, Etc., Big Lake

Education and Safety Committee

Richard D. Keane, Pine Island Telephone Co., Pine Island

Executive Committee

Walter S. Clay, Hutchinson Telephone Co., Hutchinson

Fall Conference Program Committee

Walter S. Clay, Hutchinson Telephone Co., Hutchinson

Human Resources Committee

Anthony V. Mayer, West Central Telephone Association, Sebeka

Industry Planning Committee

Jeff Gilbert, Paul Bunyan Telephone, Bemidji

Legislative Committee

Will Bartley, Lakedale Communications, St. Paul

Officers Nominating Committee

George W. Wikstrom, Wikstrom Telephone Co., Karlstad

Public Relations Committee

Katie Johnson, Park Region Telephone, Underwood

Rewrite Committee

Victor E. Dobras, Sprint, St. Paul

Small Companies Committee

Gene R. South, Sr., Lakedale Telephone Co., Annandale

Wireless Technology Committee

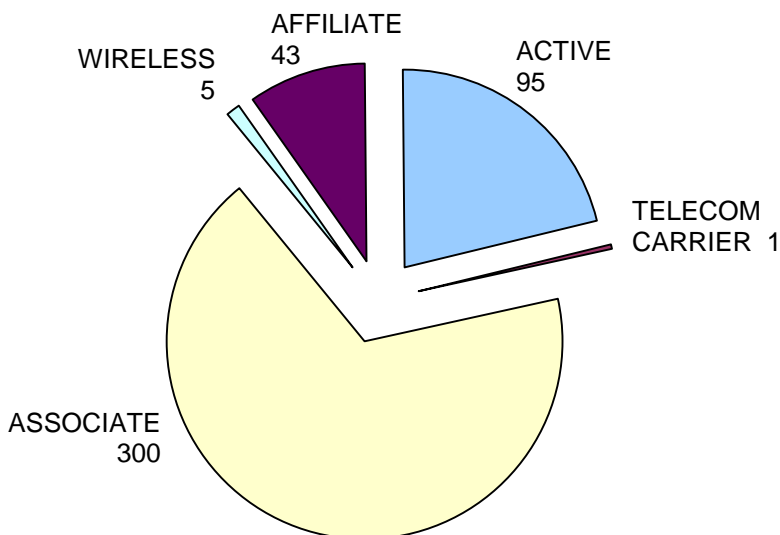
Dean Polkow, Rural Cellular Corporation, Alexandria

Women's Convention Committee

Ida South, Lakedale Telephone Co., Annandale

Membership At-A-Glance

(As of December 31, 2002)



A Premiere Telecom Alliance

As a membership-based organization, member retention and recruitment continue to be a priority. However, despite our best efforts MTA's overall membership decreased 2.8 percent last year compared to the previous year. Some of that, such as the loss of eight Associate member companies can be attributed to the turbulent economic conditions that battered the telecom industry.

Notwithstanding the consolidation of two Active member companies, the number of Active members remained constant for year-end comparisons from 2001 to 2002.

Our Wireless membership lost one member company, as did the Telecommunications category. Also, two fewer Affiliate member companies renewed their memberships in fiscal year 2002.

Due to changes in the cycle for convention receipts, accelerated 2003 convention expenses, and greater legal expenses associated with the proposed merger with MART, the association experienced a decrease in the financial value of the association.

Looking ahead to the next twelve months, we will continue to evaluate our services to ensure they are valued and desired. We will use member feedback to define enhancements to membership training and education. And we will represent the entire Minnesota telecom industry to policy-makers, media and consumers.

For the complete financial picture please refer to the financial statement that was mailed to MTA member companies.

2002 Board of Directors

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Hutchinson Telephone Co., Hutchinson

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Consolidated Telephone Co., Brainerd

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BILL OTIS
NU-Telecom, New Ulm

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Rural Cellular Corporation, Alexandria

JOHN ROSE, JR.
Albany Mutual Telephone Association, Albany

GENE R. SOUTH, SR.
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Wikstrom Telephone Co., Karlstad



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