



Board of Directors Meeting

Davidson Town Hall
216 South Main St
Davidson, NC 28036
Main meeting room

Thursday, July 28, 2011, 6:30 PM

Present: John Venzon, Brett Ellis, Dawn Huston, Steve Miller (phone), Leamon Brice, Erskine Smith (phone), Ken Essex, Rodney Short

Other Attendees: Alan Hall, Nick Miller, Gail Karish, David Auger, Nola Perkins

1.) Call to Order/Quorum- John Venzon

Mr. Venzon determined that a quorum was present and called the meeting to order at 6:32 pm.

2.) Closed Session

A motion was made by Mr. Ellis and seconded by Mr. Steve Miller to go into closed session session to consult with Attorney to protect the attorney-client privilege- G.S. 143-318.11. The motion passed unanimously.

Following the closed session the Board returned to Open Session at 7:07 p.m. At this time various members of the local press joined the session.

3.) -Review and Approve Minutes- Dawn Huston

Ms. Huston presented the open session minutes from the June 28, 2011 meeting. No comments or changes to minutes were requested. Mr. Ellis moved that the minutes be approved. The motion was seconded by Mr. Miller. The motion to approve the minutes was unanimously approved.

4.) Transition/Contract Review & Approval- Dave Auger and Nick Miller

Mr. Venzon reminded the Board that the transition plan set out in the Memorandum of Understanding with BVU had targeted July 1 as the transition start date. He reported that the BVU board of directors had conditionally approved a draft amendment to the operating contract subject to the resolution of an issue with a third party contract vendor. Once that issue is resolved, a special meeting will be called to approve the amendment to BVU contract.

- 5.) 4Q2011 and FY2011 Financial Performance- Brett Ellis and Alan Hall
- Financial summary reports were handed out to attendees by Mr. Hall and Ms. Perkins. Ms. Huston questioned why the 3% FY growth was not in line with plan nor the latest projections. Mr. Hall explained that there was a delay in the launch of a new housing development, Jetton Cove. The official kick-off was last week, the plant has been fully built, and many customers have been signed up. Mr. Hall reported installed customers have stated their quality of service and reception is improved from the satellite they had previously.
- Mr. Hall reported that MI-Connection's strategy to retain customers with discounted bundles is working. Mr. Auger had been asked to review the marketing plan, and suggested that a beacon pricing tactic may be effective. Mr. Ellis stated that such a strategy is consistent with industry practice and should be successful.
- Mr. Hall announced that the amnesty campaign to detect and resolve theft of service is in process and will begin shortly.
- Mr. Ellis commented that the financial report showed a definite growth trend; last quarter video revenue is up the highest it has been in 8-9 months. Mr. Venzon stated he was encouraged to see growth and revenue per customer at \$94 in June versus the mid-80's previously.
- Mr. Ellis requested that the next board meeting include a presentation on campaign effectiveness.
- 6.) Overview of the Fiscal Year 2010 financial audit timeline- April Belle and Heather Maren from Dixon, Hughes, & Goodman
- Ms. Belle and Ms. Maren briefly explained the annual audit process, its purpose, and a proposed timeline. The Board requested Dixon, Hughes, & Goodman to complete their audit and present the results to the board at the October 27, 2011 board meeting. This schedule would permit the board to make a timely annual financial report to the Local Government Commission by the deadline of October 31, 2011.
- 7.) Approve the Annual Financial Interest Allocation- Board
- The Board reviewed a report prepared by BVU and an accompanying draft "Resolution Declaring Financial Interest of Each Operating Party as of June 30, 2011." The report indicated that as of June 30, 2011, the financial interests in MI-Connection of the Towns of Mooresville and Davidson were 64.79% and 35.21%, respectively. It was noted that last year, the Towns' respective financial interests were 66.9% and 33.1%. In light of this significant shift, the Board discussed whether to recommend that the Operating Parties consider restructuring the financial interest calculation methodology.

**MI-CONNECTION COMMUNICATIONS SYSTEM
BOARD OF DIRECTORS**

**RESOLUTION DECLARING FINANCIAL INTEREST
OF EACH OPERATING PARTY AS OF JUNE 30, 2011**

WHEREAS, each of the Town of Mooresville and the Town of Davidson is an Operating Party as defined in the Cable Television System Interlocal Agreement for the Joint Operation of a Cable Television System, dated August 14, 2007, as amended (the “Interlocal Agreement”); and

WHEREAS, Article 16 of the Interlocal Agreement provides that each Operating Party will share in the financial risks and rewards of the System and be required to share in any debt service payments and operating costs not covered by the System revenues in accordance with its respective Financial Interest; and

WHEREAS, Article 16 further provides that the Financial Interest of each Operating Party shall be calculated annually as of each June 30 in accordance with the formula set out in Article 16; and

WHEREAS, pursuant to Article 16, the Financial Interest for each Operating Party is to be calculated as follows:

The number of Subscribers¹ within the particular Operating Party’s annexed boundaries and extraterritorial planning jurisdiction (as defined under North Carolina law)

Divided by

The total number of Subscribers with the Operating Parties’ annexed boundaries and extraterritorial planning jurisdiction;

WHEREAS, Bristol Virginia Utilities, as manager of the System, has prepared a report containing the data necessary to calculate the Operating Parties’ Financial Interests (“Annual Financial Interest Calculation Report – 2011”)

¹ Article 16 defines “Subscriber” as “an individual customer billing account, whether cable only, internet service only, telephone service only, or two or more of said services bundled. Each single service customer account and each bundled service customer account shall count as one subscriber for purposes of this agreement.”

Mr. Brice made a motion to approve the draft resolution with additional language resolving further that the Board of Directors recommends the Operating Parties should consider amending the inter-local agreement to revise the financial interest allocation methodology in the future. Mr. Essex seconded motion.

After a brief discussion the motion passed unanimously.

8.) Round Table Open Discussion- All

Mr. Venzon raised concerns over apparent misunderstandings about MI-Connection's debt structure being reported in commentary in the media. The board discussed this commentary and how to correct the misperceptions. Mr. Venzon requested Mr. Ellis to present an overview of MI-Connection's debt structure at next board meeting.

9.) Announcement- Dawn Huston

Ms. Huston announced to the board her intention to campaign for election as Mooresville's Commissioner at Large in the upcoming November 8 election. Ms. Huston asked the board if there were any concerns over potential conflicts of interest. No concerns were raised by the board. Ms. Huston stated if elected she would resign from the board.

10.) Adjournment. Having no other business, Mr. Brice made a motion to adjourn the meeting, seconded by Mr. Ellis. The motion passed unanimously, and the meeting was adjourned.