

Public Hearing and Board of Directors Meeting  
MI-Connection Office  
420 South Academy Street  
Mooresville, NC 28115

May 1, 2014

MINUTES

Public Hearing and Board of Directors Meeting

Board Members Present: John Venzon, Brett Ellis, Larson Jaenicke, Leamon Brice, Erskine Smith, Howard Kosofsky, David Auger, Bill Sykes. Members Absent: Steve Miller

Other attendees from MI-Connection and Davidson: Alan Hall, Rick Kline, Sarah Muller, Nola Perkins, and members of the media.

A. PUBLIC HEARING

1. Call to Order/Quorum

Mr. Venzon called the roll at approximately 6:30 pm, determined that a quorum of the Board was present and called to order the Public Hearing on the Fiscal Year 2015 MI-Connection Budget, a true and correct copy of which is attached hereto as Exhibit 1 (the "2015 Budget"). Mr. Venzon explained that a Public Hearing on the 2015 Budget was being held as required by North Carolina law and that members of the public would be given the opportunity to comment on the 2015 Budget.

2. Discussion of the MI-Connection 2015 Budget

Mr. Venzon asked Mr. Auger to discuss the 2015 Budget. Mr. Auger provided the Board a copy of the 2015 Budget and briefly explained the 2015 Budget's revenues, expenditures including its capital commitments and the amount MI-Connection would contribute towards its debt reduction in 2015.

3. Public Comments

Mr. Venzon then opened the Public Hearing for comments from the public on the 2015 Budget and asked if there was any member of the public who wished to comment on the 2015 Budget. Maddie Fletcher, a Davidson resident, spoke and stated that MI-Connection's monthly cable television cost which she stated was approximately \$80 per month was too high. Ethel Kerns, a Davidson resident, spoke next and agreed with Ms. Fletcher that MI-Connection's monthly cable cost was too high. No other member of the public requested the opportunity to speak. Mr. Venzon noted that he and Mr. Auger were willing to speak with members of the

*Approved*  
*[Signature]*  
6/30/14

public after the conclusion of the Board meeting that evening. Mr. Venzon then closed the public hearing at approximately 6:40 pm.

## B. Board of Directors Meeting

### 1. Call to Order/Quorum

Mr. Venzon confirmed that the same members of the Board who were present for the Public Hearing were present for the Board of Directors Meeting, determined that a quorum was present and called the Board of Directors Meeting to order.

### 2. Consent Agenda

Mr. Venzon briefly discussed the one item on the Consent Agenda which was revisions to MI-Connection's Signing Authority Policy. The revised Signing Authority Policy had previously been circulated to members of the Board for comments and consideration. A motion was made by Mr. Jaenicke and, seconded by Mr. Smith, the motion passed unanimously to approve and adopt the Consent Agenda item related to the revised Signing Authority Policy.

### 3. Election of Successor Chairman of the Board

Mr. Venzon explained that as a result of his and his family having moved to Kansas, he was resigning as Chairman of the Board of Directors and as a member of the Board effective June 30, 2014. Mr. Venzon noted that MI-Connection was in far better shape today when compared to when he first became a Board member in June, 2011, and that he expected that success to continue due to his confidence in Mr. Auger and his team at MI-Connection. Mr. Venzon also explained that he believed that for the sake of continuity a successor Chairman should be elected at this Board Meeting to be in place on July 1, 2014 when he was no longer Chairman or a member of the Board.

Noting that he previously discussed his views with several Board members, Mr. Venzon then nominated Mr. Jaenicke to be Chairman effective July 1, 2014. There being no further discussion, a motion was made by Mr. Venzon to nominate Mr. Jaenicke to be Chairman of the Board effective July 1, 2014 and, seconded by Mr. Brice, the motion was unanimously adopted.

### 4. Minutes Approval

Next Mr. Jaenicke stated that a draft of the Minutes for the January 23, 2014 Board Meeting had been circulated to Board Members and that no one had requested any modifications or changes. Mr. Ellis stated he had reviewed the draft and had no changes. Mr. Jaenicke moved to approve the January 23, 2014 Board of Directors' minutes and seconded by Mr. Brice; minutes were approved and unanimously adopted.

### 5. Q3 2014 Financials and Operations Report

Next Mr. Auger discussed MI-Connection's Third Quarter 2014 financial and customer growth. When compared to Third Quarter 2013, Third Quarter revenue grew by approximately 12.1% or \$510,000. The revenue growth occurred in voice, video and data. Mr. Auger also explained that Cost of Goods Sold also increased but only by approximately 7% and MI-Connection's other expenses remained essentially flat. As a result, MI-Connection's EBITA for the Third Quarter was \$1,154,348, the first time EBITA exceeded \$1 million for a quarter. MI-Connection's net loss for the quarter was for the first time below \$1 million. Mr. Auger also noted that MI-Connection's gross margin was 60.2% and its average revenue per customer was \$98.73. Additionally, MI-Connection's RGU's (Revenue Generating Units) increased by 1004 and its new customers by 611 when compared to the Third Quarter 2013. When compared to the previous quarter or Second quarter 2014, MI-Connection's EBIDA increased by 5.2% and its revenue grew by 3.9%.

Mr. Auger then discussed MI-Connection's residential and commercial customer growth since July, 2011. Since July 2011, MI-Connection's residential customers have increased by 1,327 and its residential RGU's by 3,125. MI-Connection's commercial customers and commercial RGU's have also increased since July 2011. Mr. Auger noted that MI-Connection's average revenue per unit was behind that of Comcast and Time Warner Cable. While MI-Connection's video programming costs have been increasing, as a percentage of revenue those costs have been decreasing. That decrease had been 1.6% over the last 5 quarters. Mr. Auger expressed his belief that other operating costs while trending upward were being effectively managed and administrative expenses were trending downward. MI-Connection's EBIDA trend reflected increasing and consistent growth. MI-Connection's Third Quarter 2014 customer growth when compared to second Quarter 2014 was an additional 447 RGU's and an additional 247 customers.

Mr. Auger then introduced Mr. Hall to discuss the status of several recent operational changes. By way of background, Mr. Hall explained that MI-Connection had engaged a new billing vendor GLDS, a new technical support vendor IBBS and effective July 1 would provide all of its Customer Service Staff ("CSR") at MI-Connection's offices in Mooresville. Mr. Hall explained that as a result of these changes and an anticipated new dial tone provider in the Third Quarter of 2015 that MI-Connection anticipated saving approximately \$2 million over the next 4 years. By way of example of those savings, Mr. Hall explained that a new vendor for printing MI-Connection's monthly customer bills had been retained and that this new vendor would charge about \$.25/bill as opposed to the \$.78/bill MI-Connection is currently paying.

With respect to the new GLBS billing system, Mr. Hall briefly explained the training for MI-Connection's employees and stated that the first billing to customers would commence with the July 1, 2014 billing cycle. With respect to the new technical IBBS supplier, Mr. Hall explained that MI-Connection's information was being input into IBBS' database and that training of both MI-Connection's and IBBS' employees was proceeding with the expected transition IBBS to occur on July 1, 2014.

Mr. Auger then discussed a Staff Reorganization which occurred effective April 15. A major part of that reorganization was to split Technical Operations into 2 segments: (1) the plant from the head end to the customer tap; and (2) the customer tap to the customer's equipment.

Moreover, construction was now fully in-house. Mr. Auger discussed in more detail his specific personnel decisions and his belief these changes took into account the strengths of MI-Connection's employees.

Mr. Auger next discussed MI-Connection's triple play option (a customer receives telephone, video and data) and that he had instituted a bonus system for MI-Connection's CSR's and their managers when customers signed up for MI-Connection's services. Mr. Auger explained that the bonus' are greater when a customer takes the triple play option. Mr. Auger also explained that MI-Connection's percentage of triple play customers was behind that of Charter and Time Warner Cable and that MI-Connection's RGU's per customer was 1.71/customer behind 1.96 for Charter and 1.85 for Time Warner Cable. As a result of the new bonus program, MI-Connection was now selling the triple play option 50.5% of the time. As a result, MI-Connection's net telephone gain for April was 41 customers as compared 17 new telephone customers over the previous 9 months. Mr. Auger expressed his pleasure with these results.

Mr. Auger next discussed MI-Connection's programming costs and explained those costs will increase in 2015 as several programming agreements were to be renewed in addition to the recent Viacom programming agreement renewal. There are other programming agreements to be renewed in the first two quarters of 2015. Mr. Auger explained in response to a Board member's question that he had attempted to take into account the anticipated increase in programming costs in the 2015 Budget.

Mr. Auger next discussed the 2014 MI-Connection Summer Marketing Campaign. Recognizing that in the past MI-Connection has experienced a higher disconnect rate in the summer than other times of the year, the marketing campaign was designed to retain customers. One aspect of the marketing program was 14 free movies at 1 movie per week for digital customers, an approach which may encourage customers to upgrade to digital service as well as encourage customers not to disconnect. New customers are being offered a substantial discount for one year for taking the triple play option. Mr. Auger provided several examples of the advertisements setting forth this new marketing campaign.

#### 6. Approval of Fiscal Year 2014 Budget

Next, the Restated 2014 Fiscal Year Budget, a copy of which is attached hereto as Exhibit 2 (the "Restated 2014 Budget"), was provided to the Board by Mr. Auger. Mr. Auger briefly discussed the Restated 2014 Budget and explained that the Restated 2014 Budget varied from the previous Fiscal Year 2014 Budget approved by the Board but not in material respects. Mr. Venzon explained that according to North Carolina law the Board was required to adopt a balanced budget and one which reflected MI-Connection's operations. A motion was made by Mr. Ellis and seconded by Mr. Kosofsky; motion approved unanimously to approve the Restated 2014 Fiscal Year Budget.

#### 7. Approval of the 2015 Proposed Budget

The 2015 Proposed Budget, Exhibit 1 hereto, was then presented to the Board. Mr. Auger again briefly explained the anticipated revenue and expenses and that MI-Connection would

contribute in 2015 \$2.4 million towards its debt obligations. There being no further discussion, a motion was made by Mr. Smith and seconded by Mr. Ellis, to approve the Fiscal Year 2015 MI-Connection Budget; motion approved unanimously.

#### 8. Roundtable Discussion

Mr. Venzon then opened the floor for comments by Board members. Mr. Sykes, Mr. Brice, Mr. Jaenicke, Mr. Kosofsky, Mr. Smith and Mr. Ellis, in essence, praised Mr. Auger and his team for an outstanding job. Mr. Auger then presented Mr. Venzon with a plaque commemorating his service on MI-Connection's Board of Directors and telling Mr. Venzon that he was an exceptional boss. Mr. Venzon thanked Mr. Auger, stated that he thought that MI-Connection was in a position to continue to improve its financial performance and that he was pleased with the jobs MI-Connection had brought to the community. Mr. Venzon stated his disappointment that he would not be on the Board to see the job through to the end, but he believed he was leaving MI-Connection in good hands and poised to continue its financial success.

#### 9. Adjournment

At approximately 7:50 pm, the Board having no further business, a motion was made by Mr. Venzon to adjourn and seconded by Mr. Brice, motion passed unanimously to adjourn.

Meeting Adjourned 7:51 PM

**MI Connection Communications System  
2014 Recast Budget**

	<u>Recast Budget</u>
Operating Revenues	\$18,489,771
Operating Expenditures	<u>16,889,771</u>
Operating Income	1,600,000
Other Expense:	
Debt service	
Principal	3,128,625
Interest	4,151,865
Total Other Expense	<u>7,280,490</u>
Other Financing sources	
Capital contributions	<u>5,680,490</u>
REVENUES OVER (UNDER) EXPENDITURES	\$0

**MI Connection Communications System  
Proposed 2015 Budget**

Operating Revenues	\$19,863,263
Operating Expenditures	<u>17,463,263</u>
Operating Income	2,400,000
Other Expense:	
Debt service	
Principal	3,242,696
Interest	<u>4,021,310</u>
Total Other Expense	7,264,006
Other Financing sources	
Capital contributions	<u>4,864,006</u>
REVENUES OVER (UNDER) EXPENDITURES	\$0



## MI-CONNECTION COMMUNICATIONS SYSTEM

### SIGNING AUTHORITY POLICY

#### PURPOSE

The purpose of this policy is to implement the Board's By-Laws and to delegate the authority and responsibilities to those officers and agents of MI-Connection who may expend or release funds and/or sign contracts or other legally binding instruments on behalf of the agency.

This policy is effective May 1, 2014 and supersedes and replaces any previous policy.

#### BY-LAWS

The MI-Connection By-Laws state, in relevant part:

**VIII. G. Chair.** The Chair shall be the principal executive officer of the Joint Agency and subject to the direction of the Board of Directors shall have general supervision, direction and control of the operations of the Joint Agency and the officers, employees, and contractors of the Joint Agency in accordance with these Bylaws. . . . The Chair shall sign any deeds, leases, mortgages, bonds, contracts, or other instruments which may be lawfully executed, except where the signing or execution thereof shall be delegated by the Board of Directors to some other officer or agent, and in general, the Chair shall perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board of Directors from time to time.

**XI. A. Contracts and Policies.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract, or lease, or to execute and deliver any instrument on behalf of the Joint Agency, and such authority may be general or confined to specific instances. Only the Board of Directors may authorize the Joint Agency to enter into employment contracts for such length of time as the Board deems wise. The Board of Directors shall, from time to time, adopt policies which will govern the ordinary course of business of the Joint Agency, including without limitation its relationships with its customers and suppliers.

**XI. B. Loans.** No loans shall be contracted on behalf of the Joint Agency and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or specific in nature and scope.

**XI. C. Checks and Drafts.** All checks, drafts or other orders for the payment of money issued in the name of the Joint Agency shall be signed by an officer of the Joint Agency and in such manner as from time to time shall be determined by resolution of the Board of Directors.

#### DEFINITIONS

1. The terms "budgeted capital items" and "budgeted expense items" as used herein refer to items approved by the Board in the annual budget in effect during the pertinent time period.
2. The term "emergency" as used herein means a sudden or unexpected occurrence or occurrences, which jeopardize the safety of MI-Connection's employees or subscribers or the long-term proper functioning of MI-Connection's system.



3. The term "Chief Executive Officer" refers to the person designated by the Board as the highest ranking administrative and executive officer of MI-Connection.

## **SIGNING AUTHORITY**

The Board hereby delegates the following signing authority to authorized officers of MI-Connection.

### **I. CHAIR – GENERAL SIGNING AUTHORITY**

Except as indicated herein or in other Board resolutions, the Chair shall have the sole authority to sign any deeds, leases, mortgages, bonds, contracts, or other instruments which may be lawfully executed by MI-Connection, and only with the prior approval of the Board.

### **II. CHIEF EXECUTIVE OFFICER – AUTHORITY TO CONTRACT / MAKE EXPENDITURES WITHOUT PRIOR APPROVAL OF THE BOARD**

#### *1. Budgeted Items*

The Chief Executive Officer may, without prior approval of the Board, enter into transactions and bind MI-Connection to the terms of contracts and agreements as follows. Provided the proposed transaction is within the amounts and scope of the approved budget and in accordance with MI-Connection policies and procedures, the Chief Executive Officer may sign:

- a. For Board approved budgeted expense items that are renewals or contract revisions related to the general operation of MI-Connection's system where the contractual liability or cost to MI-Connection per fiscal year does not exceed \$250,000 and does not exceed four years.
- b. For Board approved budgeted expense items that are for new services or items related to the general operation of MI-Connection's system where the contractual liability or cost per fiscal year does not exceed \$100,000 and does not exceed five years.
- c. For budgeted capital items for MI-Connection's system, where the contractual liability or cost to MI-Connection does not exceed \$500,000;

#### *2. Business / Enterprise Customer Contracts*

The Chief Executive Officer may, without prior approval of the Board, enter into the following transactions and bind MI-Connection to the terms of contracts and agreements which have the primary purpose of generating business / enterprise customer services revenue for MI-Connection:

- a. Any contract that conforms to Board-approved standard rates and terms;

- b. Any contract that meets or exceeds Board-approved economic rates of return
- c. Any contract that will generate up to \$60,000 services revenue per year;
- d. Any contract that will generate more than \$60,000 services revenue per year, and which is approved by both the Chief Executive Officer and the Chair.

### *3. Emergency Items*

In an emergency, the Chief Executive Officer may, without prior approval of the Board, enter into transactions and bind MI-Connection to the terms of contracts and agreements for any reasonable amount. Contractual agreements entered into during an emergency must be brought before the MI-Connection Board of Directors for review and ratification at the earliest possible date.

### *4. Periodic Reports to the Board*

The Chief Executive Officer shall provide the Board with a report from time to time on the activities undertaken pursuant to this authority at each scheduled Board meeting.

## **III. AUTHORITY TO CONTRACT / MAKE EXPENDITURES ONLY WITH PRIOR APPROVAL OF THE BOARD**

1. Except as to any and all contracts listed in II above, no person may sign any written instrument legally binding MI-Connection unless the MI-Connection Board of Directors (documented in meeting minutes) has granted prior approval to sign. This includes but is not limited to:
  - a. For Board approved budgeted expense items that are renewals or contract revisions related to the general operation of MI-Connection's system where the contractual liability or cost to MI-Connection per fiscal year that exceeds \$250,000 or exceeds four years.
  - b. For Board approved budgeted expense items that are for new services or items related to the general operation of MI-Connection's system per fiscal year that exceeds \$100,000 or exceeds five years.
  - c. Budgeted capital items for MI-Connection's system, where the contractual liability or cost to MI-Connection exceeds \$500,000;
  - d. Any contract that generates more than \$60,000 services revenue per year, does not satisfy the criteria in II.2. a. or b. above, and which the Chair elects to bring to the Board for consideration rather than exercise the approval authority under II.2.d above;

- e. Any contract that commits MI-Connection to purchase goods or services that are not budgeted;
- f. Any contract that is unusual or unique (not in the ordinary course of business);
- g. Any contract with a municipality, county or other unit of government;
- h. Any contract involving real estate;
- i. Any loan or evidence of indebtedness, or pertaining to the selection of a lender;

2. The Board may approve any contract referred to herein above at any regularly scheduled Board meeting or at a Special Meeting called by the Chair pursuant to Article V.C. of the By-Laws for that purpose.

3. Once approved by the Board, the Chair or the Chief Executive Officer may sign contracts referred to herein above, binding MI-Connection.

#### **IV. AUTHORITY REGARDING BANK ACCOUNTS**

The Finance Officer of MI-Connection shall be authorized to sign checks, drafts or other orders for the payment of money issued in the name of the Joint Agency provided that such instrument is countersigned by one of the following persons: (1) the Chair; (2) Alan Hall; or (3) Vicki Casey.