

MI-Connection
Public Hearing and Board of Directors Meeting
Davidson Town Hall
216 S. Main St
Davidson, NC 28036

April 28, 2016

A. Public Hearing Minutes

Board Members Present: Larson Jaenicke, Brett Ellis, Jamie Justice, Steven Miller, Howard Kosofsky, David Auger, Brad Davis and Mark McDowell. Member Absent: Erskine Smith

Other attendees: Alan Hall, Rick Kline, Nola Perkins, Angelia Ryan, Cristina Shaul, and Pieter Swart

1. Call to Order/Quorum

Mr. Jaenicke 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 2017 MI-Connection Budget, a true and correct copy of which is attached hereto as Exhibit 1 (the "2017 Budget").

2. Discussion of the MI-Connection 2017 Budget

Mr. Auger gave an overview of the proposed 2017 Budget. Mr. Auger stated the total revenue was projected to be \$22,121,307. The category Costs of Goods Sold, which is primarily programing costs, is projected to be \$8,960,495, thereby yielding a gross profit of \$13,160,812. The category Operating Expenditures, which includes Facility, Marketing and Administration expenses, is budgeted at 7,096,541. As a result, EBITA is projected to be \$6,064,271. Debt service for 2017 is \$6,349,674, a reduction of approximately \$900,000 due to Mooresville's restructuring of the MI-Connection debt. Capital contributions are projected to be \$2,764,271 and will fund technology improvements, customer premises equipment and construction. The Towns' contribution to capital is reduced to \$3,049,674 while MI-Connections' contribution will be \$3,300,000. Therefore, for the first time, MI-Connection will be funding over 50% of the debt payment.

3. Public Comments

Mr. Jaenicke then opened the hearing for public comments on the 2017 Budget. No member of the public offered to make any comments on the 2017 Budget. Mr. Jaenicke then closed the Public Hearing on 2017 Budget.

B. Board of Directors Meeting Minutes

1. Call to Order.

Mr. Jaenicke called the roll and determined that a quorum of the Board was present. Mr. Jaenicke then called the Board of Directors Meeting to order.

2. Approval of the January 21, 2016 Meeting Minutes

Mr. Jaenicke stated that each of the Board members had previously received and had the opportunity to review the Minutes for the January 21, 2016 Board Meeting. He asked if anyone had any additional comments, changes or modifications to those minutes. None were noted. Mr. Jaenicke then requested a motion to approve the January Board Minutes. Mr. Davis made a Motion, which was seconded by Mr. Miller, and the Motion approving the January Board Minutes was passed unanimously.

3. Q3 2016 Report on Financials, Operations and Safety

Mr. Auger next provided the Board with a financial and operational update of MI-Connection's 2016 Third Quarter which ended on March 31, 2016. Total revenues were \$5,274,809 exceeding the prior year's Third Quarter by \$258,225, an increase of 5.15%. Total expenses were up \$163,552, representing an increase of 4.42 % over the prior year's Third Quarter. The key component of the expenses increase was the \$170,173 or 8.46% increase in the expense category Cost of Goods Sold, an increase driven by higher programming rates. Mr. Auger also pointed out that the categories Facility, Marketing and Administration expenses were \$7,000 less when compared to the same quarter in the prior fiscal year. EBIDA was \$1,114,411, a \$95,000 or 7.17 % increase over the same quarter in the prior fiscal year. Net income was favorable by 43%, a result of the Quarter's financial performance and the reduction in interest expense resulting from the debt refinancing by the Town of Mooresville. Gross Margin was 58.51%, slightly lower than last year. Average Revenue Per Customer was up by 2.3 %; this increase is because customers are buying more products than in the past. Total Revenue Generating Units are up 1.89 % and customer relations are up 2.78%. Mr. Auger then concluded by asking if there were any questions from the Board. Mr. Kosofsky had one question regarding Marketing which Mr. Auger answered.

Mr. Auger then proceeded with the Safety update for the Board. He informed the Board it had been 285 days since the last recordable accident. He also explained that training for employees had been completed since the last Board meeting including flagger and forklift training. In addition, to further emphasize training, a weekly toolbox talk has been implemented for field personnel. Several inspections on safety equipment has also taken place. There were no questions from the Members of the Board on the safety update.

Mr. Auger then proceeded with the Operations update. He advised the Board that there are nine residential/MDU projects, four of which are exclusive, in construction, totaling 1,617 addresses. The new video platform has begun with the installation of the new boxes at 9 "friendly" locations and customer roll-out is slated to begin May 2, 2016.

4. Approval of the Recast 2016 Budget

Mr. Jaenicke then asked Mr. Auger to review the 2016 Recast Budget. Mr. Auger explained that the Board typically amended the annual budget from time to time as conditions required and he was asking for the Board approval again. As an overview, Mr. Auger stated that operating revenue was now projected to be 21,106,636.00. Operating expenditures, which includes capital expenditures, total \$18,306,636. As a result, the Company's Operating Income will be \$2,800,000, the amount which MI-Connection will contribute to the towns' debt payments in June, 2016. Since the total debt expense was 6,329,556, the towns will contribute \$3,500,000 to the debt. Mr. Jaenicke asked if there were any questions and none were noted so he asked for a motion to approve the 2016 Recast Budget. The Motion to Approve the 2016 Recast Budget was made by Mr. Ellis, seconded by Mr. Kosofsky and was passed unanimously.

4. Approval of the proposed 2017 Budget

Mr. Jaenicke stated the next item of the Meeting's agenda was the discussion and approval of the proposed MI-Connection 2017 Budget, a copy of which is attached as Exhibit 2. Mr. Auger explained that the proposed 2017 Budget now being discussing is the same as what was previously presented in the Public Hearing but in a slightly different format with greater detail. Mr. Auger recapped the proposed 2017 Budget, stating that Operating Revenues were projected at \$22,121,307 and Operating Expenses were projected at \$18,821,307, thereby netting out Operating income of \$3,300,000, the amount of MI-Connection's 2017 contribution to the debt. Since the total debt payment is projected at \$6,349,674, the towns' contribution to the debt payment is projected at \$3,049,674. Mr. Jaenicke noted that in 2017 for the first time MI Connection will be paying more than 50% of the debt payment.

After Mr. Auger's presentation, Mr. Jaenicke asked if there were any questions regarding the Fiscal Year 2017 Budget. None were noted so he asked for a motion to approve the 2017 Budget. The Motion to Approve the 2017 Budget was made by Mr. Ellis, seconded by Mr. Davis and passed unanimously.

5. Approval for hiring of External Audit Team

Mr. Jaenicke stated that the Finance and Strategic committees had discussed having a process in place for the hiring on an accounting firm to conduct MI-Connection's annual audit. Angelia Ryan, MI-Connection's controller, lead the process of promulgating a Request for Proposal ("RFP") and selecting an auditor from those companies responding to the RFP. Ms. Ryan presented her results from the RFP which had previously been provided to the Finance Committee and her recommendation to the Board. Ms. Ryan informed the Board that Dixon Hughes was her recommendation to continue as MI-Connection's auditor due to its past work as MI-Connection's auditor and since its bid was the lowest. Mr. Jaenicke then asked for a motion to approve Dixon Hughes Audit Team for MI-Connection for 2016, 2017 and 2018. A Motion to Approve Dixon Hughes as MI-Connection's Auditor for 2016, 2017 and 2018 was made by Steve Miller and seconded by Brett Ellis. The Motion passed unanimously.

6. Roundtable Board discussion

Mr. Jaenicke then opened up a round table discussion for members of the Board to address questions and or comments, all of which were complementary. Mr. Jaenicke reminded the Board the next Board meeting is scheduled for June 30, 2016 and that the employee appreciation picnic hosted by Mooresville and Davidson was scheduled for May 18, 2016.

7. Adjournment

Having no other business, Mr. Davis made a motion to adjourn which was seconded by Mr. Justice and passed unanimously. The meeting was adjourned at approximately 7:30 PM.