

**Board of Directors Meeting
Davidson Town Hall
216 South Main Street
Davidson, NC 28036**

November 19, 2015

MINUTES

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

Other attendees: Aprille Belle (Guest presenter – Dixon Hughes and Goodman LLP), Alan Hall, Rick Kline, Nola Perkins, Christina Shaul, Angelia Ryan, Stacy Anderson (Davidson), Deborah Hockett (Mooresville), Leamon Brice, Bill Sykes and an unknown citizen.

1. Call to Order/Quorum

Mr. Jaenicke called the roll and determined that a quorum of the Board was present. Mr. Jaenicke then called the meeting of the Board to order at approximately 6:36pm.

2. New Board Member Introduction

Mr. Jaenicke first introduced Jamie Justice, the new Town Manager of Davidson, as the new Board Member replacing Leamon Brice, Davidson's former retiring City Manager. Mr. Justice stated that he is excited by the new opportunity with Davidson and MI-Connection. He said that he is a Charlotte native and has spent 17 years in City management, most recently as Assistant Town Manager in Matthews. He and his family reside in Mooresville and he is a current MI-Connection customer.

Mr. Jaenicke then proceeded to acknowledge and thank Leamon Brice for his service, assistance, and wise advice.

3. Approval of the August 28, 2015 Board Meeting Minutes

Mr. Jaenicke stated that the Board members had previously received and had the opportunity to review the minutes for the August 28, 2015 Board Meeting. He asked if anyone had any additional comments, changes or modifications to those minutes. None were noted; Mr. Jaenicke requested a motion to approve the August Board Minutes. Mr. Auger made a motion, which was seconded by Mr. McDowell, and the Motion was passed unanimously.

4. External Audit Review

Mr. Jaenicke next introduced Aprille Belle, a Partner of Certified Public Accountants Dixon Hughes Goodman LLP ("Dixon Hughes"), who was present to discuss Dixon Hughes' audit of MI-Connection's financial statements for the fiscal year which ended June 30, 2015. Each Board member was given a copy of Dixon Hughes' October 12, 2015 Report to the Board of Directors as well as the Financial Statements as of and for the Year Ended June 30, 2015, and Independent Auditors' Report. Ms. Belle stated that she had a short presentation for the Board which would generally review MI-Connection's financial results for fiscal year 2015. Ms. Belle stated that the documents provided to each Board member contained details for the current audit year; however, since Dixon Hughes had

conducted MI-Connection's annual review for several years, she also included historical information in her presentation in order to provide the Board a better understanding of the Company's overall financial trends. Ms. Belle stated that the audit started back in late May and concluded with final field work in September. She advised the Board that the Financial Statement had been forwarded, as required by North Carolina law, to the appropriate state commission which had reviewed and approved it. Her slide presentation started with highlights from the MI-Connection Balance Sheet which, as she explained, represented a snapshot of the Company's financial condition on June 30, 2015. Ms. Belle's slide compared 2013-2015 Cash, Accounts Receivable, Debt and Net Assets. All categories showed positive trends with the most notable trend being increased asset value and decreased debt. She next discussed Cash Flow from Operations, again highlighting the same three year period. She noted that Cash from operations had increased by almost two million dollars between 2013 and 2015. She informed the Board that the primary reason for this increase was due to favorable growth from operations, resulting in part from a reduction in and better controls of MI-Connection's accounts receivable. Ms. Belle also pointed out that Operating Income demonstrated an excellent trend since the Company had moved from an annual operating loss in 2013 of almost \$700,000 to \$391,859 of income in 2015. Next Ms. Belle reviewed Cash Flow from Capital and Finance Activities and noted that the cash used for the Company's capital investments and to pay the Company's debt remained stable with the positive trend being that the contributions to pay the Company's debt required from the towns of Davidson and Mooresville were decreasing. Ms. Belle's presentation continued with an overview of the savings the Company will experience from the re-funding (refinancing) of its debt during 2015, which should reduce the Company's annual debt payments by approximately \$850,000-\$900,000, an obvious positive impact on MI-Connection's future. She concluded with a brief review of the Company's GASB Statement 68 implementation. Ms. Belle stated that this is an uncontrollable expense related to the Company's employee's retirement plan managed by North Carolina. She explained that this was a new accounting practice which was implemented during fiscal 2015. While this practice did not impact the Company's cash flow, it did impact the Financial Statement since it decreased the Company's beginning net position by \$211,876.

5. Q1 Financial Review & Operational Review

Next, Mr. Auger began his presentation by providing the Board with a financial and operational update of MI-Connection for the first quarter of its 2016 fiscal year. Mr. Auger stated that "it has been quite a year so far" in which the Company has had a tremendous amount of activity. He explained that since Mr. Hall has been spearheading product development and product launches that would help take the Company to the next level in both the data and video areas, Mr. Hall would provide the Board with an overview of these areas after the financial review.

Mr. Auger then discussed the Company's Q1 fiscal 2016 financials that ended on September 30, 2015. He informed the Board that the Company had a very solid first quarter. Both top line and bottom line numbers were driven by considerable customer growth as well as some expense reductions. Mr. Auger further explained that revenues were up by 3.74% versus Q1 2015 while expenses were favorable by 0.62%. This expense savings was primarily driven by favorable facility based and administrative expenses. These savings were from a number of open positions and the elimination of the BVU management fees. He noted that these savings were offset by higher than expected cost of goods sold and increased marketing expenses, which were primarily for additional customer notifications required for the customer rate increases and new product launches. Mr. Auger explained that the combination of favorable expenses and revenue growth increased EBIDA by 17.41% year over year and puts the Company right on plan. Net income increased significantly; this increase was driven by two factors, an increase in EBIDA as well as a decrease in interest expense. Gross Margin was up by 1.12% to 60.46% for the quarter. Average revenue per customer

was down slightly by -\$1.49. This reduction is primarily a function of promotional offers. He explained that the most significant factor in terms of operating results was the Company's year over year gain of 1,526 RGU's and 836 customer relationships.

Mr. Auger continued his presentation by stating that one of the Company's key initiatives is safety which is taken very seriously. He explained it had been 125 days since the Company had its last reportable incident. He said that the Company will continue to keep this item on the agenda as the Company strives to be accident free in the future.

Mr. Auger's next discussed programming. He explained that towards the end of each calendar year the Company has expiring programming contracts up for renewal. There are several programmers which are, in Mr. Auger's opinion, making unreasonable demands on rates as well as additional networks to be carried by MI-Connection. He stated that this situation could cause programming to be removed from the Company's channel line-up, either temporarily or permanently. He also informed the Board that the Company was already creating contingency plans and that he would keep the Board informed as matters moved forward.

Mr. Auger's next topic for discussion was the Company's initiative to increase residential data speeds. He reminded the Board that this was being done to remain competitive in the market and that this was a no additional charge to all data customers' existing data plans. The roll out of the increased speed was phased in from November 2nd to the 15th and that upgrade went smoothly.

Mr. Auger next addressed the Company's need to have a rate increase for programming costs. He said the last customer rate increase had been implemented in December 2013, excluding the increased retransmission consent fee increases. He presented a slide that detailed the history of the Company's programming cost of goods sold expense increases from 2013 through a projected 2016 and explained that in each of the years the cost of goods sold expenses had increased by between six and nine percent annually. He stated that the bottom line effect of these increased expenses was significant and that MI-Connection must increase rates to its customers to recoup some of these increased expenses. He presented the new rates broken down by category, by both the current rate and the new rate which would be effective January 1, 2016. He said that the customer notification process would start the week after Thanksgiving.

At this point Mr. Auger turned over the presentation to Mr. Hall, who informed the Board about the current and new video plans. He detailed new plans to rollout 14 new HD channels and the migration of 15 existing analog channels to the digital side, all of which will occur in January. He stated that the positives of these changes significantly outweighed the negatives and detailed each point during his presentation. He continued by explaining that all of these new changes and additions would be accompanied by the roll out of new in-home technology that will be a significant improvement over the currently deployed equipment. The benefit of the new technology will give MI-Connection's customers enhanced menus, guides, wireless /cable-less capabilities, remote smart phone functionality, whole home DVR record & playback capabilities and a host of other improvements.

6. Consent Agenda

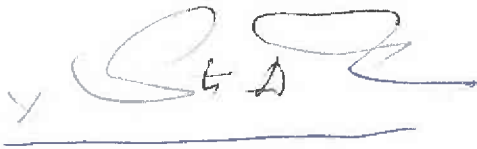
Next, Mr. Jaenicke said that he had recently sent out an email to all Board members about the percentage increase to Mr. Auger's base compensation effective December 1, 2015. Mr. Jaenicke then asked Board members if they had any question and there were none. Mr. Jaenicke requested a motion to approve the Consent Agenda item. Mr. Ellis made a motion to approve the Consent Agenda Item, and the Motion was seconded by Mr. Kosofsky. The Motion passed unanimously.

7. Roundtable discussion

Mr. Jaenicke then asked Board members if they had any question or comments. Mr. Kosofsky stated that he likes the way the business is progressing financially. Mr. Miller commented that the financial trends are all looking good and that he feels they will be enhanced in the future quarters by improved data speed, additional content and better customer experiences with vastly improved in-home technology. The balance of the rest of the comments concurred with Mr. Kosofsky and Miller. Mr. Jaenicke offered his compliments to David and his staff and asked Mr. Auger to please be sure to thank his staff and MI-Connection employees on behalf of the Board.

8. Adjournment

The Board having no further business was adjourned at approximately 7:30 PM by Mr. Jaenicke upon Mr. McDowell's motion to adjourn, seconded by Mr. Auger. The Motion to Adjourn passed unanimously.



Steven Miller