



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

November 17, 2016

OPEN SESSION MINUTES

Board Members Present: Larson Jaenicke, Jamie Justice, Erskine Smith, Steven Miller, Howard Kosofsky, David Auger, Brad Davis and Mark McDowell. Member Absent: Brett Ellis. Other attendees: Alan Hall, Angelia Ryan, Nola Perkins, Debra Hockett, and Bill Sykes.

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 6:32 pm.

1. Approval of the August 25, 2016 Meeting Minutes and the September 22, 2016 Special Meeting Minutes

Mr. Jaenicke stated that the Board members had previously received and had the opportunity to review the meeting minutes for the August 25, 2016 and September 22, 2016 Board meetings. Mr. Jaenicke asked if anyone had any additional comments, changes or modifications to those minutes. None were noted. Mr. Jaenicke then asked for a motion to approve the August 25 Board Minutes. A Motion to Approve the August 25, 2016 Board Minutes was made by Howard Kosofsky and seconded by Mr. Miller and was passed unanimously. Next Mr. Jaenicke asked for a motion to approve the September 22, 2016 Board Minutes. A Motion to Approve the September 22, 2016 Board Minutes was made by Mr. Kosofsky and seconded by Mr. Miller and was passed unanimously.

2. Consent Agenda

Next, Mr. Jaenicke said that he had recently sent out an email to all Board members setting forth Mr. Auger's Fiscal Year 2017 compensation including his new base compensation to be effective December 1, 2016 and Mr. Auger's Incentive Plan compensation for Fiscal Year 2017, both of which had been approved by the Board's Compensation Committee. Mr. Jaenicke then asked Board members if they had any questions regarding Mr. Auger's base or Incentive Plan compensation. There were no questions. Mr. Jaenicke next requested a motion to approve the Consent Agenda item, and the Motion to Approve the Consent Agenda Item regarding Mr. Auger's

new base compensation and his Fiscal Year 2017 Incentive Plan compensation was made by Mr. Miller and seconded by Mr. Kosofsky. The Motion passed unanimously.

3. Results of the External Audit – Dixon Hughes

Mr. Jaenicke next introduced Ms. 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 2016 Fiscal Year which ended June 30, 2016. Each Board member was given (or had previously been given) a copy of Dixon Hughes’ October 14, 2016 Report to the Board of Directors of MI-Connection and the Financial Statements and Supplementary Information for the Year Ended June 30, 2016. Ms. Belle stated that she had a short presentation for the Board which would generally review MI-Connection’s financial results for Fiscal Year 2016 and that the documents provided to each Board member contained the details of the financial results for the current audit year. She further stated that the audit commenced in late May and concluded with final field work in September. She advised the Board that the Financial Statements had been forwarded to the Local Government Commission, as required by North Carolina law, which had reviewed and approved them. She also stated that MI-Connection’s financial condition continued to improve year over year. For a discussion of specific improvements, Ms. Belle turned the presentation over to her Dixon Hughes colleague Chris Olson who had participated in Dixon Hughes’ audit of MI-Connection.

Mr. Olson stated that MI-Connection’s debt as of the end of the 2016 Fiscal Year was \$68,544,221, an almost \$7 million reduction from Fiscal year 2014. Mr. Olson next noted that MI-Connection’s cash resulting from its operating activities in Fiscal Year 2016 was \$5,444,709, approximately \$1,215, 000 more than Fiscal Year 2014 and almost \$600,000 more than Fiscal Year 2015. With respect to Capital contributions from Mooresville and Davidson, Mr. Olson stated that the towns’ Fiscal Year 2016 capital contribution was \$3,536, 395 compared to the Towns’ 2014 capital contribution of \$5,680,130 and 2015 capital contribution of \$4,781,053. The Towns’ reduction in capital contribution was the result of increased contributions from MI-Connection and the reduction of interest payments as a result of Mooresville’s refunding of the debt. Next, Mr. Olson explained that MI-Connection’s EBIDA for its 2016 Fiscal Year was \$5,679,091. Mr. Olson concluded, and Ms. Belle concurred, that MI-Connection’s financial results were improving. In response to a Board member’s question, Ms. Belle stated Dixon Hughes would include an EBIDA analysis with future financial statements. Upon completion of their presentation, Ms. Belle and Mr. Olson departed the meeting.

4. 1st Quarter 2017 Financial and Operational Update – David Auger

Next Mr. Jaenicke asked Mr. Auger to discuss MI-Connection’s First Quarter Fiscal Year 2017 financial and operational results. Mr. Auger began his presentation by stating that the first quarter had a very strong start and that productivity had increased substantially since the launch of Whole Home Gateway. He also explained that cash flow operating income was increasing and that First Quarter Fiscal Year 2017 revenues exceeded First Quarter Fiscal Year 2016 revenues by \$294,504, a 5.78% increase. With respect to expenses, Total Expenses for First Quarter Fiscal Year 2017 exceeded First Quarter Fiscal Year 2016’s expenses by \$452,600. \$78,929 of that \$452,600

increase resulted from an increase in Cost of Goods Sold, most of which was due to a yearly increase in programming costs. The major portion of the Fiscal year 2017 Total Expense increase was caused by a \$368,995 increase in Facility Based Expense. Approximately \$289,000 of that \$368,995 increase was attributable to an additional payroll period which caused \$155,300 of the increase and prior year accounting adjustments which caused \$133,750 of the increase. The \$133,750 of accounting adjustments were Incentive Plan accruals of \$100,000 and audit related accruals of \$33,750, each of which reflected financial activity during Fiscal Year 2016. Therefore, both of these adjustments will not affect the Company's Fiscal year 2017 cash flow. However, these adjustments do reduce EBIDA therefore the EBIDA for Fiscal Year 2017 was \$1,235,081, \$158,096 less than the same quarter in Fiscal Year 2016. Mr. Auger also noted that Fiscal Year 2017 Gross Margin was 61.16%, .70% higher than the same Quarter in Fiscal Year 2016, and that Average Revenue/Customer had increased to \$105.00, a \$3.54 increase over the same quarter in Fiscal Year 2016.

Mr. Auger next discussed operational issues. He explained that the Company continues to keep safety as a major priority and that it had been 489 days since the Company had its last reportable incident. The Company continues to provide safety updates and requirements weekly to personnel. 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 changes that have been made to MI-Connection's plant including the recent upgrade to the new **cable modem termination system ("CMTS")**, equipment typically located in headend or hub site used to provide high speed data services such as internet to subscribers. When this upgrade is completed, MI-Connection will have the ability to increase its internet speeds to its customers. Unfortunately, this installation has caused more issues with customers than had been anticipated, but those issues are being addressed and resolved as efficiently as possible.

Mr. Auger also provided a brief overview of scheduled construction projects. These projects include 21 residential and multi dwelling projects with 1,232 potential customer passing, several of which projects are exclusive to MI-Connection. Finally, Mr. Auger reported that as of November 16, 2016 there were 473 Whole Home Gateway customers and that demand for that product continues to increase.

5. Roundtable discussion

Mr. Jaenicke then asked Board members if they had any questions or comments. Mr. Smith questioned the back log on work orders. Mr. Hall responded currently the Company is about 4 days out at this time. Mr. Kosofsky commented on how well the calls he made for problems were handled internally and how quickly. Mr. Jaenicke also pointed out that it would Mr. Smith's last Board meeting due to his retirement as Mooresville's City Manager. Mr. Jaenicke on behalf of the Board expressed gratitude to Mr. Smith for his service on and to the Board.

6. Closed Session

Mr. Jaenicke then asked for a Motion for the Board to go into a closed session to consider the qualifications, competence, performance, character, fitness and conditions of employment or

conditions of initial employment of a new MI-Connection Chief Executive Officer ("CEO"). Mr. Justice made the Motion, which was seconded by Mr. Kosofsky, and the Motion was passed unanimously. Pursuant to the Motion, the Board went into Closed Session at approximately 7:20 pm.

The Minutes of the Closed Session are attached as Exhibit A hereto.

7. Adjournment

At the conclusion of the Closed Session, Mr. Jaenicke requested a Motion to adjourn the Meeting. A Motion to Adjourn the Meeting was made by Mr. Justice and seconded by Mr. Kosofsky. The Motion passed unanimously. The meeting adjourned at 7:43 pm.

