

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

April 27, 2017

**A. Public Hearing Minutes**

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

Other attendees: Alan Hall, Nola Perkins, Sean Wilbur and Pieter Swartz

**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 2018 MI-Connection Budget, a true and correct copy of which is attached hereto as Exhibit 1 (the "2018 Budget").

**2. Discussion of the MI-Connection 2018 Budget**

Mr. Auger gave an overview of the proposed 2018 Budget. Mr. Auger stated the total revenue was projected to be \$22,510,587. The category Costs of Goods Sold, which is primarily programing costs, is projected to be \$9,164,257, thereby yielding a Gross Profit of \$13,346,340. The category Operating Expenses totals \$7,483,411 which consists of Facility Based Expenses of \$5,883,431, Marketing Expenses of \$861,319 and Administration Expenses of \$738,661. Therefore, EBITA is projected to be \$5,862,929. Since the Debt Service for 2018 for the two towns is budgeted at \$6,378,967 and MI-Connection's Capital Expenditures are budgeted to be \$2,415,000, the Towns' contribution to Capital for debt service is reduced to \$2,931,038.

**3. Public Comments**

Mr. Jaenicke then opened the hearing for public comments on the 2018 Budget. Since no member of the public was present, there were no public comments on the 2018 Budget. Mr. Jaenicke then closed the Public Hearing on the 2018 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 since the same Board Members who were present for the Public Hearing were present for the Board meeting. Mr. Jaenicke then called the Board of Directors Meeting to order.

**2. Approval of the January 26, 2017 Meeting Minutes**

Mr. Jaenicke stated that each of the Board members had previously received and had the opportunity to review the Open and Closed Minutes for the January 26, 2017 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 26, 2017 Board Minutes. Mr. Justice made the requested Motion, which was seconded by Mr. Miller, and the Motion approving the January 26, 2017 Board Minutes was passed unanimously.

### **3. Q3 2017 Report on Financials, Operations and Safety**

Mr. Auger next provided the Board with a financial and operational update of MI-Connection's 2017 Third Quarter which ended on March 31, 2017. Total revenues were \$5,329,678 which exceeded the prior year's Third Quarter revenues by \$23,564, an increase of 0.44%. Total expenses for the recent Quarter exceeded the expenses of the previous year's Third Quarter by \$165,450, a 4.29 % increase. Mr. Auger also pointed out that the category Facility Based Expense increased by \$210,237 when compared to the prior year's Third Quarter. This increase is partially explained by the extra payroll period in the recent Third Quarter which caused an additional expense of almost \$150,000 which compared to the same quarter in the prior fiscal year. EBIDA for the recent quarter was down by \$141,886, or 9.66 %, when compared to the same quarter in the prior fiscal year. When compared to the same quarter in the previous fiscal year, the current year's Third Quarter's Net income was unfavorable by 34%, Gross Margin was up .50%, Average Revenue Per Customer was down slightly by 0.49 %. Total Revenue Generating Units were up 0.97 % and Customer Relationships were up 0.94%. Mr. Auger concluded by asking if there were any questions from any Board member. There were no questions.

Mr. Auger then proceeded with the Safety update for the Board. He informed the Board as of the end of the 2017 Third Quarter it had been 647 days since the last recordable accident. However, he informed the Board of an accident which occurred in the April involving a MI-Connection vehicle being totaled, but the accident was not the fault of a MI-Connection employee and there were no injuries. He also explained that the Safety Committee had met in March and are focused on developing a new Safety Manual for the next fiscal year. The Committee is also focusing on establishing procedures by which MI-Connection can audit and enforce safety rules, particularly distracted driving and personal protection equipment. The weekly tool box talks for field personnel emphasized inclement weather driving and work loads of ladder classifications. Finally, Mr. Auger stated that inspections of all Fire Extinguisher had been completed. There were no questions from the Members of the Board on the Safety update.

Mr. Auger next proceeded with the Operations update. He advised the Board the back log of service calls which had been very heavy over the last two months of the 2017 Second Quarter had returned to normal levels during the first two weeks of January. Service calls are currently usually handled the same day and installations usually occur the next day after the request for service is received. He also informed the Board that 9.8 % of video customers with a converter now have Whole Home Gateway as of the end of the Third Quarter. MI-Connection recently installed a new CMTS unit and cutover to that equipment without any issues. Additionally, there were several firmware updates during the last quarter, and MI-Connection's guide has also been upgraded to a HD format. On the commercial side, due to competitors' pricing, MI-Connection increased its internet speed for its commercial customers without any increase in price. This approach proved very successful as it helped prevent the loss of MI-Connection's commercial customers.

### **4. Approval of the Recast 2017 Budget**

Mr. Jaenicke then asked Mr. Auger to review the 2017 Recast Budget, a true and correct copy of which is attached as Exhibit 2. 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 approve the 2017 Recast Budget. As an overview, Mr. Auger stated that operating revenue was now projected to be 21,863,286. Operating expenditures, which include capital expenditures, total \$19,161,351. Thus, the Company's Operating Income will be \$2,701,935, the amount which MI-Connection will contribute to the towns' debt payments in June, 2017. Since the total debt expense is \$6,329,674, the towns will contribute \$3,647,739 to the debt. Mr. Jaenicke asked if there were any questions and none were noted so he asked for a motion to approve the 2017 Recast Budget. The Motion to Approve the 2017 Recast Budget was made by Mr. Ellis, seconded by Mr. Miller and was passed unanimously.

## 5. Approval of the proposed FY2018 Budget

Mr. Jaenicke stated the next item of the Meeting's agenda was the discussion and approval of the Proposed MI-Connection Fiscal Year 2018 Budget, a copy of which is attached as Exhibit 3 (the "Proposed 2018 Budget"). Mr. Auger explained that the Proposed 2018 Budget now being discussed is the same as what was previously presented in the Public Hearing but in a slightly different format with greater detail. Mr. Auger then recapped the Proposed 2018 Budget, stating that Operating Revenues were projected at \$22,510,587 and Operating Expenses were projected at \$19,062,658, thereby netting out Operating Income of \$3,447,929, the amount of MI-Connection's 2018 contribution to the towns' debt. Since the total debt payment is projected at \$6,378,967, the towns' budgeted 2018 contribution to the debt payment is projected at \$2,931,038.


After Mr. Auger's presentation, Mr. Jaenicke asked if there were any questions regarding the Proposed 2018 Budget. None were noted. Mr. Jaenicke then asked for a motion to approve the 2018 Budget. The Motion to Approve the Proposed 2018 Budget was made by Mr. Ellis, seconded by Mr. Justice and passed unanimously.

## 6. Roundtable Board discussion

Mr. Jaenicke then opened up the roundtable discussion for members of the Board to address questions or comments. No Board member had either questions or comments.

## Adjournment

Having no other business, Mr. Miller made a motion to adjourn which was seconded by Mr. Ellis and passed unanimously. The meeting was adjourned at approximately 6:53 PM.

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