



Board of Directors Meeting

Davidson Town Hall
216 South Main Street
Davidson, NC 28036
Meeting Room

January 26, 2012

Minutes

Present: John Venzon, Brett Ellis, Dawn Huston, Steve Miller (phone), Leamon Brice (phone), Rodney Short (phone), Ken Essex, and David Auger

Absent: Erskine Smith

Other Attendees: Gail Karish, Nola Perkins, Sarah Muller, and David Boraks

- 1) Call to Order/Quorum – John Venzon.

Mr. Venzon determined that a quorum was present and called the meeting to order at 6:36 pm.

- 2) Approval of the December 15 meeting minutes- Dawn Huston

Ms. Huston presented the meeting minutes to the Board for the open session held on December 15, 2011. No comments or changes to the minutes were requested. Mr. Ellis moved that the minutes be approved. The motion was seconded by Mr. Brice. The motion to approve the minutes passed unanimously.

- 3) Closed session to prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or not considered a “public record” within the meaning of Chapter 132 of the North Carolina General Statutes

Ms. Huston advised that there were unapproved draft closed session minutes dating from October 27, 2011. The Chairman proposed that a closed session be added to the agenda to approve those closed session minutes. Mr. Ellis made a motion to move into close session for that purpose. The motion was seconded by Mr. Essex. The motion to move into closed session was unanimously adopted.

Following the closed session, the board returned to open session.

- 4) Financial Update- Brett Ellis/Sarah Muller

approved 2/23/2012
[Signature]

Mr. Ellis reported that due to the system conversion which occurred in December, the December financial results were still being reviewed to ensure accuracy and would be presented at the February meeting.

5) Supplemental Retirement Income Plan of North Carolina- David Auger

Mr. Auger advised the Board that MI-Connection, as the employer of “public employees” in the State, could make available to its employees the ability to participate in a Supplemental Retirement Income Plan known as the “NC 401(k) Plan”. He explained that the NC 401(k) Plan would allow employees to make their own additional contributions towards their retirement. Mr. Auger recommended that MI-Connection make this plan available to its employees, and indicated that management intended to make a 2% contribution match to participating employees.

Mr. Auger presented to the Board the following resolution for their consideration:

“WHEREAS, the MI-Connection Communications System wishes to provide a qualified defined contribution plan to the employees of MI-Connection Communications System.

AND WHEREAS, the State of North Carolina has established the Supplemental Retirement Income Plan of North Carolina, a qualified government defined contribution plan under Internal Revenue Code §401 (k) for members of the North Carolina Retirement Systems.

THEREFORE, be it resolved that MI-Connection Communications System Board of Directors has adopted the Supplemental Retirement Income Plan of North Carolina also known as NC 401 (k) under the terms of the Plan Document and the Third-Party Administrator Agreement. All employees shall become eligible to defer compensation immediately upon membership in the North Carolina Local Government Employees’ (LGERs) Retirement System.”

Ms. Huston asked if the 2% contribution match was in the existing budget. Mr. Auger replied that it was not in the current budget because it was adopted prior to the execution and implementation of the new Operating Agreement with BVU and had therefore assumed that BVU was the system operator. He advised the Board that once the transition was finalized, a restated and amended budget reflecting current assumptions would be presented to the Board for its approval.

Mr. Brice moved to pass the resolution as presented by Mr. Auger. The motion was seconded by Mr. Essex. The resolution passed unanimously.

6) Q2 2012 Customer Activity Report- David Auger

Mr. Auger reported MI-Connection saw net gains in two consecutive quarters in every subscriber category. Mr. Auger noted that he was initially concerned that Q2 growth had slowed compared to the prior quarter, but that after reviewing quarterly performance over the past three years, he had determined Q2 appears routinely to be impacted by seasonal factors. Mr. Ellis noted Q2 is traditionally a tough quarter for the industry given the consumer focus on the holiday season.

7) Transition Update- David Auger

Mr. Auger reported that transition activities had been successfully completed in a number of areas in accordance with the timetable in the new Operating Agreement with BVU Authority:

- a. NOC transition 100% complete. Mr. Auger noted it was the easiest transition he has experienced and thanked Terry Amos for her performance. Ms. Amos thanked Mr. Auger and commented it was the team who made it successful.
- b. Engineering transition 100% completed, with BVU (Bristol) assistance available when needed. Mr. Auger reported Mr. Kosner, who had consulted with MI-Connection for the engineering transition since September and is highly qualified, had been hired as the engineering supervisor.
- c. Accounting/Finance/Purchasing/Cash management 100% transitioned.

8) Operations- David Auger

Mr. Auger reported on operations activities in a number of areas:

- a. Retransmission consent: Mr. Auger reported there is a 3 year cycle for renegotiating retransmission consent fees paid by cable operators to local broadcasters for carriage of their over-the-air signals on cable systems. He advised that the current contracts were set to expire on December 31, 2011. Mr. Auger reported that after obtaining short extensions where needed, he had successfully completed all negotiations on the three year deals by January 5th.
- b. Key Initiatives
 - i. Vendor contract analysis: Mr. Auger reported that his management team was reviewing vendor contracts with expired terms and renegotiating them to obtain better terms. Mr. Auger anticipated that a positive impact on costs will be seen in the next budget restatement as a result.
 - ii. Liquidation of excess inventory: Mr. Auger reported that MI-Connection has contracted for e-waste removal and is looking at whether it can offer this service to the towns.

Mr. Ellis requested an engineering presentation on new technology to the Board. Mr. Auger will schedule for early summer.

Mr. Venzon asked Mr. Auger whether he thought MI-Connection's growth was sustainable. Mr. Auger said he believed growth would be sustainable given MI-Connection's penetration is below industry metrics in all service categories. As evidence of this sustainability, Mr. Auger noted that MI-Connection's growth rates had surpassed the industry for the past 2 quarters, and that MI-Connection was still early in its product life cycle both for high speed data, which launched in 2009, 10 years after Time Warner, and for phone service, which launched in 2010, 6 years after Time Warner.

9) Round Table

- a. Mr. Venzon expressed concern over the boundaries placed on MI-Connection's service territory by the state legislature and sought Board input on whether a team should be put together to work on legislation to remove this restriction which he viewed as impeding MI-Connection from



realizing its full revenue potential, while allowing its competitors to overbuild its territory. Mr. Ellis raised concerns that this may distract from the transition/operation of the business. Mr. Brice stated it would be too late to raise this issue at the May legislative session; however, it would be possible to work towards the January 2013 session.

Mr. Essex and Ms. Huston volunteered to work with Mr. Venzon on this effort.

- b. Mr. Venzon advised the Board that he had received an inquiry from a company interested in possibly acquiring MI-Connection and that the company had noted its interest was due to MI-Connection's technology, system, and market. Mr. Venzon said he directed the company to MI-Connection's public documents, and had not heard further from the company.
- c. Mr. Venzon noted a recent conversation he had with Mr. John Allen, a vocal Davidson citizen. Mr. Allen commented on the delightful service experience he has had with MI-Connection.

10) Adjournment

Having no other business, Mr. Ellis made a motion to adjourn the meeting and it was seconded by Mr. Essex. The motion passed unanimously and the meeting ended at 7:42 pm.

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A handwritten signature in black ink, appearing to be "D. Ellis", is located in the bottom right corner of the page.

MI-Connection Communications System
Board of Directors

BOARD RESOLUTION

WHEREAS, the MI-Connection Communications System wishes to provide a qualified defined contribution plan to the employees of MI-Connection.

AND WHEREAS, the State of North Carolina has established the Supplemental Retirement Income Plan of North Carolina, a qualified government defined contribution plan under Internal Revenue Code §401(k) for members of the North Carolina Retirement Systems.

THEREFORE, be it resolved that MI-Connection Communications System Board of Directors has adopted the Supplemental Retirement Income Plan of North Carolina also known as NC 401 (k) under the terms of the Plan Document and the Third-Party Administrator Agreement. All employees shall become eligible to defer compensation immediately upon membership in the North Carolina Local Government Employees' (LGERS) Retirement System.

Signed this 26th day of January 2012


(Chairperson of the Board)

1/26/12
(Date)