



Board of Directors Meeting

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

February 23, 2012

Minutes

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

Other Attendees: Gail Karish, Nick Miller, 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 6:32 pm.

- 2) Approval of the January 26 meeting minutes- Dawn Huston

Ms. Huston presented the meeting minutes to the Board for the open session held on January 26, 2012. No comments or changes to the minutes were requested. Mr. Brice moved that the minutes be approved. The motion was seconded by Mr. Ellis. The motion to approve the minutes passed unanimously.

- 3) Operations Update- David Auger

Mr. Auger reported to the Board on a lengthy and very serious outage on fiber internet backbone circuit provided by XO Communications which was caused by a fiber cut that took 6 days to be repaired. The cut impacted internet service speeds for MI-Connection's customers, particularly during periods of high demand. Mr. Auger shared with board the media coverage on the fiber cut, as well as MI-Connection's communications strategy used to keep customers informed through Facebook, website, and voicemail. All customer complaints were handled quickly and efficiently, and customers were offered compensation, for example, a free pay-per-view movie was given to customers who called to report they could not access Netflix.

Mr. Ellis stated XO Communications was clearly unprepared for the event- in the industry, repairs usually take hours to fix, not days. Mr. Auger reported that he was in the process of negotiating the addition of a third layer of redundancy to MI-Connection's internet backbone so that MI-Connection will have even

greater internet service reliability – if a future the fiber cut occurs. The additional redundancy will be in service very soon.

Mr. Auger then turned to a report on commercial projects, noting that the Ada Jenkins installation was completed with a seamless conversion, and that a contract has been finalized for the Community School of Davidson's two campuses beginning this summer.

Mr. Auger reported on several changes to programming and broadband services. On programming, he noted the addition of OWN channel to the expanded basic tier, and the addition of a Digital Sports Tier (Tennis, Big Ten Channel, CBS Sports, Fox College Sports) at no additional cost to digital customers. The current customers who subscribed to these sports channels will begin receiving the channels for free April 1, when it is made available to all digital customers. Mr. Auger also reported that home businesses and gamers will see improved speeds without a price increase as MI-Connection will upgrade the upload speeds from 1 Mbps to 4 Mbps for all high speed data customers subscribing to 8x1 Mbps service or higher.

Concerning the planned price changes effective April 1, Mr. Auger said that MI-Connection has seen a significant increase in programming costs, particularly costs of retransmission consents for broadcast channels. This necessitates a rate adjustment effective April 1. Mr. Auger demonstrated that even with the rate changes, MI-Connection continues to compare favorably to Time Warner Cable, with 5-10% lower rates, dependent upon bundling, in every service offering (cable, broadband and voice).

Mr. Auger also advised that he will notify the towns and will issue a press release when the price adjustments are finalized this coming week. Mr. Venzon stated the price adjustments are consistent with the board's goal of delivering the best value in the market place. The board also discussed that compared to satellite providers, MI-Connections' value is in bundling services that satellite providers cannot offer.

4) Financial Update- Brett Ellis and Sarah Muller

Mr. Ellis reported that revenue increased 2.4% in Q2, 2012 versus Q1, 2012. Mr. Ellis explained that video revenue was down slightly in the same period due to discounts. In addition, expenses were up 2.4% due to an extra payroll in the cycle and added payroll costs during the transition. Mr. Ellis noted that average revenue per customer was up, which is encouraging.

Mr. Venzon asked whether we will see a favorable impact due to a reduction in expenses after the transition is completed. Mr. Ellis said he expects MI-Connection will realize more favorable impacts than projected beginning in Q3.

5) Roundtable:

Mr. Venzon asked whether there were any roundtable items for discussion and there were none.

6) Closed session for board to consult with board attorney on attorney-client privileged information related to potential litigation



Mr. Ellis made a motion to move into close session to consult with board attorney on attorney-client privileged information related to potential litigation. The motion was seconded by Mr. Brice. The motion to move into closed session was unanimously adopted.

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

7) Adjournment

Having no other business, Mr. Brice made a motion to adjourn the meeting and it was seconded by Mr. Ellis. The motion passed unanimously and the meeting ended at 8:00 pm.

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Approved
3/15/2012