



Board of Directors Meeting

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

April 26, 2012

Minutes

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

Absent: Leamon Brice, Erskine Smith

Other Attendees: Gail Karish, Nick Miller, Sarah Muller, and Nola Perkins

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

Mr. Venzon determined that a quorum was present and called the meeting to order at 6:40 pm.

- 2) Approval of the March 15, 2012 meeting minutes- Dawn Huston

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

- 3) Quarterly Financials- David Auger

Mr. Auger presented the Quarter 3 FY 2012 financial report. Income from day to day operations (EBIDA) more than doubled from the second quarter, to \$812,457. That quarterly result also was the highest in the history of MI-Connection, according to Mr. Auger. He also reported that expenses were reduced by \$399,000 versus prior quarter mainly driven by savings as a result of the transition to local control, which savings were on track with previous forecasts. Customer gains in video and total customer relationships in the quarter were reported to be the second largest in MI-Connection's history. Mr. Auger expressed his confidence in continued growth through 2012. Mr. Venzon applauded the results and was encouraged to see MI-Connection continue to have strong growth.

- 4) Audit Contract Approval- Sarah Muller

Ms. Muller presented the FY 2012 Audit Contract for Dixon Hughes. Mr. Ellis inquired whether the transition to the new accounting system during this audit period was expected to have any audit implications. Ms. Muller indicated that she had discussed the transition with Dixon Hughes, and they did not expect this to cause any issues. Management recommended the Board approve the FY2012 Audit Contract. Ms. Huston moved that the FY2012 Audit Contract be approved as presented. The motion was seconded by Mr. Essex. The motion to approve the cFY2012 Audit Contract passed unanimously.

5) Local Government Commission Discussion/Response- All

Mr. Auger advised the Board that MI-Connection had received a letter from the Local Government Commission dated March 21, 2012. In the letter, state officials commended MI-Connection management and staff for the 2011 improvement in cash flow from operations. The letter expresses continued concerns about the system's financial condition. Mr. Auger noted the concerns raised regarding whether the company's financial officers were properly bonded have already been cleared up and that the system was never in violation of the law. He also indicated that a full response would be sent to the Local Government Commission within a couple of weeks, and he and his staff would remain in close contact with the Local Government Commission about developments in MI-Connection's finances.

6) Operations Update- David Auger

Mr. Auger introduced Mr. Donnelly from Viamedia, MI-Connection's independent contractor that buys available slots for advertising insertions on MI-Connection's cable system and resells these availabilities to commercial and other advertisers. Mr. Donnelly commented that his direct sales team was fully staffed and was putting plans in place to end the year in a strong position.

Mr. Auger briefed the Board on an issue that arose concerning political advertising by a state Senate candidate in Iredell County, Karen Ray, who had publicly criticized MI-Connection and threatened a lawsuit on Sunday, April 23 via a press release claiming that MI-Connection was censoring her political ad that criticizes one of her opponents, State Sen. Chris Carney for voting in favor of the towns' purchase of MI-Connection when he served on the Mooresville Town Board. Mr. Auger explained that Viamedia operates independently from MI-Connection, and makes advertisement insertion decisions without input or consultations from MI-Connection. Mr. Auger further advised that he did not become aware of Ms. Ray's press release until Monday, April 24. Within an hour of learning of the controversy between Ms. Ray and Viamedia concerning the political ad, Mr. Auger said he directed Viamedia to run the political ad in question on MI-Connection's cable system.

Mr. Auger also explained that he immediately sought an explanation from Viamedia as to what had happened concerning the ad and learned that as of Friday, April 21, Viamedia had been reviewing the ad and had sought verification from Ms. Ray's campaign as to the accuracy of certain statements in it. He noted that the review and verification request was a standard practice in the advertising industry. Mr. Auger also noted that Ms. Ray's campaign had still not verified the accuracy of information in the ad as of the Board meeting but the ad was continuing to run on MI-Connection's cable system. In addition, Mr. Auger said he made several calls to Ms. Ray beginning at 9:42 a.m. on April 24 but they have not been returned as of the Board meeting. Mr. Auger pointed out that one inaccuracy in Ms. Ray's ad is that it overstates the amount of MI-Connection's debt.

Mr. Venzon indicated that he became aware of the issue on Sunday April 23 via a call from a Mooresville town commissioner. He expressed his strong dismay that Ms. Ray seemed to deliberately try to make this into a big political controversy even though her criticism of MI-Connection was without merit.

7) Round Table- All

- a. Various board members commended MI-Connection staff on the positive quarterly financial results.
- b. Ms. Huston reported Morrison Plantation HOA Board had signed a 3 year contract with MI-Connection for internet and phone service for the clubhouse and pool area. In addition, the HOA board welcomed the opportunity to grow community's subscribership to MI-Connection services.

8) Closed Session

Ms. Huston made a motion to go into closed session to consult with board attorney on attorney-client privileged matters. The motion was seconded by Mr. Essex. The motion passed unanimously.

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

9) Adjournment

Having no other business, Ms. Huston made a motion to adjourn the open meeting which was seconded by Mr. Essex. The motion passed unanimously and the meeting ended at 8:40 pm.

51052.00002\7401419.2

Approved
7/28/2012
