



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

January 24, 2019
~~DRAFT-2~~

MEETING MINUTES

Board Members Present: Larson Jaenicke, Jamie Justice, David Treme, Robert Guth, Brad Davis, Brett Ellis, David Auger and Steven Miller (on the phone). Absent: Mark McDowell. Other attendees: Vicki Casey and Sean Wilbur.

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 6:32 pm.

- **Approval of the October 25, 2018 Meeting Minutes**

Mr. Jaenicke noted that prior to this Meeting the Meeting Minutes for the October 25, 2018 Meeting had not been provided to the members of the Board so this agenda item would be taken off the agenda and rescheduled to the next Board meeting in April.

- **2nd Quarter 2019 Financial, Operational and Safety Update – David Auger**

Mr. Jaenicke then requested Mr. Auger to provide the Board with his Second Quarter Fiscal Year ("FY") 2019 financial, operational and safety update. Mr. Auger opened by stating that it is his privilege to share with the Board that Continuum had another outstanding quarter. Revenue in the recent Quarter was \$5,404,135 which was a \$104,657 or 1.97% increase when compared to the same quarter in FY 2018. With respect to expenses, the category Total Expenses for the Second Quarter FY 2019 was favorable when compared to the First Quarter FY 2018's expenses by \$94,751 or 2.37%. Mr. Auger pointed out that the category Cost of Goods Sold was the primary driver of the savings by being favorable by \$156,448 or 7.23%. The reduction in Cost of Goods Sold was primarily related to the savings generated by the switch of vendors to Alianza for telephone dial tone which included half price service for six months through February 2019. Continuum is also receiving additional savings from the cost of video programming by approximately \$40,000 during the recent fiscal Quarter because of the erosion in video service. Facility Based Expense was unfavorable by \$86,722 when compared to the same Quarter in FY 2018. While Marketing Expense was favorable by \$33,577, Mr. Auger pointed out that the Company was tracking against the expenditures for the name change and rebranding that occurred during Second Quarter FY 2018 which increased the expenses in that Quarter. Administration was unfavorable by \$8,552 or 4.23%. EBIDA was favorable to the Second Quarter FY 2018 by \$199,408 or 15.42%, and EBIDA margin was 27.62%, an increase of 3.22% when compared to the same quarter in the previous fiscal year. Nevertheless, the EBIDA goal remains 30%, a goal not yet attained. Depreciation and Amortization when compared to the same quarter in the previous Fiscal Year was unfavorable by \$38,757 while Interest expense was favorable by \$35,051. Net Income was favorable by 26.22% which made the net loss for the Second Quarter FY 2019 \$550,743, a decrease of \$195,702 over the same quarter in FY 2018. Gross Margin in the recent Quarter was one of the highest the Company has achieved at 62.87%. Average Revenue/Customer increased by \$4.12 or

3.69% to \$107.83 per customer for the recent Quarter. Mr. Auger stated that year over year the Company is down 1,115 RGU's and 328 customer relationships when compared to the same quarter in FY 2018. He also reported that as of the 24th of January the Company is seeing an increase in customer growth.

Mr. Auger next introduced Continuum's new "Unboxed" product. Mr. Auger explained that the product is still in its test phase since only selected employees and "friendlies" have been using it. The new concept is, in essence, internet delivered television since the video content is delivered through the internet to Continuum's broadband customers. Essentially the "Unboxed" product is Continuum's basic cable channel lineup without the local broadcast signals. Mr. Auger explained that there is no set top box required because its application plays through popular streaming devices such as Amazon Fire, Apple TV, Google Chromecast and on mobile phones and tablets. This product should not require a truck roll for installations or disconnects and it should not require significant capital for equipment. As a result, there is a significant reduction in the typical cost of providing service to a customer. Mr. Auger stated that the goal of this new product is to offer customers more choices and to win back cord cutters and shavers while enhancing revenue for the broadband product.

Mr. Auger then moved on to discuss operational updates. He stated that customer data speeds were increased by essentially double at no additional cost to the customer and a new 500 x 20 high speed product named "Ultimate" was now being offered to customers. These changes went into effect November 30th and have been well received by customers. It has also resulted in customer growth. Mr. Auger next reminded the Board that all technical support has been moved in-house and that the Second Quarter represented the first full quarter that the in-house technical staff had been fully operational. He explained that the success of this change had been even better than anticipated. He next advised the Board that service times for calls for residential and commercial customers were down.

Mr. Auger concluded his presentation with a Safety Update. He stated that it has been 189 days since Continuum's last recordable incident. Currently Continuum is installing directional strobe lighting on bucket trucks and testing back-up alarms on all vehicles. Recently the Mooresville Fire Marshall conducted a full inspection of Continuum's facility. As a result of that review, a few minor findings were addressed and quickly remedied. Mr. Auger concluded his safety update by stating that Continuum continues to educate its technical and operational teams through monthly meetings that discuss topics such as electrical hazards, inclement weather driving, etc. and that the Company was developing a formal escalation process for safety violations.

Mr. Auger closed his presentation with a brief Q&A where Board members discussed the new Unboxed product and its benefits to not only customers but to Continuum's bottom line financial results.

- **Consent Agenda**

Mr. Jaenicke moved to the next item on the agenda. He stated that each Board member had received an email detailing the proposed 2019 FY base and contingent incentive compensation for Mr. Auger. He asked that it be taken as a consent item if there were no objections from the Board. Since there were no objections, he requested a Motion to Approve the Consent Item. The Motion to Approve the Consent Item was made by Mr. Davis and seconded by Mr. Treme. The Motion passed unanimously.

Roundtable discussion

Mr. Jaenicke then asked Board members if they had any additional questions or comments. None were asked.

- **Adjournment**

There being no further Board business, Mr. Jaenicke requested a Motion to Adjourn the Meeting. A Motion to Adjourn the Meeting was made by Mr. Ellis and seconded by Mr. Justice. The Motion passed unanimously. The meeting adjourned at 7:04 pm.

x SA. → 4/25/19