MINUTES OF THE CC COMMUNICATIONS MANAGEMENT

155 N. Taylor St., Fallon, NV 89406
May 6, 2021

Call to Order:

The regular meeting of the CC Communications was called to order at 2:00 PM on May 6, 2021.

PRESENT: Commissioner H. Peter Olsen, Jr.
Commissioner Justin Heath
Commissioner Gregory Koenig
General Manager Mark Feest
Chief Financial Officer Jamie Hyde
Billing & Collection/Customer Service Supervisor Shonda Standen
Administrative Assistant Shelly Bunyard

ABSENT:

Public Comment:

Chairman Gregory Koenig asked if there was any public comment but there was none.

Verification of Posting of Agenda:

It was verified by Shelly Bunyard, Administrative Assistant, that the Agenda for this meeting was posted on the 30th day of April, 2021 between the hours of 1 pm and 5 pm. at all of the locations listed on the Agenda, in accordance with NRS 241.

Consideration and possible action re: Approval of Agenda as submitted or revised:

Commissioner Justin Heath made a motion to approve the adoption of the agenda as submitted. Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Approval of Minutes of the meeting held on:

A- March 26, 2021

Commissioner H. Peter Olsen, Jr. made a motion to approve the Minutes held on March 26, 2021 as submitted. Commissioner Justin Heath seconded the motion, which carried by unanimous vote.

B- April 1, 2021

Commissioner H. Peter Olsen, Jr. made a motion to approve the Minutes of the meeting held on April 1, 2021 as submitted. Commissioner Justin Heath seconded the motion, which carried by unanimous vote.

New Business:

A- Consideration and possible action re: CC Communications 2nd Quarter Write Offs for FY 2020/2021 in the amount of $10,229.24

Shonda Standen, CC Communications. We are asking for approval of the 2nd Quarter Write Offs for FY 2020/2021 in the amount of $10, 229.24.

Commissioner H. Peter Olsen, Jr. Quick question. That seems higher than what it has been. If I remember right, we have been writing off around $3,000 to $6,000, normally.

Shonda Standen, CC Communications. Right. We had almost six months' worth of time in there, where we could do nothing because of the FCC and the order for COVID. The last three months of the year were much higher. We're still lower than the year before.

Commissioner H. Peter Olsen, Jr. Ok.

Commissioner Justin Heath made a motion to approve the CC Communications 2nd Quarter Write Offs for FY 2020/2021 in the amount of $10,229.24. Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: review of Benchmark International Report, and further consideration of NRS 710.

Mark Feest, CC Communications. A forty-page report was provided to me. I just wanted to give you a few of the highlights. If greater detail is wanted, we can have a closed meeting under NRS 710, to discuss further finding or further results of what was provided.

When they looked at our valuation, they recognize that EBITDA compares favorably to other rural communities at large. The return on equity compares favorably to other rural telecommunication company industries. Non-USF average revenue per user compares favorably to rural industry-at-large. It's significantly influenced by our off-network operations. Which are the circuits between Las Vegas and Reno and data circuits, etc. With all of that added in, we get a total revenue where we compare favorably to other rural ILECS average revenue per user. The reason it says non-USF, is because you have to back out what is received from USF. USF depends on many other factors that the company has no control over.

Significant FTTH deployment decreased future capital expense projections for a potential purchase. This was done with the idea of valuing what a potential purchaser would value the company as. He said we would have wide appeal to a strategic purchaser.

Our company has shown proven resiliency in a down market. They still consider this a down market in telecom. Primarily because of the downward pricing pressure creates a downward market when compared to the cost of FTTH. We're not able to capture as much revenue as we could a few years back on a FTTH build.

They identified employee benefit costs exceed averages as more companies have transitioned to a 401k retirement plan. We are above average on our benefit plan because we are a participant in PERS. They identify revenue per employee as average. A potential purchaser would have the opportunity to improve that due to CC Communications' unique structure driving up employee costs which is PERS. Purchasers would have the opportunity to improve this due to economies of scale realized by a strategic purchaser.

They have identified that we have poorly performing managed services group. This is not news to us. We have continually tried to make improvements in that area. We should see some decent numbers out of that group for the rest of the year. It's definitely something that needs to be continually re-evaluated. They thought a potential buyer would actually split that group off and look for another acquirer of it. It's not a significant contributor to revenue so it doesn't really impact a valuation. The group is not a core service, so it doesn't impact valuation. It actually pulls down our average revenue per employee. Essentially, they said no one would want to buy it with that most likely. When you look at the value of it, that group is dragging down the company as a whole at this moment.

They identified the Elko expansion would increase unknowns and complicates the ability to make a valuation.

The revenue bond closed after they evaluated our financial statements. They also identified of what is referred to as "cash scrapping" would be expected. This means you keep all the cash in the company and don't pass it on. They noted the valuation is not a science and depends largely on the type of buyer, timing, and strategic value.

They stated a Strategic Purchaser, which is a buyer who has operations that seek to expand, improve, or vertically integrate. Examples include competitors and companies from other geographic areas. In this industry, there are few companies that purchase independent rural carriers and pull them all together. They own multiple companies and capitalize on economies of scale and that would be a Strategic Purchaser. They often do not need the client to stay on, which means they get rid of the management. That's how they get their economies of scale is to leave as few employees as possible. Their valuation at lower historical EBITDA, which is earnings before interest taxes depreciation and amortization from a Strategic Partner is roughly $55,000,0000.00 plus the scrapping of cash.

This is a brief overview of what they returned to us. They gave some further information as to how they came up with statements such as our EBITDA and ROE compares favorably. I don't want to say the competitive value of any other specific information in an open meeting. If the board would like a more detailed information of the report, I think it should be done in a closed meeting under NRS 710. I do not have any recommendations on this information at all.

No Action / Informational Only

C- Consideration and possible action re: waiver to the CC Communications Scholarship Program to award scholarship to student worker in the amount of $1,000.00 per year for four years.

Mark Feest, CC Communications. Our scholarship account is prefunded and there is enough in the account to cover an additional scholarship at $1,000.00 per year for Four years. Our scholarship is actually $1,500.00 per year for Four years as long as the student maintains the GPA requirement. We had two applicants that qualified under our policy and they were awarded the two scholarships.

We have a student worker that has worked for CC Communications part of his junior year and now his senior year. He has worked here longer than most student workers. The policy technically says you have to be a dependent of an employee to receive the scholarship. We are asking for a waiver of that policy, so that we can award this student employee a scholarship. The scholarship will be in the amount of $1,000.00 per year for Four years as long as he maintains the GPA requirements.

Commissioner Justin Heath made a motion to approve the waiver to the CC Communications Scholarship Program and award scholarship to student worker in the amount of $1,000.00 per year for four years, subject to all other conditions of the scholarship award. Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

General Manager Report:

1. **COVID – 19 Update**

   Lobby Closure and TT/Install
   - No changes

   Peak Internet Usage
   - Average, 95%, and Peak are all up slightly in April 2021.
   - Third link has been added into the firewall; thus, we again have the ability to completely failover even during peak hours.

2. **HR/Employees**

   a. We have several positions open and actively seeking both internal and external applicants.
      i. Combo Tech X2 (Elko)
         1. One combination technician has been hired in Elko.
         2. Training on install, locates, etc.
         3. Will be in Fallon this week to train and get to know employees that have not interacted with him in Elko.

      ii. Internet Systems Administrator
         1. Position was internally filled.

      iii. IT Technician I, II, **or** III will now need to be filled.
         1. We fill this ONE position based on skill level meeting the job description for I, II, OR III.
         2. As the incumbent obtains further certifications, they are moved from I to II to III.

      iv. Our IT Supervisor will be retiring.
         1. Recruitment for IT has begun.

3. **New Building**

   a. We have given 2 days overage so far. We have a minor dispute regarding allowable days and change orders.
   b. Furniture has been selected out of the State of Nevada contract with Henricksen Butler.

4. Spring Creek

a. First backhaul link is up at I80 TV district building
b. Second backhaul Link is not showing light. We do not need it up to turn up first customers. We believe we know the issue and expect to be resolved next week.
c. NDOT Permit came in yesterday on Lamoille to set boxes and blow fiber needed to serve Summit Estates.
d. We are waiting on NDOT permit to bore Lamoille HWY at Pinion. Not service effecting
e. We are waiting on NDOT permit to dig back from box on Lamoille to Summit Estates ¾ mile. Needed to serve Summit Estates. NDOT says it is in final review.
f. Summit Estates service facilities are almost done.
   i. We need e above to splice to pre-installed customers.
   ii. Pre-installs continue as one-offs in Summit Estates.
g. Our 12x20 prefab building is set, racked and stacked.
   i. This is on site and awaiting NV energy to drop power at 2 pm today.
h. The two 10GB Links are in
   i. One is seeing light
   ii. One is not seeing light
i. Permitting in progress with NDOT on Lamoille HWY
j. Drop fiber for micro-duct remains on backorder.
k. In process of permitting SCA Tract 200 and 400
   i. SCA President has asked to have a ground breaking.
   ii. We will sponsor July 4th "Freedom Festival"
l. Fiber continues to be placed along all routes.
m. Pre-Service Installs continue in downtown corridor.

5. Business Development

a. RFPs completed for ERATE in (no word yet):
   i. Elko
   ii. Crescent Valley
   iii. Yerington
   iv. Battle Mountain

6. Boards and community outreach

a. CEDA Bd. Meeting
b. CEDA Strategic Plan meeting
c. CEDA business council board meeting
d. NTA board meeting
e. WTA Board
f. Oasis Bd. Meeting.
g. Met 3rd time with CCSD Superintendent, Oasis Academy CAO, and WNC Fallon Director, are set bi-weekly re: workforce development project.

Public Comment:
Chairman Gregory Koenig asked if there was any public comment but there was none.

Adjournment:
The meeting was adjourned at 2:29 p.m.

APPROVED: ______________________
Greg Koenig, Chairman

APPROVED: ______________________
H. Peter Olsen, Jr., Vice, Chairman

APPROVED: ______________________
Justin Heath, Commissioner

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Shelly Bunyard, Administrative Assistant

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Mark Feest, General Manager/CEO