

SOUTHERN TIER NETWORK, INC.

Minutes

March 23, 2011

8 Denison Parkway East, Suite 310, Corning, NY

ATTENDANCE

Board Members: Mark Alger, David Hopkins, Steven Manning, Mark Middaugh, Timothy O'Hearn, Mark Rogus, Marcia Weber

Alternates: Michael Krusen, Jack Wheeler

Guests: Joseph Starks, James Townsend

Call to Order: The meeting was called to order at 10:10 a.m. by Chair Marcia Weber in the conference room at the STC office.

1. Approval of Minutes – February 24, 2011 – Upon a motion duly made (Mark Rogus/Mark Alger) and carried, the minutes of the February 24, 2011 meeting were approved as written.
2. Finances
 - a) Results of meeting with M&T Bank – Mark Rogus reported that the bank account (a depository account) has been opened with M&T Bank, and \$1 million has been deposited.
 - b) Financing issues – to be discussed later in the meeting.
3. Insurance - Mark Rogus requested quotes for Directors and Officers insurance in two amounts: \$1 million and \$3 million; 78% of boards have \$1 million policies. Once quotes are received, he will look at the terms and conditions and circulate recommendations to the board. On a motion duly made (Tim O'Hearn/Mark Alger) and carried, Marcia Weber was authorized to act on the recommendation from Mr. Rogus, assuming the other board members agreed with the recommendation.
4. Review and Approval of Services Agreements
 - a) ECC proposal referred to as Part A: design, engineering, construction management services. Upon a motion duly made (Tim O'Hearn/Mark Alger) and carried, the board went into executive session, at which point Mr. Starks left the room.

A motion was duly made (Tim O'Hearn/Mark Alger) and carried to resume the regular meeting.

Upon Joe Starks' return to the meeting, there was a lengthy discussion about issues, including tracking the costs per mile as well as by hour and the realignment of fees if the counties do the rights of way and

engineering for underground sections of the network. ECC will bring information on other components to the next board meeting.

- b) Southern Tier Central Regional Planning and Development Board proposal for accounting, administrative, and GIS services. Marcia submitted a proposal from STC for accounting, administrative, and GIS work as well as the provision of conference facilities, phone, and Internet access as needed. STC will bill STN for other purchases. The Quick Books accounting software will be from \$750 to \$1,000, priced to include upgrades. The board received the resume for STC's Accountant, Dan Wilhelm, who will perform STN's work.

A suggestion was made that a purchasing policy be developed.

It was asked whether STC doing the GIS work would affect the ECC engineering proposal. Joe Starks stated that STC currently has all the base maps that will be used for the design work, and the GIS portion of the contract will have minimal impact on ECC's contract.

Jim Townsend suggested that because of the open-ended nature of the contract with STC, the contract be short term, recommending the 2011 calendar year. If the STC Accountant and GIS Specialist find that they need to spend too much time on the STN work, either party may request a different proposal. He also specified that the contract should include arms-length language for STC and STN.

On a motion duly made (Steve Manning/Mike Krusen) and carried, the Board approved the contract with STC for calendar year 2011.

A CEO and CFO, non-board representatives, need to be appointed by the end of the year. The CFO will sign off on the financials and reports and could be Dan Wilhelm. The chair will get a list of responsibilities and write job descriptions, including in them arms-length language. Decisions need to be made about tax filings and frequency of reports; Mark Rogus will work with Bonadio and Dan Wilhelm on these decisions.

- c) Bonadio Proposal for External Audit and Routine Bookkeeping Services. The Board discussed the Bonadio proposal for third party accounting services at \$13,500. They also discussed asking Bonadio for advice in setting up the general ledger and designing the chart of accounts because of Bonadio's experience with Ontario County.

Jim Townsend stated that the state law requires that the certified public accounting firm performing the audit not be the same firm performing other accounting procedures (such as bookkeeping and financial management) because one of their audit functions is to comment on the authenticity of the internal audit. If they design the system, they will not be in the position to comment on it.

Mengel Metzger, which is doing the audit for Ontario County, was suggested. Mr. Townsend stated that the tax return would also need to be done by a separate independent auditor.

A motion was duly made (Mike Krusen/Dave Hopkins) and carried to approve the proposal with Bonadio for third party accounting services for \$13,500.

5. Discussion of Marketing – Marcia Weber reported that STN currently has no contract with any firm for marketing; she recommends getting a proposal from Satori, which did the preparation for the funding announcement. Joe Starks then distinguished between marketing, which is being done by ECC in meeting with the carriers, hospitals, schools, etc. as was approved at the last meeting, and media relations. ECC has a media relations staff in house; if STN would like to utilize their services it is available at no charge.

ECC has begun to develop a website; three options will be sent to the board for their comments and recommendations. Satori's media relations for the funding announcement had gone very well, and Joe recommended they be used when a milestone is hit, such as getting a customer to commit to using the network.

It was suggested that the website be operational as soon as possible as a matter of compliance and to keep the public informed. Board members should submit short biographies that could be posted on the website.

6. Meetings with Carriers – Joe has been meeting with potential carriers and other agencies. He gave a PowerPoint presentation showing tower locations, possible construction of laterals, and routes where the project might go. A discussion was held on the siting, construction, and marketing of laterals.
7. Certificate of Public Convenience (CPCN) to be filed with PSC. Joe Starks has spoken with the Public Service Commission (PSC), and the Certificate of Public Convenience and Necessity (CPCN) will be filed in the next two weeks.
8. Pole attachment and right-of-way agreements with utilities –ECC has been in contact with utility companies about pole attachments and rights-of-way, and the agreements should be coming in.
9. Discussion of agreements to establish indefeasible rights for participating counties. This work has begun.
10. Meeting schedule, next meeting and future steps – The next meeting will be Wednesday, April 13, 2011 at 10:00 AM in the STC conference room. An ongoing meeting schedule will be emailed to everyone to determine availability.

The meeting adjourned at 1:00 p.m. on a motion by Steve Manning and seconded by Mark Middaugh.

Respectfully submitted,
Susan M. Cratsley, Recording Secretary