

MRCC Special Meeting Dec 4, 2019



Board Present: Leonard McCulloch, Darren Ostenberg, Keith Losey, Tony Miller, Bob Thielen

Telus Representatives: Malcom Shattock, Tyler Mooi, Tammy Hangs, Kade Kirchenko

Lawyer: Randy Thiessen

Staff Present: Phil Wright, Kelsey Robutka, Nicole Johnson

Members in attendance: 140

Leonard calls meeting to order at 7:03pm

1. Opening Statement and Introductions

We will have a presentation by Telus; the buyer. Anyone wanting to ask a question is asked to come to the podium, state their name and who their question is directed to.

This proposal has been in the works for 6 months, but we have been under a confidentiality clause preventing us from discussing details.

2. Buyer Presentation

Tyler Mooi; Municipal Relations, Malcolm Shattock; Manager of Operations, Kade Kirchenko; Technical Supervisor, Tammy Hangs; Sr Program Manager.

Tammy has been responsible for working on this relationship with the MRCC.

History and Overview of Investments in AB:

1885: Phone call connected

1982: Cellular network in Canada launched

2005: Community board launched, and first home connected to PureFibre

2013: Community wide PureFibre starts in AB

Mission is to bring higher speeds to communities across the province; bringing fibre to communities. Currently building better and bigger networks. Recent investment announcement for \$16B in AB over the next 5 years;

- Meant to expand networks to support jobs
- Investing in digital technology platforms
- Robust networks/support networks and
- Deepening fibre to the community.
- Continue to invest in real estate.
- Pure Fibre
- Investing in communities wireless service
- Investing in smart hub

PureFibre Investments to Date: Since 2013 we have been investing in communities across Alberta through our PureFibre network build supporting the fastest internet speeds and



preparing Alberta for 5G technology deployment. We have connected or are in the process of connecting over 24 communities to the PureFibre network, including Edson, Hinton, Blackfalds, Peace River, Edmonton, Okotoks, Turner Valley, Taber, Wetaskiwin, Drayton Valley, St. Albert, Airdrie, and Didsbury.

PureFibre Philosophy and History: Telus initiated a Fibre-to-the-premise (FTTP) pilot program in 2013 and included 8 smaller and more rural communities across BC and Alberta. In 2014, Telus expanded the program to include an additional 18 communities and in 2019 have now invested in more than 120 communities across BC, Alberta and Quebec using the very same community centric approach, transparency and engagement.

It was by choice that Telus started investing in PureFibre in what were considered less dense and less profitable areas. By their nature these areas were historically underserved. As we piloted and further refined our FTTP build processes we needed like-minded communities that would collaborate and work with us to create a successful experience for the community. The extent to which Telus and the Municipality are successful in cooperating has a direct impact on the speed and efficiency of the FTTP build, and ultimately its ability to deliver the anticipated benefits for the community.

PureFibre looking forward: This year we announced our PureFibre builds in Airdrie, St Albert and parts of Sturgeon County. We continually review our build plans and are committed to expanding our fibre network to more communities in the coming years. Given the magnitude of these investments and the complexities of the construction, we are not able to build everywhere at once.

In Alberta, TELUS has given \$145 million and volunteered more than 2.5 million hours to charitable and community organizations since 2000 through their “For Good” programs.

1. **Internet for Good** – Providing low income families in Alberta with access to affordable in-home high-speed internet and more than 250
2. **Mobility for Good** – Has brought free wireless service and devices to vulnerable youth aging out of government care and working with the Government of Alberta to expand the program’s reach to all youth who transitioned from foster care over the past 8 years.
3. **Health for Good** – Bringing mobile health clinics to the streets of Calgary and Edmonton to provide access to healthcare to the homeless and those suffering from mental health and addiction issues investing in health care space and consumer products. Ex/
Deploying mobile health clinics to rural communities.

These programs have provided 122,000 Albertan families access to low-cost, high-speed Internet, nearly 3,000 Albertan youth with a free smartphone and data plan, and over 7,500 annual medical interventions for vulnerable Albertans through our mobile health clinics.

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Mascon: is a BC company purchased by Telus in January 2017. They are a business serving small communities very similar to the MRCC. Once acquired, we started bringing fibre closer to the communities and improving networks as well as pairing services.

The model deployed through Mascon is an evolution of the network:

1. Acquisition and Collaboration – Through strong opportunity identification
2. Transition & Onboarding – Bringing together and harnessing institutional expertise
3. Upgrades and Evolution – Network innovation via a Living Lab; improving customer experience through reliability investments; and, evolving the network and services to maintain long-term growth

It is an opportunity to improve services and keep people connected, retain staff and offer training opportunities. Goal is to bring new services, offer bundled services, improve connectivity for health care services.

Mascon has shown partnership with newly acquired existing companies and are focused on evolving those relationships. We see the same opportunity with MRCC. If acquired, Mascon will keep MRCC as a cable network, improve it and set it up for the future by offering reliability (ensuring service is reliable and sustainable by making sure that the services are supported long term) and improving services. Mascon and Telus services are already very intertwined with how MRCC offers service.

Benefits to the Milk River and surrounding areas community:

- Improve the deepening of fibre to the community, providing better services and speeds to the community.
- Create a cash windfall be used for whatever the club and members would like
- Retaining skilled staff and support new job opportunities in Milk River
- Services: delivering latest and greatest in TV and broadband technologies as it evolves across the entire network (provided services are dependent on what the network is capable of)
- Community support: Telus loves to support charities and communities via Telus Community Boards and other initiatives such as Smart AG
- Invest to enable 5G technology to drive digital economies
- Create pricing benefits through bundling of services and providing access to new services

Mascon lives the brand of connectivity and community. Their mission is to come in and create a positive experience in the community and are investing, as a company, to things like electronic records for healthcare, home security, and agriculture, with a focus on how they ensure their networks support agriculture.

Proposed terms:

1. Purchase price of \$1.25M (on a cash free debt free basis)
2. Telus additionally commits to the following:
 - a. Investment in fibre to support improvements to the current cable network
 - b. Upgrade to high speed internet equipment



- c. Upgrade to existing cable networks,
- d. Install fibre transport to Coutts.
- e. Provide new equipment to the inside plant (CO)
- f. Retain all employees for at least eighteen months
- g. No increase prices until the incremental investments to the network are made

How does Mascon fit within Telus? How would MRCC fit within Telus?

Mascon has been operating for over 30 years in BC. Since acquired, they have gone on a good journey of investment in other small cable communities and are planning to do similar with 6 communities Vancouver Island this year.

Capital investment has been outstanding and has allowed Mascon to grow, which has been encouraging. Their relationship and partnership with Telus allow them to look outside of BC and now to AB.

Telus is proposing to purchase the MRCC and Mascon would operate the network as a cable company until it makes sense to operate as a fibre network.

3. Board & General Manager Presentation

Board would like to make some statements.

Tony Miller: As a board we were not looking to sell the club and we are happy with the way things are going. We were approached and it was our due diligence to bring it to the members, which is why we are having the information and discussion session tonight.

Keith Losey: Been on the board since 2015. This club was started back in 1976 and my dad was one of the original board members. The club was formed to provide cable tv to the community. We are proud of how the club has grown, but with growth comes change, so we must consider this offer. Also, we are a non-profit organization. We have members, but we do not have shareholders.

Leonard McCulloch: The board is recommending that if the club sells the money be put in a trust or charity to be used for the community. For example, the handibus, swimming pool, or tennis courts, to name a few. The vote will take place January 20, 2020, and there will be 3 resolutions to be voted on:

- The sale of the club
- The dissolution of the Society
- What will happen with the money

The proposed resolutions will be sent out 3 weeks prior to the meeting.

4. Question and Answer Session to the Panel

1. **Brendan Hood** (to Telus): If your plan is to deploy fibre and enhance services, with the aging service structure of the network in Milk River, what cost to the individual would there be to install fibre?

Telus: In the network, there are 3 steps to deploying fibre: The central office, the cable that goes to the curb, and from the curb to households. There is a portion of the



network that comes onto the property, called a drop. At this time, there would be no cost to the homeowner for the proposed upgrades, including the upgrade to the home.

2. **Gary Bessette** (to Telus): There will be no additional cost for fibre optics to the house, but afterward what amount would the monthly bill go up?

Telus: At this time, and for the foreseeable future, there is no immediate plan to bring fibre to each household, but rather we will bring it deeper into the network. As we make upgrades, service rates would not be impacted. We are investing in services and bringing it online and would provide average rates for new services.

Gary: What percentage would the increase be?

Telus: Check out www.mascon.ca. They have 1 set of pricing across all their communities that is very competitive with all other big players. MRCC's pricing is relatively similar. Long term as services are offered here, the cost will likely decrease with the opportunity to bundle services. We don't have comparison details, but we encourage all to check out the website to compare.

3. **Jim Willet** (to Telus): I am the Mayor of Coutts. Coutts was listed as a commitment; can you expand on the Coutts end of the operation?

Telus: Coutts was assessed during our last site visit. There is access to fibre in Coutts. We would be looking to access the fibre and eliminate the microwave system from Milk River to Coutts to bring more reliable and higher speeds to Coutts.

Jim: How long before the change would happen? Moving from microwave to fibre will likely not make much of a change, will there be fibre to the home?

Telus: We are not talking about fibre to the home at this time. It would be an upgrade to the transport from MR to Coutts. The first 12 months would solidify a fibre backhaul to Coutts then we would look at deploying different cable to Coutts.

4. **Suzanne Furlong** (to Telus): What will you do for the rural customers?

Telus: We can bring network capacity to rural communities. We will be able to upgrade the antenna systems for the wireless infrastructure, which will improve coverage in rural areas surrounding communities like MR. For very rural areas, we are currently investing in 5G spectrum. We will look into how we can use it to service areas outside of the wireless network. We work very closely with counties and provincial government regarding areas of concern and there are many subsidy programs available. We're looking for ways to bring connectivity to rural Alberta.

5. **Robert Hulit** (to Telus): I quit Telus in the 90s due to poor service and long wait times for tech support and it pushed me to go to the Cable Club. Are you going to get rid of the Cable Club and we all become members of Telus?

Telus: No local membership will be deployed. Mascon is very small and local. MRCC would be operating in Milk River as they are now.

Robert: If services go down what kind of response time would there be?

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Telus: We have a small call centre with Mascon who pride themselves on fixing customers ASAP/same day. It is a priority

Robert: Are you committed to 5 days or less?

Telus: 100%

Robert: Are you going to leave the current telephone numbers that we have through MRCC?

Telus: Yes

Robert: Are you going to operate the club, will staff be gone, will we operate out of Lethbridge?

Telus: Service will continue to be out of Milk River. Support may be from outside and staff would likely be happy to have additional support. Telus can provide additional resources to help with this.

Robert: Will there be a technician in Milk Rive permanently?

Telus: Yes.

Robert: Can my phone number be moved from Milk River to Coutts if I move?

Telus: We cannot commit at this time because we don't know how the system is set up. But if you can do it today, it is likely not going to change

Robert: Can we discuss how the money will be used?

Randy Thiessen: This is a big concern to me. There are many technical things involved in this process. To clarify, they are buying the assets, not the club. First, we need a special resolution to be able to accept the agreement, which has not yet been received, only a letter of intent. We will have to address what we are agreeing to as the offer includes a series of commitments. We will then serve this notice 21 days in advance of the meeting. The resolution has to spell out exactly what we are voting on. We cannot change it last moment; no amendments can be done at the AGM. The special resolution will say if we are going to sell or not. What do you do with the existing society? Change bylaws? Or something different?

Next, what to do with the money; debts need to be paid, which leaves us with approx. \$1M. It is one thing to get rid of assets, but the bottom line is that we have a BC company saying we will provide this stuff, but what are the timelines? What's the undertaking? What if they don't follow through? What guarantees do we have? This group needs to address these terms. How good are the guarantees for the proposed add-ons? There is to date no agreement, only a letter of intent. Tonight is step one. For step 2 the board will put together special resolutions spelling out what the agreement will look line and what we will do with the money. Do we turn it into a charity? Where are we going? How will the money be spent? Bottom line is the membership decides how the money is spent, and I suspect the board of directors will then make the call on how it's spent. But the question is do you sell the assets and what do you do with the money?

6. **Victor Haddad:** As a member of the Canadian Cable Systems Alliance we have been very progressive. It has been wonderful working with the Club. Everyone has heard me say



over the last 5 years that I would retire, but no one believed it. The problem with operating a little club is who takes over and runs it? Coutts came 12 yrs ago asking MRCC to operate their TV system, so we took it over. It's wonderful, as long as you're willing to do it, but I got too old and had to leave. Phil has 2-5 years from retiring, who will replace him? Phil can't fill the shoes of technicians. Where do they come from? Experienced technicians want 3x the salary we can afford. Technology moves way too fast, and I'm afraid we need the big company with deeper pockets to come in and bring technicians to Milk River. We came into the internet business because no one else would do it. Now here we are with Telus wanting to take us over; we should be pretty proud of what we've got. But we have no where to go and no one able to run the facility long term. Today we are running fine, but everyone is aging. I think the offer is generous. It lacks a few things, but I'm confident the board will take care of it with suggestions. Keep a positive attitude. Thank you.

7. **Kathy Borthwick**(to Telus): Channels keep changing, I still can't even find half of the channels I watch anymore, will this happen again?
Telus: We felt the same pain, the changes were out of providers' control. We have all been through the same process. Fortunately, the heavy lift of that is over. Over the next few years, the channels will stay the same for some time.
8. **Dennis Ellert:** I disagree with Vic. I'm a MR guy, lived here my whole life, watched time and time again larger companies buy out smaller outfits. When we outsource everything, we won't have a town. MRCC has made MR and provided a service. We support them, and they support us, and now we are going to sell it to someone who can make a profit and make it bigger and better? It's a business to make money, not for the community. If MRCC would say "we want to sell, either close it down or sell it". Look to the drug store to see how service goes down. The reason it's there is to suck money out of the community to bring it somewhere else. I don't care what your job is, if this community is good enough to supply you every month with a paycheck it's good enough to live in. Commitment of 18 months for staff is a joke, what happens after that 18 months? I have always been a member, and now we're considering selling out to the big guy? We hear a large sum of money, but I feel it's worth more than that to keep it in the community. The idea to sell MRCC out of the community is ridiculous. The board is doing a good job; yes they are aging and want to retire, Telus does too. There is no difference. We have seen too many things in this community shut down, left with a skeleton, scratching and clawing to save the school and hospital. I do not believe we should sell out.
9. **Jim Willet:** Chair of SouthGrow, Regional Economic Development Initiative and mayor of Coutts. Dennis has raised some interesting points. It would be great to keep MRCC the way it is and not raise prices and replace dying equipment. The technical part is that the equipment in the field is becoming obsolete. Major investments need to be made,



which MRCC cannot make. Sure we will stay as-is for a while, and the world will advance around us. The agriculture tech that needs to be taken care of for 5G and wireless requires a big investment. MRCC will not be able to do that and could go under. SouthGrow commissioned a study at the university of the cost benefit analysis for broadband for the entire province. The case is there that you have to have broadband, and once you have it there is a 3:1 repayment on any investment. It's very important that we be in the front and be current, and not sit here and say, "well we've always had this Cable Club and they have done a good job" and they have. They have the best wireless coverage in southern AB, a lot of it goes to Vic and the Board. The time has come that if you're going to keep everyone connected and everything happening, you're going to have to move on and take the next step. MRCC will not be able to stay tech current and we will encounter larger problems than channels. To say we are selling out MRCC is wrong. If we have better broadband, we could have more people stay here. Companies more interested to come. Put whatever kind of business in here. SouthGrow's job is to find businesses to move into communities like this and broadband is a key component to that. I wholeheartedly support this proposal.

10. Robert Kuhl (to board): What is current debt of MRCC?

Phil: Approximate debt is \$172,000

Robert: Randy, what is the tax implication if sold?

Randy: Currently an unknown variable. what is the tax presuming there is one? We don't have a number. Tonight is for information. What does it look like, what are ramifications and what happens with the money?

Robert: The membership should have a financial statement with an indication with how much will be leftover after the sale and how much will go to Revenue Canada.

11. Phyllis Austin: Has anyone considered a partnership between MRCC and Telus? Could keep Cable Club, but Telus would provide the necessary technicians and upgrades. Like business partners.

Telus: That is something to take away with the board after the meeting. The offer to purchase is for the assets specifically, not the club.

12. Austin Hook: Business owner in town, long time MRCC member. There's lots of talk about benefits of more bandwidth, but who here is suffering from not enough bandwidth? Would anyone benefit from, or have a need for more bandwidth today?

Rob Hoytos: Rocky Mountain Equipment would benefit from more. When all kids are home and online we notice slower speeds.

Austin: The club has the capability and technical expertise to get higher bandwidth. Not a big deal, I just wanted to make that point. The general consensus has it that bandwidth needs increase 30% yearly. Applications that come, the weight on the capacity of the network, always needing to be upgraded. Where do we need bandwidth and what do we need it for? The Club can adjust and hasn't failed to provide good



bandwidth. How they can't do that in the future is confusing. The Club can do it, or they can find or hire expertise to do it. I also worry that we may not have enough time by the AGM to make an informed decision. I want an informed decision, even if it means delaying the vote. Standard businesses are having needs met. What we see in the network is speed and reliability. Physical connections need to be upgraded, yes. Economic development, bringing in new businesses. We need to focus on economic development and reliability with service so that it doesn't go down, not just internet and tv, but for security, health care, other services not being used today through MRCC.

- 13. Bob Bogle** (to Telus): I'm very proud of MRCC; notwithstanding the dollar figures, there's a human element. It feels good when I can walk into the office and I know the staff and my needs are being met. I have real fear of losing that contact and the service being outsourced to a larger centre. I ask Telus to seriously consider upping their offer of how long they would guarantee current staff positions at the current building. It will have a bearing on how I will vote at the AGM

Telus: We will take that away

- 14. Marvin Bohne** (to Telus): They mentioned the 2 communities that business is now up and running. How is it working? Has anyone researched these companies and how they are doing?

Telus: We have invested significantly and it's doing well. Reliability has increased, capacity and needs for internet increased. We would implement the same structure to MRCC.

Marvin (to board): How many of you have talked to those communities about Telus? Are they happy?

Phil: I have. They are very happy. I researched the companies involved as soon as I found out with the offer. I'm impressed with how they've done it, and all staff are still the same.

- 15. Kelsey Robutka:** We get to hear a lot of complaints in the office, members don't see the side staff do. If we are getting an offer this big, not sure why we wouldn't take it when we cannot currently afford the current equipment. MRCC cannot afford to upgrade all the time so why not take the offer?

- 16. John McCanna**(to board): Between this info session and the time when the resolutions are made, membership needs time to ask clear questions, especially before they vote. Is it possible for the board on their webpage, to set aside a spot for Q & A so we can ask questions and make an informed decision?

Phil: Yes, we can arrange that on the website, and anyone without a PC can come into office. We will answer any questions you have.



17. Christa Runka (to Telus): Currently we all own our equipment, I'm curious what happens with equipment with Telus? Do we pay rentals? Are we switching from Shaw? Will current equipment still work?

Telus: We did due diligence to explore synergies with Mascon. No equipment will be changed. There may be upgrades to wireless technology, but the current equipment will work with the Mascon system.

18. Paul Wollersheim (to Board): What percent of the members have to vote in favour of the sale?

Randy Thiessen: 75% of the members at the meeting need to vote in favour of the resolutions. You will have 21 days notice and there can be no changes. Whatever you see that comes in the mail needs to be exact. Nothing can be changed. The timeline right now likely not going to work.

Paul (to Board): Is Telus the only buyer? Are other companies interested? Have we explored other buyers? If in fact we are going to sell the MRCC, the board needs to do due diligence and explore other options. If we are worth \$1.25M, then maybe we're worth \$2.5M. Give it a year, let it have time. Put the club up for sale. Don't keep it secret.

Phil Wright: The board never intended to sell the Club. They were adamant against it until Telus outlined their plans and they realized that within the next 5-10 years we will have issues. Telus will come in no matter what. It doesn't make a difference if we advertise for sale. The intention was they made an offer, we negotiated to get the best deal, they came back with this, more negotiations are still to be had. There's no point offering up the Club for sale, we aren't worth \$2.5M. We are an asset at the end of the day.

19. findAllan Ostenberg: You're talking about equipment upgrades, but no one knows about the equipment. Maybe we have the best now.

Phil Wright: We're talking about cables in the ground not just equipment at Head End. Cables are rotting away causing pixilation problems and needs to be replaced. 1 alley cost us \$30,000, and we need to do many more. It would take 5-10 years to complete it all, and we would need to hire another company.

Allan: You just switched to Axia for service supply, what kind of cost is associated with that contract?

Phil: We have been with Axia for over 10 years, this is just a new contract and we took Shaw out of the loop so we are now just with Axia, we will stay the same.

No more questions.

Leonard McCulloch adjourns at 8:31pm