

**THE BOARD OF THE KENTUCKY COMMUNICATIONS NETWORK
AUTHORITY**

MINUTES OF THE NINTH MEETING

MARCH 15, 2018

Call to Order and Roll Call

A meeting of the Board of the Kentucky Communications Network Authority (“Board” and “KCNA”) was held on Thursday, March 15, 2018, at 1:00 p.m. EDT in Room 110 of the Capitol. Secretary Scott Brinkman, Chair, called the meeting to order and the roll was called.

Present were:

Members: Scott Brinkman, Secretary of the Governor’s Executive Cabinet and Chair of the Board; Sandy Dunahoo, Commissioner of the Department of Local Government; John Chilton, State Budget Director; Tom Kerr, Justice and Public Safety Cabinet (Designee); Lonnie Lawson, President and CEO, The Center for Rural Development; Greg Thomas, Secretary of the Kentucky Transportation Cabinet.

Guests:

Larry Combs, The Center for Rural Development; Cory Camic, The Solarity Group; Stewart Hendrix, KCNA; Mike Hayden, KCNA; Randy Smith, KCNA; Jim Tom Trent, Mayon Morchens; Tyler Campbell, Kentucky Telecom Association; Bryan Bell, Bluegrass Network; Hollie Spade, AT&T; Ryan Helfenbein, Department of Local Government; Aron Caudill, Adkins and Associates; Eleanor Snider, Adkins and Associates; David Voegele, Oldham County; Kevin Nuss, Oldham County; Kiersten Richards, Department of Local Government; James Grimm, Kentucky Educational Television; Jim Barnes, Mayor, City of Richmond; Brenda Brown, KCNA; Debbie Rodgers, KCNA; Joe Fryman, KCNA; Ellen Adkisson, Governor’s Office

Secretary Brinkman verified that a quorum was present and that the press had been notified of the meeting. Minutes of the previous meeting held on September 21, 2017 were distributed to the board members. Mr. Kerr made a motion to approve the minutes. Secretary Thomas seconded the motion. The minutes were approved by unanimous vote.

Scott Brinkman announced that the next meeting of the Board will be on June 21, 2018 at 1:00 p.m. in Room 110 of the Capitol.

Progress Update of KentuckyWired Advisory Group: Phillip K. Brown, Executive Director, KCNA

Secretary Brinkman asked Phillip Brown for an update on the KentuckyWired Advisory Group (KAG). Mr. Brown said that KAG has been established by statute as is KCNA. It is a broad group representing most of the stakeholders of the KentuckyWired project. Mr. Brown stated that two meetings of KAG have been held. The plan is to have meetings of the KAG one month after the Board meetings, so there will be a KAG meeting next month. At the last meeting of KAG, the members discussed the impact of make ready construction on the schedule of completion of the KentuckyWired project. The members further discussed the process of getting the poles ready for construction as well as the problems associated with getting them identified and engineered and then physically ready for the installation of the fiber. This is a big barrier to the construction schedule, and it is important for the members of KAG to understand how these problems are affecting the KentuckyWired project.

Mr. Brown next stated that some new members will be added to KAG at its next meeting. One of the stakeholder groups that is not represented on KAG is the broadband provider itself. KAG needs to talk about broadband in general in addition to the KentuckyWired network. In order to have that conversation, KAG needs the last mile providers to be in the room. KAG has invited the teleco providers, the municipal utilities, and the cable association to the group. KAG is open to adding other representatives of the industry if they express concerns regarding the KentuckyWired project. KAG is trying to make sure its meetings are effective and a good use of time, as well as provide the needed advice and input to KentuckyWired that we are seeking from KAG.

Status Update on KentuckyWired Middle Mile Network Excess Capacity Wholesaler Agreement: Phillip K. Brown, Executive Director, KCNA

Mr. Brown stated that the Board voted to allow KCNA to execute and finalize the Wholesaler Agreement with Macquarie Capital. The Wholesaler Agreement is the mechanism through which KentuckyWired's excess 50% capacity will be leased on an open access basis to last mile broadband providers that desire to expand their networks. Mr. Brown confirmed that the Wholesaler Agreement has been finalized and fully executed by the Commonwealth and Macquarie. The project agreement with Macquarie Capital required KCNA to negotiate a business development plan for Macquarie. Those negotiations were finalized last fall, and the business development plan provides Macquarie the ability to identify customers, to establish the pricing process for dark or lit fiber services, and to begin to develop its operations in anticipation of the completion of the KentuckyWired network. The revenue projections are significant for the Commonwealth over the next 30 years. It is a revenue sharing agreement pursuant to which Macquarie will collect and perform the wholesale aspect of the project and share revenue back with the Commonwealth.

Status Update of KCNA: Phillip K. Brown, Executive Director, KCNA

Mr. Brown said that we have three specific items on the agenda to discuss with respect to the status of the KentuckyWired project. Mr. Brown first provided an update of the status of the construction of the project. The installation of 708 miles of fiber has been completed. That represents work done by subcontractors who are Kentucky-based companies through third party agreements. Statements have been made by external parties to the effect that only 60 miles of the network is complete. That is simply not correct. Engineering is almost 100% completed and KCNA has made good progress on finalizing all necessary pole attachment agreements since the last meeting of the Board of KCNA. KCNA still has to complete three to four pole attachment agreements, which it hopes to have completed in the near future.

KCNA has also added several staff members since the last Board meeting. Randy Lutke is our communications director. He has experience in the Air Force with media relations. Adam Adkins has been hired as the assistant general counsel. Adam came from the Justice and Public Safety Cabinet. KCNA has also hired a program director, Joe Fryman, who was a field representative for the Kentucky 6th Congressional District, as well as Charles White as a senior technical construction manager. Charles has worked since 2015 with the KentuckyWired Operations Company, LLC, and expressed interest in joining KCNA with his expertise in the technical aspects of the KentuckyWired project.

Mr. Brown next noted that the third party agreements are contributing heavily to the miles of fiber installation that have been completed. For instance, the Brandenburg Telephone Company is helping to build part of network. The MuniNet agreement affecting Western Kentucky will also assist with the construction of the project in that part of state. Several other companies also desire to partner with KCNA on the project. Per Mr. Brown, these third party agreements have saved the project money. They have enabled KCNA to complete a portion of the construction for a cheaper price than the Design-Build team could build it. KCNA has used those savings to pay certain of the direct loss claims for supervening events claimed by the Design-Build team. KCNA has not spent any additional money on construction and the direct loss claims are being covered by these project savings. In terms of cost overruns, KCNA is keeping the project within its original budget, but these savings are being utilized to pay certain of these direct loss claims.

With respect to the 2018 legislative session of the Kentucky General Assembly, Mr. Brown informed the Board that Senator Rich Girdler is sponsoring Senate Bill 223. This legislation will provide KCNA statutory authority to incur additional debt to cover the direct loss claims associated with the supervening events alleged by the Design-Build team. KCNA has a contractual obligation to cover valid direct loss claims, and the purpose of Senate Bill 223 is to afford KCNA the authority to obtain the additional funding necessary to pay those claims.

Mr. Brown also noted that Senate Bill 223 includes a section that provides a mechanism to enable KCNA to obtain necessary easements for the project using a more simplified approach than has

been utilized to date. Easements have been a challenge to the project. Easements were not addressed in the original scope of the project or its budget. KCNA has researched Kentucky law and has identified some areas where the General Assembly could help KCNA in a way that removes barriers to the construction of the project and reduces regulatory impediments to broadband deployment. KCNA continues to work with Senator Girdler to advance Senate Bill 223 through the General Assembly. Mr. Brown concluded his presentation by noting that there are certain additional legislative proposals before the General Assembly that impact KCNA, but Mr. Brown does not anticipate they will advance during this session of the General Assembly.

Secretary Brinkman said he hopes our guests understand, and the people of Kentucky, including the General Assembly, understand, the sense of purpose and mission that Phillip and his team have with respect to the KentuckyWired project. The people that have been hired are all critical hires. These hires are critical to the project, and they are good, smart hires. These hiring actions denote the mission and purpose that Phillip and his team have to the project, that the Board has to the project, and that Congressman Rogers and Governor Bevin have to the project. It is a critically important project, and it is going to benefit every community, county, and city in this state as well as every Kentuckian. Secretary Brinkman asked to Board to take a moment to thank Phillip and his team for the incredible hard work and dedication that they bring to this project every day, all day long.

Mr. Brown thanked Secretary Brinkman and said that the entire office is mission driven by the completion of this network. They are investing their time and effort 100% every day to the KentuckyWired project.

Closed Session

Secretary Brinkman provided notice, pursuant to KRS 61.815, of the Board's intention to enter into closed session pursuant to KRS 61.810(g) to discuss the negotiations currently underway with the Design-Build team regarding the supervening events claimed to date by the Design-Build team. For the record, the Chair announced that he had requested that Mr. Brown, Mike Hayden, the chief operating officer for KCNA, and Doug Hendrix, KCNA's general counsel, remain in the closed session to assist the Board in proving an update of these negotiations. Mr. Lawson made a motion to enter closed session. Director Chilton seconded the motion. The motion passed by a unanimous vote and the Board entered into closed session at 1:19 p.m. EDT.

At 1:48 p.m. EDT, meeting attendees were invited to return to the meeting. Mr. Kerr made a motion to return to open session. Director Chilton seconded the motion. The motion passed by a unanimous vote.

Secretary Brinkman stated that the Board had just received a briefing regarding the negotiations currently underway with the Design-Build team to resolve the supervening events claimed to date by the Design-Build team. He announced that no action needed to be taken as to the briefing.

There being no other business, Secretary Brinkman asked if there were a motion to adjourn. John Chilton moved to adjourn the meeting and Secretary Thomas seconded the motion. The motion passed unanimously.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott Brinkman". The signature is written in dark ink and is positioned above a horizontal line.

Secretary Scott Brinkman, Chair
Kentucky Communications Network Authority