MINUTES
WiredWest Risk Committee
Monday, January 4, 2016, 6:30 pm.
HCOG office, 99 Main Street Northampton, MA

Introductions and Review

No approval of minutes, inaugural meeting.

Attendees
Jim Drawe, Bob Labrie, Lark Thwing, Doug Tanner, Larry Klein, Jeremy Dunn

Minutes and Notes - Bob Labrie to take minutes.

Risk Review – BL collected input on a variety of perceived risks from committee members. It was decided to review each item and assign is a rank of Legitimate or Not Legitimate. If Legitimate, a risk factor of Low, Medium or High was assigned. Here is a listing of the risks and assessments in order of importance:

LEGITIMATE - HIGH

1. What is the impact to our business model of higher construction costs than planned? – (if it occurs), will impact towns
2. We cannot resolve the coop owning the assets (meaning each town owns assets instead) with either MBI or its board (Lark)
3. What happens if the RFP goes out as it is currently written without input from our member towns, bids are taken, and they build the network the way MBI want to build it? (Lark)

LEGITIMATE - MEDIUM

1. Are we prepared to address competition from new technologies? (Bob)
2. What is the impact of our not reaching planned take rate goals? (Bob)
3. What is the impact to our business model of higher operating costs than planned? (Bob)
4. Too many towns go their own way and the financial numbers no longer justify the coop as envisioned (Lark)

5. Service-provider interruption or failure or bankruptcy (Jeremy)

   Problem: the business plans calls for reliance on a number of outside providers, some of which directly provide service to WiredWest's customers, including a) the white-labeled phone vendor; b) the video-feed providers. If these vendors have a service-interruption, business failure, or contract dispute with WW such that they interrupt service, it directly affects WW

   Solution: some kind of backup plan for each service-category. This is expensive, but seems necessary

6. Roll out takes 5 years versus 4 years. (Doug)

7. First executive hires are a disaster causing further delays, discord and fractionalization – which would also discourage hold out towns (assuming there are any) from joining. (Doug)

8. Verizon Strike in August 2016 – Make ready work delayed (Jim)

9. Business Plan Comments / Concerns (Larry) - Design engineer hired in Jan 2016

10. Business Plan Comments / Concerns (Larry) - Town withdrawing from WiredWest after signing contract – legal challenges will exist

11. Executive Committee Member dies before we become operational (Bob)

    Legitimate – Medium, if it occurs before June, 2016
    Legitimate – Low, if it occurs after June, 2016

    Project oversight from June + 18 months = Holleran – Solution = Key Man Insurance

LEGITIMATE - LOW

1. Is it possible that our network will become so successful that we run out of bandwidth capacity / strand capacity? (Bob)

2. What happens if the costs of utilizing MBI middle-mile network increases in order to make it profitable? Do we have alternatives? (Bob) Legitimate – Low, in the next 10 years

3. WW service-level failure (Jeremy)

   Problem: WW needs to develop a number of systems (customer-service, network-management, break/fix, etc.) that provide direct service to the customers. If these services are unsatisfactory to the customer, WW will lose customers, possibly acquire a poor market reputation, and possibly fail due to declining revenues

   Solution: some controls are already in place in the document, such as development & monitoring of metrics in each business area. But we could do more, such as customer-service surveys, service-recovery procedures, etc. to guard against this risk

4. Startup costs (Jeremy)

   Problem: after reviewing the financial model (separate from the business plan), I don't see quite a few startup costs, such as office-space renovation, in-house computer- and phone- systems; lots and lots of software, etc.

   Solution: ensure that the financial model adequately budgets for these startup costs

5. If the Coop includes video and if by video we mean TV, the Coop loses substantial amounts of money due to competition and new technology that could make the initial investment in equipment for TV non-productive – many people with fiber connections are already dropping TV so this isn't all that far-fetched. This may or may not be relevant to the most recent financial plan, so if it isn't part of it, then it's a moot point. (Doug)

6. Substantial questions about WW viability could prevent a substantial number of towns from jumping in initially. What happens if 25% or more of the towns don't join in the first year – or the second – even if they move forward through MBI or otherwise on build out as best they can - but take a wait and see approach on the WW "company". (Doug) - previously discussed

7. Severe discord among members and/or the board members causes long delays in hiring key personnel. Delaying implementation by many months, perhaps a year. (Doug)

8. Roll out takes two or even three times longer than expected. (Doug)

9. Cost of maintenance service increases beyond initial estimates. (Doug) – Legitimate – Low, Three companies in MA are offering Line Maintenance services

10. High cost of service due to any of the above or other problems results in much higher service fees and that results in lower take rates. (Doug)

11. Hold-out towns looking elsewhere for solutions – resulting in WW operating in perpetuity with only 70% or less of the original towns (17 towns?) (Doug) – Legitimate – Low (June 30th cutoff)

12. We end up with a compromise solution which allows towns to buy back assets, and that after 10 year mark, a group of towns decides to exercise that option and puts WiredWest at risk (Jeremy)

13. Business Plan Comments / Concerns (Larry) - Oversight of buildout by WiredWest – Legitimate – Low, if WiredWest reaches an agreement with MBI, this will be addressed in the contract with MBI.

14. Business Plan Comments / Concerns (Larry) - Hindsdale, West Stockbridge, Lanesboro – Charter negotiations – Overbuild

15. Business Plan Comments / Concerns (Larry) - Fraud within the supply chain

16. Senior Management Staff – Illness / Accident / Death

NOT LEGITIMATE

1. Are we at risk of getting sued by other local (Crocker) or national (AT&T, Verizon) ISP's who think WiredWest is infringing on their territory? (Bob) – Not Legitimate, MLP Legislation

2. Can these ISP's lobby or write legislation that make it more difficult or impossible to WiredWest to install a fiber optic network because they see it as being anti-competitive? (Bob) – Not Legitimate, MLP Legislation

3. Towns like Hawley might not be part of the network, but access through their towns is important to the network as a whole (Lark)

4. In-house Payroll (Jeremy) – Not Legitimate - Adjustment to Business Model

   Problem: this is probably a mistake. Almost nobody does their own payroll these days. There are confidentiality issues, reporting / compliance issues, etc.

   Solution: much better to use an outside payroll firm. It's not very expensive, and solves a host of problems.

5. Health insurance (Jeremy)

   Problem: my health insurance premium just increased 14%. With a projected 2% / year operating expense increase, and 0% /year subscription-rate increase, health-insurance costs could quick bankrupt the coop.
   solution: not sure

6. Cost of Bandwidth increases dramatically due to some as yet unforeseeable governmental regulation or lack thereof. (Doug) – Not Legitimate – Broadband costs are decreasing.

7. Business Plan Comments / Concerns (Larry) - Verizon Strike – previously discussed

8. Network goes live in 5 years (Jeremy) - Not Legitimate

   - IPV4 address is running out
   - IPV6 address next generation
   - 1/3rd of internet supports IPV6

OTHER

What risks does WiredWest have that would cause it to borrow against it's assets? – Rural Economic Development fund ($2.5B) U.S.D.A – Jim is talking with them.

Next meeting set for Monday, Jan 18, 2015.
HCOG office
99 Main Street Northampton, MA

Meeting adjourned at 8:56

Submitted by Bob Labrie