

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Stowe Cable Holdings, LLC, Stowe Cable)
Systems, LLC, Stowe Cablevision, Inc., and Jeffersonville)
Cable Television Corporation for approval of the transfer)
of assets, issuance of Certificate of Public Good, and related) Docket No. _____
transactions concerning cable television systems serving)
Stowe and Jeffersonville, Vermont)

PREFILED DIRECT TESTIMONY
OF WILLIAM DAVIS

1 Q1. Please state your name, employer, business address, and title or position.

2
3 A1. My name is William “Bill” Davis; I am the Chairman and Chief Executive Officer of Bill
4 Davis & Associates, LLC (“BDA”), a private investment management company with an
5 address of 3301 Karen Drive, Delray Beach, Florida, 33483. Stowe Cable Holdings,
6 LLC (“SCH”), of which I serve as Chairman, is a wholly owned subsidiary of BDA.
7 Stowe Cable Systems, LLC (“SCS”), which is a wholly owned subsidiary of SCH, is the
8 entity intended to purchase and own the operating assets of Stowe Cablevision, Inc. and
9 Jeffersonville Cable Television Corporation, and to operate one unified system in the
10 existing service area of those companies post-asset acquisition.

11
12 Q2. Have you previously testified before the Vermont Public Service Board (“Board”)?

13
14 A2. No, I have not.

15
16 Q3. Please summarize your testimony.

17
18 A3. My testimony is intended to accomplish three things: (1) provide an overview of BDA,
19 particularly as pertains to the ownership of SCH and SCS; (2) address certain review
20 criteria the Board must consider relating to the structure of the proposed acquisitions and
21 the financial soundness of SCH and SCS; and (3) describe the vision and plans we have
22 for the Stowe and Jeffersonville cable systems.

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Q4. Please begin by providing an overview of Bill Davis & Associates, LLC, including its ownership, the types of businesses the company owns and invests in, and the ownership structure as between Bill Davis & Associates, LLC, Stowe Cable Holdings, LLC, and Stowe Cable Systems, LLC.

A4. BDA is a private investment management company owned entirely by the William D Davis Trust which is managed by me, my son Davison ‘Tad’ Davis, who is a Stowe resident, and my Chief Financial Officer, Matthew Rogers. The company was founded in 2010 and invests in a broad variety of market sectors including real estate, restaurants, energy, and telecommunications.

Through BDA, I have acquired a controlling interest in Oakland Capital Limited, an electronic security company based in London, England, which provides security alarm, fire alarm, CCTV and access control solutions to commercial, government, and residential customers in the South of England. BDA also holds controlling interests in both the real property and operating businesses of The Crop Bar and Bistro and The Rusty Nail, both located in Stowe.

BDA has minority interests in a number of early and later stage private businesses, including Ursa Major, LLC, a Burlington, VT based startup in the men’s skincare category, and TFB Funding, LLC which is assisting Trapp Family Lodge, Inc. with the financing of its new brewery facility in Stowe.

BDA’s most relevant holding, in terms of the matters under consideration, is a substantial minority position in HControl Holdings, LLC (which operates as OpticalTel and of which I am Chairman of the Board of Directors), which is a private cable operator with approximately 25,000 subscribers throughout the State of Florida to which it provides television, high speed internet, telephone, and security alarm services. In addition,

1 OpticalTel is a CLEC (“Competitive Local Exchange Carrier”) and provides
2 telecommunications services to businesses in South Florida.

3
4 BDA has created a wholly-owned Vermont subsidiary, SCH, which in turn owns an
5 operating company, SCS, which is intended to operate a combined Stowe and
6 Jeffersonville cable system; the combined system will operate under the trade name
7 “Stowe Cable”. SCH will also own certain assets to be acquired along with Stowe
8 Cablevision, Inc. and Jeffersonville Cable TV Corporation, namely those of internet
9 service provider Stowe Access, LLC and voice over IP provider Stowe VOIP, LLC. The
10 existing operations of Stowe Access, LLC and Stowe VOIP, LLC will likewise be
11 consolidated into one company, Stowe Communications, LLC, doing business as “Stowe
12 Access”. SCH will be the parent company for the two resulting complimentary business
13 units (SCS d.b.a Stowe Cable and Stowe Communications, LLC d.b.a. Stowe Access)
14 much in the same manner they are now operated as four companies by the current
15 ownership group.

16
17 Q5. Please describe your professional background and qualifications, specifically as they
18 pertain to the subject matter of your testimony.

19
20 A5. A copy of my curriculum vitae is attached as **Exhibit SCH—WD—1**.

21
22 My professional background includes CEO leadership positions in five companies over
23 the past thirty years; the first twenty of those years were spent primarily in the cheese and
24 specialty foods industries, and remainder in the childhood education sector.

25
26 I worked in the cheese and specialty foods sector from 1974 to 2002, first in as an
27 executive and ultimately for ten years, from 1985 to 1994, as President and CEO of
28 Cabot Creamery of Vermont. Following my time at Cabot, I served as an owner and

1 CEO of Waterbury Holdings before establishing, growing, and ultimately selling a
2 national company called Rondele Specialty Foods.

3
4 My last executive position was as CEO of Learning Care Group (“LCG”) which is the
5 second largest early education and child care provider in the United States, operating
6 more than 900 schools in 36 states with the capacity to serve over 160,000 children. My
7 involvement with LCG began in 2002 when I was appointed Chief Executive Officer of
8 Tutor Time Learning Systems, which was a predecessor company to LCG.

9
10 Between 1993 and 2012, I served on the board of directors of Green Mountain Coffee
11 Roasters, (now Keurig Green Mountain and Vermont’s largest company by revenue)
12 (NASDAQ: GMCR) and assisted and advised executive management as revenues grew
13 from the millions to the \$4.7 billion recorded in their last year ended September 30, 2014.

14
15 Since my retirement from full-time employment in September 2010, I have been actively
16 diversifying my investment portfolio away from public securities into private businesses,
17 real estate, and other alternative assets. I am a native of Morrisville and maintain a
18 home in Stowe; for those reasons, I have invested and will continue to invest
19 considerably in businesses in and around Lamoille County.

20
21 My most direct professional experience comes from my role with OpticalTel. As
22 Chairman, I provide general corporate direction, guidance, and strategy, and oversee,
23 from the Board-level, all aspects of operations, personnel and compensation, financial
24 and regulatory compliance, acquisitions and service expansion plans, and capital
25 improvements and expenditures. In this role I have also developed a network of industry
26 contacts with various areas of expertise, financial, technical, and otherwise, that I will be
27 able to consult with as necessary in support of my management of SCH.

28

1 Q6. Vermont statute requires an applicant seeking a CPG to acquire and operate a cable
2 television system to explain the structure and financing of the acquisition and Public
3 Service Board Rules require consideration of the financial soundness of the applicant and
4 the specific proposal; can you please address these considerations (30 V.S.A. § 503(c);
5 Board Rule 8.214(1))?
6

7 A6. Yes. First, with respect to the structure and financing of the acquisition, SCH has
8 contracted to purchase all of the operating assets of Stowe Cablevision, Inc. and
9 Jeffersonville Cable TV Corporation, but not the companies themselves. SCH's
10 subsidiary operating company, SCS, will actually own the acquired cable system assets
11 and operate the combined system under the trade name "Stowe Cable". As indicated
12 previously, SCH will also be the parent company of Stowe Communications, LLC, which
13 will be operated as a separate business unit from SCS. A redacted copy of the fully-
14 signed December 2, 2014 Asset Purchase Agreement between SCH, Stowe Cablevision,
15 Inc., and Jeffersonville Cable TV Corporation is attached as **Exhibit SCH—WD—2** and
16 the non-redacted pages have been filed under seal .
17

18 Funding for the acquisition of the assets of Stowe Cablevision, Inc. and Jeffersonville
19 Cable TV Corporation by Stowe Cable Systems, LLC, and the initial capitalization of
20 that company (and Stowe Communications, LLC as well) will consist entirely of an
21 equity contribution from SCH— there will be no debt on the books of either operating
22 company. SCH will incur debt to fund the acquisitions and initial capitalization; total
23 funding will be comprised roughly of a 37% equity contribution by BDA and 63% debt
24 issued by People's United Bank, with whom I have a well-established banking
25 relationship. I anticipate this debt to equity ratio, and our projected debt service coverage
26 ratio of approximately 3:1, will allow the companies to meet their financial targets and
27 also generate sufficient cash to fund ongoing operating needs. Allocation of asset
28 ownership and related expenses between SCH's business units for commonly used

1 system infrastructure will be dictated by each business's respective use of a certain
2 facility or component.

3
4 With respect to the financial soundness of SCH and SCS vis-à-vis BDA, in connection
5 with various financing agreements, the William Davis Trust is required to prepare
6 financial statements on a quarterly basis. The most recent of such prepared statements,
7 which were prepared as of September 30, 2014, show net assets owned, well diversified
8 geographically and by market sector, in excess of \$50 million.

9
10 Under current management, the cable systems to be acquired were able to generate
11 significant earnings before interest, tax depreciation and amortization ("EBITDA"), after
12 adjusting out owners' compensation. BDA has agreed with its lender, People's United
13 Bank, that substantially all EBITDA generated by SCH and its subsidiaries will be
14 reinvested into the businesses by way of capital expenditures, so as to improve the range
15 and quality of services available to customers.

16
17 It is my opinion that BDA, and by extension Stowe Cable Holdings, LLC and Stowe
18 Cable Systems, LLC, is and will continue to be financially sound, and that the companies
19 have sufficient liquidity and access to capital and/or credit to fund projected operating
20 and capital needs.

21
22 Q7. Please address any specific plans you have for increasing the service areas or service
23 offerings for the Stowe and Jeffersonville cable systems.

24
25 A7. The infrastructure serving the Stowe and Jeffersonville cable systems is in very good
26 condition; we will investigate the feasibility of expanding channel offerings and
27 extending service where it makes sense for the company and the customer. We do have
28 plans to improve and expand certain infrastructure for the primary purpose of increasing
29 the capacity and capabilities of Stowe Communications, LLC, which will likely result in

1 indirect benefits to SCS in terms of providing additional capacity for increased
2 programming and also allow for system expansion to areas that delivery of cable service
3 alone may not justify. Our forecast budget for SCH aims to increase capital expenditures
4 collectively among SCS and Stowe Communications, LLC substantially, in excess of
5 50%, from actual expenditures of \$621,000 in 2013 and 2104 to budgeted expenditures of
6 \$950,000 for 2015 and 2016.

7
8 SCS also intends to further leverage the synergies that exist with Stowe Access, LCC and
9 Stowe VOIP, LLC, to ensure that customers have robust and reliable access to essential
10 telecom infrastructure in what is an ever-changing market. The company will have the
11 ability to bundle services for customers, providing the benefits of current cable television
12 programming and service and while also allowing a seamless integration with
13 increasingly prevalent web-based programming and content provided by the likes of
14 Netflix, HBO, and Showtime.

15
16 Q8. Is there any additional testimony you would like to offer at this time?

17
18 A8. I am very excited to have this opportunity to own and operate these businesses which
19 provide essential services to the residents and businesses in the communities they serve.
20 Ensuring access to modern, reliable telecommunications infrastructure is critical to the
21 vitality and future of the regional economy and we are committed to providing that
22 service.

23
24 Q9. Does that conclude your testimony at this time.

25
26 A9. It does; thank you.