



Via Email

To: *Katie Vane* <katie@burlingtonvt.gov>;
Eileen Blackwood <eblackwood@burlingtonvt.gov>;
Stephen Barraclough <sbarraclough@dormanandfawcett.com>

September 18, 2017

Terry Dorman
Dorman and Fawcett
tdorman@dormanandfawcett.com
P.O. Box 1370
Quechee, VT 05059

Dear Terry,

Schurz Communications Inc. ("Schurz") is pleased to submit this Letter of Intent (the "LOI") to acquire, through a subsidiary of Schurz, all or substantially all of the assets of Burlington Telecom (the "Company") (the "Transaction"). This LOI is based on material received from Burlington Telecom ("BT"), the data room set up for the Transaction, our visits to the property and community, discussions with management, the Burlington Telecom Advisory Board, the Burlington City Council, and Mayor. It is subject to further diligence by Schurz and its advisors and the negotiation, execution and delivery of definitive purchase and related agreements for the Transaction.

Our company appreciates that this process needs to be done in a transparent and highly accountable manner. Accordingly, in this LOI we present the deal terms in sections A-C below, and we address in detail each of the sales criteria 1 through 13 set by the City of Burlington and the Burlington Telecom Advisory Board in section D. In sections E-H we provide additional details on our offer and qualifications, and information about Schurz. Any and all aspects of this LOI are open to the public.

SUMMARY OF KEY SCHURZ QUALIFICATIONS

We would like to highlight key aspects of our offer for emphasis here:

- We believe that a public-private partnership is the best structure for Burlington Telecom as it provides the stability and expertise for long-term success in a highly competitive marketplace marked by rapidly evolving technology.

- We believe that BT can successfully continue to bring choice to the Burlington Community. We are committed to concluding the build out of the network in Burlington by 2019 (except for the 120 homes that present affordable build challenges) as well as continuing to extend facilities and choice to the communities around Burlington. For the 120-home exception, we will remain committed to working with the City, BED and BT/Schurz technical resources to find a solution to bring additional broadband options to this group.
- We will keep BT's local management and current staffing levels. We plan to increase the number of local employees over time in order to serve BT's customers and support its growth.
- We will keep BT's local decision authority. Burlington Telecom is not a minor spoke of a centralized operation. Schurz values local leadership, local presence, and local staffing because we find they provide the most nimble, responsive, and personal service to our valued customers, especially when coupled with local decision authority. This is why we are also keeping the name Burlington Telecom.
- We will keep BT's local customer service. We will continue and expand BT's wonderful human contact approach to customer service. We will enhance off hours evening and weekend customer service and take what we learn from BT to our other broadband properties.
- Proven growth through organic, network expansion and acquisitions. We can expand BT as a local business significantly larger than it is today and significantly faster than our competitors.
- We have grown our local fiber networks to include more than 15,000 Fiber-to-the-Home (FTTH) serviceable addresses. In total, our broadband business has grown to 78,000 customers and to 4,080 miles of fiber and fiber/coax. BT has the necessary framework and operational platform to become a regional provider of services and serve as the parent to support growth through future acquisitions under Schurz. The experience of the local BT management team coupled with the Schurz leadership team ensures that regardless of the type of acquisition (whether traditional cable, fiber, or other network platforms) that may be considered in the future, we have the operational and technical ability to effectively integrate the entity into BT.
- No broadband rate increases. The 5-year financial model for BT which we have developed aligns closely with BT's own 5-year plan. BT's model reflects no broadband price increases through that period and our model and operating plan agree that broadband rate increases through that period are not needed.
- Long history of experience. Schurz Communications was founded in 1872. We have owned cable systems since the 1950's, and have owned Antietam Cable (now Antietam Broadband) continuously for 50 years from copper wire, to coaxial cable, to fiber. Our experience is not one dimensional.
- We embrace new technologies, and we are committed to continuing BT's key role in the technology community, BTV Ignite, and US Ignite.
- Schurz would welcome and encourage the opportunity for the City of Burlington to retain a meaningful carried equity interest in BT.

- We respect and admire Burlington Telecom, the employees, the management team, the customers, the City, and the system and goodwill that the current management team has created in the last 5 years. We would not still be in this process if we did not feel that way and look forward to BT becoming a long-term asset in our portfolio of strong local businesses.

TERMS

A) **Purchase Price:** Schurz has valued Burlington Telecom at \$30,800,000 on a cash-free and debt-free basis, and assuming zero working capital (current assets less current liabilities) at close. This purchase price assumes that the projects in the fiscal 2018 capital budget, representing approximately \$2,500,000, continue to be worked on and dollars spent toward accomplishing these projects in the normal course of business between signing and closing. Schurz would recoup any shortfall in the fiscal 2018 capital expenditures at closing.

In addition, Schurz would also be willing to increase the purchase price for fiscal year 2018 EBITDA performance in excess of plan.

B) **Basis for Valuation:** The Purchase Price is based on the information received from Burlington Telecom, our visits to the property and community, and the information contained in the data room set up for the Transaction, including the Company's 2017E unadjusted EBITDA of \$3.5 million.

C) **Additional Deal Terms:** Schurz remains committed to working cooperatively with the City on the future potential need to relocate BT facilities from Memorial Auditorium. We are committed to a solution that works mutually for the City and Schurz. While we will need additional time to understand the conditions around a possible move, we do believe it can be completed with a minimum of 12 months of notice.

Additionally, Schurz looks forward to working with the City and other engaged partners on models to fund future technological investments that promote economic and community development in the greater Burlington community. We are committed to working quickly and cooperatively with the City in supporting and investing in such efforts with our resources – including time, talent, in-kind, and financial.

SALE CRITERIA AND SCHURZ QUALIFICATIONS

D) **Sale Criteria:** We are committed to the following sales criteria as set forth by the Burlington Telecom Advisory Board and the City of Burlington, and we have discussed with you more fully how we intend to achieve each of these criteria as summarized below:

- 1) **Continue to offer affordable services that provide a competitive opportunity for BT customers.**

- ✓ Our company believes in and strives for mutual success. We seek to constantly improve so that we not only meet our customers' needs, but exceed their expectations. Schurz offers affordable services in all of its current markets, most of which have multiple video, telephony, and broadband providers, and plan to do the same in Burlington. The last broadband rate increase under our ownership in our current markets was more than five years ago, and our 5-year financial model for BT (which aligns closely with BT's model) projects no broadband rate increases as well. We agree with the thesis of BT's 5-year plan in holding broadband rates steady, as we believe one of the key growth factors for BT's recent success is Unmatchable Internet at rates that are below the competition.

2) Continue to have local employees with a local presence (office) with an emphasis on responsive and effective customer service.

- ✓ BT is known for providing great products and exceptional customer service; our intent would be to continue and expand those efforts.

Over the course of our history, Schurz has operated as a decentralized company. It is part of our core values, and we believe one of our key company strengths that we empower local leadership and local management to make the strategic and day-to-day decisions that provide the best possible product and service experience for our customers. This would mean that local management in Burlington would make the decisions that assure they continue to provide the excellent level of customer service BT customers presently enjoy. Further, they would also be encouraged to continue that development (as we do at all of our businesses) as we look at superior customer service as a process or journey rather than a project. The opportunity to improve the customer experience comes from on-going refinement and employing some of the best practices that we believe our more than 50 years of successful cable/broadband and fiber operating experience can bring to Burlington and BT. The senior leadership broadband segment team, as well as the General Managers at our other systems, can serve as a resource and added layer of experience and judgement for BT's leadership team on all aspects of operations including the customer experience. In turn, Schurz will also benefit from the experience and leadership at BT just as we have from our past acquisitions.

Having said that, we do not operate each system we serve in the same fashion with the same exact template of customer practices. This is due to the local management of each system making the decisions as to what is best for them. An example of this is our Maryland system operates a 24-hour, 365-day call center, and our Arizona system utilizes our Maryland call center for overnights when they are closed. This assures a quality experience for Arizona customers using our Maryland call center team and a quick response to customers in case the team in Arizona needs be alerted to a problem. In contrast, our Iowa system uses a third party for its overnight customer service window to answer customer calls as they feel that is best for them. Schurz could leverage the same Maryland call center for BT (which presently uses an answering service to take messages overnight) and likely provide a more effective customer response. The decision to use our

Maryland call center, automated call routing tools, or other processes will not be a Schurz decision, but one that will be made by the local BT team based on what they feel is the best route to enhance the customer experience beyond their current operating hours.

We will keep the name, Burlington Telecom, as it has created exceptional goodwill, is recognized so highly for its place in the community and the excellent service and products for which it has come to be known. The achievement of that is in large part due to the great work that has been done by the entire employee group and we plan to keep and retain all employees of the organization. We expect to eventually increase the number of local employees over time in order to serve BT's customers and support its growth. This includes a locally based BT General Manager, who will continue to lead BT and make all local decisions following the sale.

3) Continue BT's commitment to net neutrality, support of affordable, local Public Access, and other issues of importance to Burlingtonians.

- ✓ Schurz is committed to net neutrality both for the equal treatment of internet traffic, and assured customer privacy, and we will continue support for local Public Access programming. We believe consumers should have the freedom to go anywhere on the Internet and run any application and to know that the delivery of traffic will not be blocked, nor throttled. We are transparent with our customers around usage and have developed tools so customers can view and manage their own usage. We believe Public Access programming helps communicate and inform the unique attributes and cultures of local communities.

4) Continue to offer both residential and commercial services.

- ✓ We plan to not only continue the current residential and commercial services, but to expand offerings over time to current and additional customers. While BT has a strong portfolio today, our company has launched or is launching more advanced products and services in video and telephony for our residential and commercial customers that we expect to bring to Burlington in the near future.

5) Continue to engage in active participation with the US Ignite and BTV Ignite initiatives focused on realizing the ongoing and sustainable economic development benefits to the local economy that the network infrastructure affords.

- ✓ We are aware of BT's current financial commitments to the BTV Ignite and US Ignite initiatives and would continue to maintain a corporate leadership role in this effort. Schurz has a demonstrated track record of innovation in our local communities and we look forward to doing so in Burlington. Broadband is a powerful tool to connect, inform, and educate individuals that helps unleash creativity and break down barriers. As such, it is a key part of the infrastructure for any community that wants to successfully participate in the 21st century economy. There are many parties working on growing the local

technology ecosystem; BT is and should be a key player in the process. BT's future is inextricably linked to the Burlington region's future.

Our company has partnered with entrepreneurs, universities and colleges, and investors to foster innovation and technology in multiple communities. We believe that the BTV Ignite initiatives and local community engagement will provide opportunities to not only increase broadband adoption, but also to support the entrepreneurial ecosystem. Our hope is that Burlington would see increasing numbers of talented and educated young people choose to make this community their home.

We look forward to supporting and investing in such efforts in Burlington with our resources – including time, talent, in-kind, and financial.

We have also taken concrete actions to address and reduce the Digital Divide. We would commit to continue the reduced-price Internet service program BT already has in place for area families that qualify for subsidized school lunches; this mirrors a project our company has had in place in Maryland since 2014. In addition, our company also provides free broadband access to all Boys and Girls Clubs in Washington County, Maryland, and it is opportunities like this which help bring access to the underserved. We will look for those same opportunities in the market BT serves now and into the future.

As you can see, we are committed to broadband adoption as well as BTV Ignite, US Ignite, and the tech community, and are willing to participate to new technology growth initiatives.

6) Establish a skilled, experienced management team to sustain BT's "state of the art" capabilities, keep pace with technology changes, and support expansion to the currently unserved areas of Burlington as well as other communities.

- ✓ Our company believes strong local leaders empower our people to successfully serve our customers and communities today and to innovate for the future; therefore, we plan to retain the local management team. Our company has been in the telecommunications industry for over 50 years and have successfully implemented multiple technological innovations. We will support the local leadership group with our broadband segment senior leadership team with over 120 years of experience in the cable, fiber, technology, and telecommunications industries.

We agree with and support local management's plans to largely complete the build-out in Burlington by 2019, including the fill-in growth from the Town Center Mall and Burlington College redevelopment. We also agree with BT management that there is an opportunity to accelerate the growth in BT's plan by simultaneously investing the expansion capital to expand the network to other neighboring communities in Chittenden County, including Winooski and South Burlington.

7) Demonstrate sufficient financial capacity to sustain BT’s “state of the art” capabilities, keep pace with technology changes, and support expansion to the currently unserved areas of Burlington as well as other communities.

- ✓ Our company’s offer has no financing contingencies, which reflects the cash on our balance sheet and over \$100 million in unused debt capacity. Schurz will commit to spending a minimum of \$6,200,000 and up to \$8,840,000 in capital projects in accordance with the updated BT capital plan, both maintaining and expanding the current network, for fiscal 2019 through 2021 without any dilution of the City of Burlington’s potential equity position.

We are committed to concluding the build out of the network in Burlington by 2019 (except for the 120 homes that present affordable build challenges) as well as continuing to extend facilities and choice to the communities around Burlington. For the 120-home exception, we will remain committed to working with the City, BED and BT/Schurz technical resources to find a solution to bring additional broadband options to this group. As noted above, we believe that BT could accelerate its growth with additional reinvestment and expansion. We believe that BT should not carry significant debt at this point, so that it has the balance sheet strength to reinvest. We believe that BT would be best served by a combination of operational expertise, a shared vision for growth, and patient capital; our offer does exactly that.

8) Maintain and foster a strong partnership with the City of Burlington and its elected public officials.

- ✓ Our company believes its strength mirrors the strength of our local communities; we support them as a good corporate citizen and encourage active involvement. Our company is proud of our strong community presence, ranging from assisting non-profit organizations with marketing, fund-raising, and volunteer leadership to working in private-public partnerships for economic development. BT’s local management will be empowered to work effectively with local public officials. In addition, our corporate and broadband segment senior leadership team will visit Burlington on a regular basis and would commit to periodic in-person discussions with elected public officials or BTAB (or its successor).

9) Allowing the City of Burlington the opportunity to retain a meaningful carried equity interest in Burlington Telecom.

- ✓ We support the City’s desire to maintain a meaningful interest in BT for the short-term or the long-term. As part of the Transaction, Schurz would be amenable to the City of Burlington contributing its net proceeds from the sale, plus any additional funds necessary for the City to acquire a carried interest equity ownership percentage up to 33.3%. Schurz is prepared to pay the remaining Purchase Price (after accounting for the ownership interest acquire by the City) in cash at close. If the City determines in the future that it wishes to re-acquire BT, we would be amenable to those discussions and

would negotiate in good faith. If the City determines in the future it wishes to monetize or divest of part or all its interest in BT, we would be amenable to discussing various mechanisms that would meet the City's objectives. We want the City of Burlington to remain an owner of Burlington Telecom because we view the City's continued ownership as valuable to the BT brand.

While Schurz would be the majority owner, we would want to ensure that the City of Burlington could have a voice on key decisions. We propose a Board with local community representation and representative members (i.e. if the City owns 20% of the enterprise, it would name one of the five Board members). Local senior management would report to Brian Lynch on an operational basis and would regularly update this Board. In addition, there would be an annual strategic plan, budget, and independent audit of BT that would be presented to this Board. This board would not be the same as the Burlington Telecom Advisory Board, or its successor, which would be tasked with providing a voice for and input from customers.

10) Ability to complete a Transaction by the 2 January 2018, subject to regulatory approval.

- ✓ Our company's Acquisitions Committee and Board of Directors have already reviewed and approved this Transaction. Assuming due diligence, negotiations, and documents are completed in a timely manner, our company would be prepared to file all documentation as soon as October, 2017.

11) A strategy of holding the asset for the long-term.

- ✓ Our company is a fifth-generation family firm that has been in operation since 1872, and its owners plan to continue operating for multiple future generations. We plan to own and operate any and every acquisition for the long-term.

If our intentions would change, we would be willing to offer the City the opportunity to participate in any potential transaction. We support the City's desire to maintain a competitive marketplace for telecommunications services. We understand the City's concern on a future sale resulting in excessive market share greater than 75% for a new buyer and would agree to that threshold, and we would support the City's desire to be involved in the regulatory review and approval process.

12) A strategy to reinvest and or invest into the business.

- ✓ As noted above, we agree with and support local management's plans to largely complete the build-out in Burlington and to expand the network into neighboring communities in Chittenden County. We are reviewing several different strategies that would do so without a dilutive effect on the City of Burlington's equity position.

13) It is important for the City's public officials to try to recover as much of the taxpayer's investment as possible. Part of that should come from the price paid by the purchaser of the BT System, the City's maintaining a continued meaningful interest in BT that enables financial recovery over the next decades, and the indirect benefits of maintaining a strong Telecom System, recognizing the potential of BT's fiber optic infrastructure to enable sustainable economic growth and job creation in an increasingly Tech centric economy.

- ✓ We believe that partnering with a well-respected, experienced operator of local fiber networks provides the City with the best path to recovering its investment in BT. We plan to maintain and grow BT's first-rate fiber optic infrastructure in the support of the business and the community. We agree with BT's plan that it could double its earnings before interest, taxes, depreciation, and amortization (EBITDA); we believe our company can provide operational expertise, logistical support, and economies of scale that can accelerate that growth. As we have done in all our broadband markets, we also believe there are additional investments and acquisitions in the region that could be "bolted on" BT's infrastructure that could generate a favorable return on investment.

It is more difficult to quantify the indirect benefits that BT brings the greater Burlington region. It is clear that any community that does not have a dense fiber network is at a competitive disadvantage in the 21st century economy. Our vision for Burlington Telecom revolves around three concepts: growth, empowerment, and catalyst.

Growth: We have already outlined our plans to largely complete the network build in Burlington and to expand into neighboring communities. We also view BT as a potential platform to acquire other networks in the region. BT has been designed to effectively and efficiently serve a wide range of products and services to a far larger population base; our company believes that this growth, done properly and judiciously over time, could be significant.

Empowerment: Broadband is a powerful tool to connect, inform, and educate individuals that helps unleash creativity and break down barriers. There are many parties working on growing the local technology ecosystem; BT is and should be a key player in the process. BT's future is inextricably linked to the Burlington region's future. Our hope is that Burlington would see increasing numbers of talented and educated young people choose to make this community their home.

Catalyst: We believe the interaction between BT, the City of Burlington, and Schurz Communications would be mutually beneficial for all parties. Quite simply, we will all learn from each other. Our company is evolving with the digital disruption of media and numerous other industries; we have adapted throughout our history to be able to survive and thrive for 145 years. In addition to our deep understanding of media and telecommunications, we are doing extensive research into the cloud communications and managed Information Technology services industry that will lead to investments and acquisitions. We believe that BT will benefit from these efforts. We are a major investor

in a service provider to Google Fiber and have simultaneously learned from that firm and shared some ideas and best practices. We have investments in a dozen firms with digital DNA; again, we have learned from their innovative practices and experiments as we have brought patient capital, access to markets and entrepreneurs to them. Our company has grown stronger from each acquisition and introduction to a new community, and we have already gained new insights from our brief exposure to BT and Burlington. In addition to our enthusiasm for BT, we are intrigued by the possibility to be an operating partner for other municipally-owned fiber networks.

We know today that BT will bring growth and empowerment to Burlington's citizens; we are excited to see how we will each change and improve each other.

ADDITIONAL SCHURZ QUALIFICATIONS

E) Transaction Rationale: Schurz is an established operator in the communications industry, operating three separate fiber-coaxial systems across the U.S. as well as a data center, with its legacy property Antietam Broadband being owned by the family for over 50 years. Following the sale of its broadcast assets in February of 2016, Schurz has been actively pursuing opportunities to redeploy capital into existing broadband properties as well as new and adjacent business sectors. We believe Burlington Telecom has the potential to be a platform for additional bolt-on acquisitions and organic growth in the region; Schurz has ample capacity to invest additional capital into the Company to further drive future growth following a Transaction. We believe that our public-private partnership might be the catalyst for future partnerships with other municipally-owned fiber networks.

F) Financing: Schurz has ample room under its existing credit facility in addition to cash on hand to finance a Transaction. There are no financing contingencies with this offer and our relatively low cost of financing will not overburden BT with unrealistic financial performance expectations.

G) Acquirer Identity and Conditions / Approvals: Schurz Communications, a family-owned Indiana-headquartered media, communications and information company, or a subsidiary, would be the acquiring entity of the Company.

Schurz Communications is a diversified privately-owned, nationwide communications company founded in 1872. Schurz has been engaged in publishing daily and weekly newspapers in various communities since its inception, and over the years Schurz has added the operations of radio, television, digital media, and cable television / broadband facilities. The company began in 1872 when Alfred B. Miller and Elmer Crockett founded the South Bend Tribune. Schurz newspapers have a long tradition of editorial excellence, technical innovation and a commitment to the highest standards for quality and excellence in journalism. Schurz puts great emphasis on seeking the truth and sharing it with others. Our purpose is to provide a better understanding of the world, so that our readers, viewers and users are more informed and can positively impact

our communities and society. Today Schurz publishes ten daily newspapers in medium to small markets with a combined circulation of over 225,000.

The company emerged as a broadcast pioneer in 1922 with the launching of WGAZ radio (now WSBT radio) in South Bend, and WSBT television began broadcasting in 1952. Schurz was also one of the owners of the original cable system built in Saint Joseph County, Indiana in the 1950's and 1960's. The first cable acquisition was Antietam Cable TV in Hagerstown in 1968, and the company began offering Internet access in the early 1990's. We have experience operating networks over multiple generations of technology – copper wire, coaxial cable, and fiber - in urban and rural settings. Today, we operate over 4,080 miles of fiber and hybrid fiber/coax facilities serving 72,000 customers of which more than 3,300 are commercial customers. In addition, we have fiber-to-the-home services offering gigabit speeds available to more than 16,000 households and growing across our service areas. In our markets we offer the most advanced telecommunications services, including broadband speeds up to one gigabit residentially and ten gigabit commercially, as well as robust video offerings and residential and commercial phone services.

The Schurz Communications Board of Directors approved our purchase offer for Burlington Telecom at its August 2, 2017 meeting.

H) Due Diligence Requirements: Schurz expects to conduct additional standard due diligence on the Company. Our due diligence process will include customary business, accounting, financial, tax, technology, real estate, and legal due diligence. Schurz and its advisors are prepared to begin this diligence immediately and work expeditiously to further progress a Transaction.

I) **Contact Information:** The following should be contacted if you have any questions regarding our proposal:

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We are enthusiastic about the opportunity and look forward to your response to this LOI. If you would like to discuss further, please do not hesitate to contact us.

Best regards,



Todd F. Schurz
President and CEO