

Big Things Are Happening



May 11, 2021

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I. Introduction

Overview

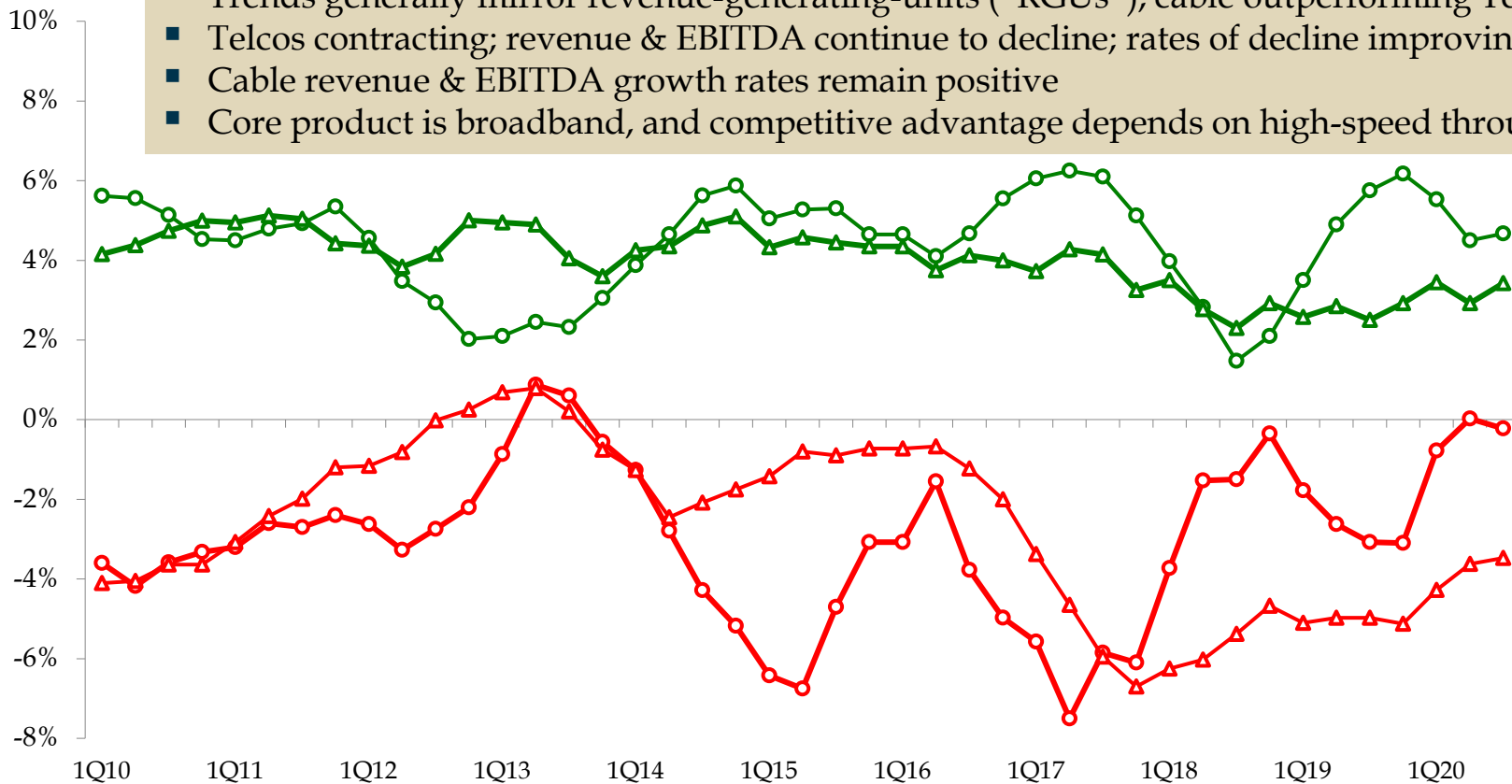
- Charlesmead welcomes the opportunity to discuss strategic opportunities with the WTA members
 - Since 1996, Charlesmead professionals have served as financial advisors in more independent telecommunications M&A transactions than any other firm
 - Charlesmead's professionals have more than 70 combined years of experience in strategic, transactional, and valuation work, providing highly-valued services to our clients
- Rural M&A is undergoing a dramatic change, notably over the last five years
 - The large strategic acquirors are generally not active in bidding for rural properties
 - Financial investors have returned to the sector after an absence of more than a decade
 - Valuations for certain attractive properties have increased sharply, while more challenging sizeable properties are selling for 4.6x-5.0x
 - The financial investor thesis has evolved aggressively
 - Financial investors are targeting sustainable broadband services, preferably with a concentration of fiber assets
 - Less about improving cash flows through synergies and more about growth in high-value broadband
 - Less about reducing management costs and more about significant post-acquisition investments
 - Longer and more patient investments that can be require a decade or more to unfold
 - Import for strategic carriers
 - Many high-value properties priced at premium levels, generally near 8x but sometimes double-digit
 - Anticipate significant post-acquisition investments that can rapidly change the competitive environment in a region
 - Likely that regulatory revenues are going to diminish in the future
 - Consider strategies to become stronger financially and more competitive in the near term

II. Wireline Industry Dynamics

Revenue and EBITDA Trends

Year-over-Year Change in Revenue and EBITDA ⁽¹⁾

- Trends generally mirror revenue-generating-units (“RGUs”); cable outperforming Telcos
- Telcos contracting; revenue & EBITDA continue to decline; rates of decline improving
- Cable revenue & EBITDA growth rates remain positive
- Core product is broadband, and competitive advantage depends on high-speed throughput

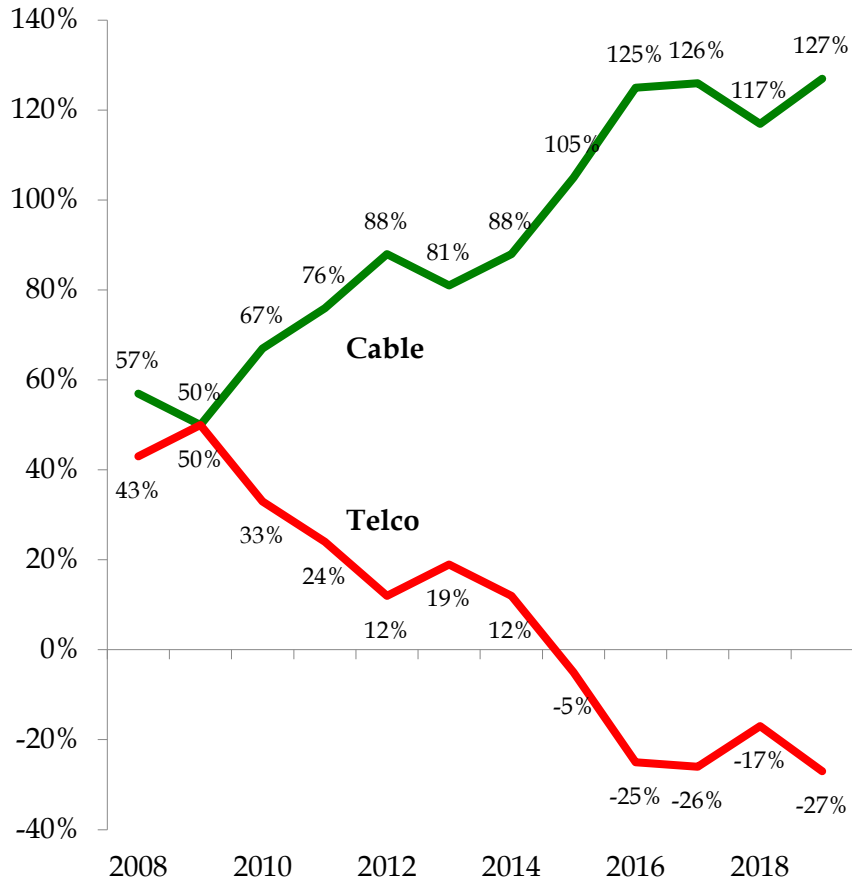


Cable Index ⁽²⁾: ▲ Revenue ○ EBITDA Telco Index ⁽³⁾: ▲ Revenue ○ EBITDA

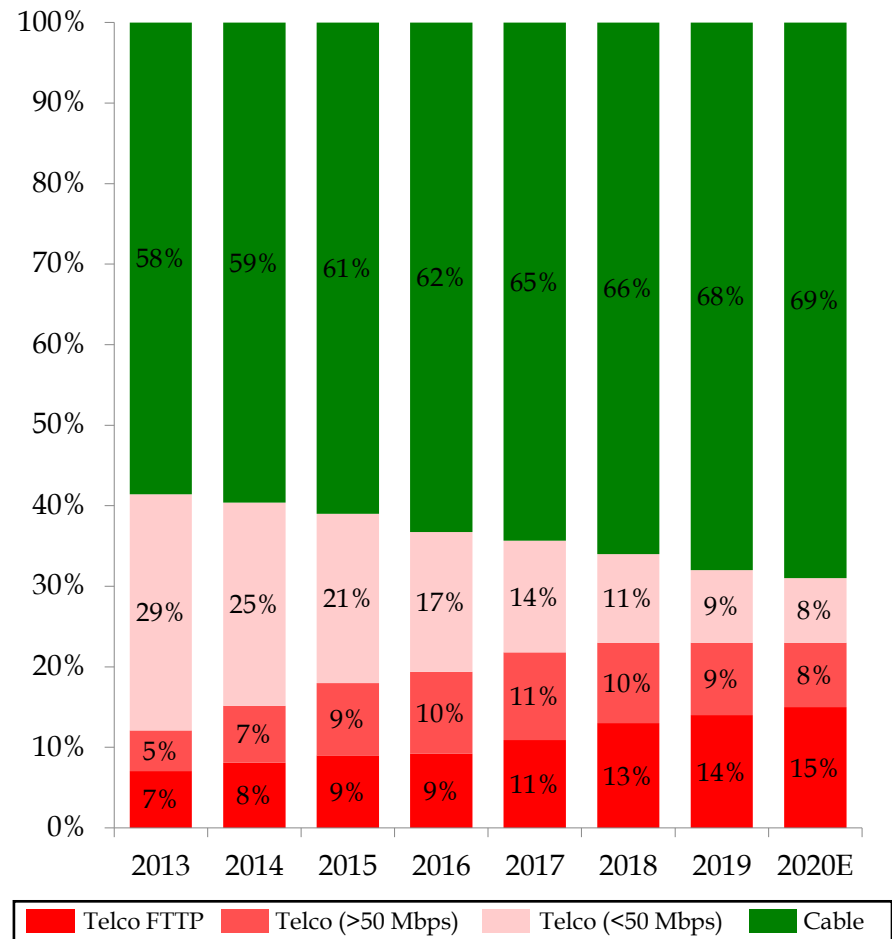
Source: Company filings and press releases
 (1) Data reflect the average year-over-year change for the prior four quarters.
 (2) Cable index is comprised of ATUS, CABO, CHTR, CMCSA, and WOW.
 (3) Telco index is comprised of CTL, CBB, CNSL, and FTR.

National Cable and Telco Broadband Market Share

































Cable Captures Broadband Market Share

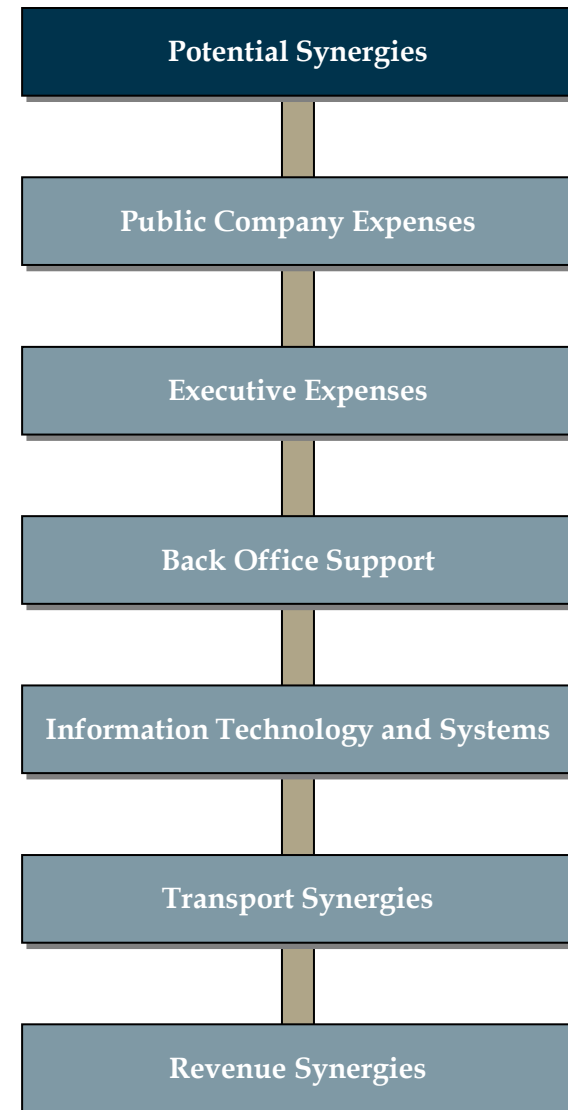


Homes Served by Network Technology



The Power of Synergies: A Key Factor in 2000-2016 Acquisitions

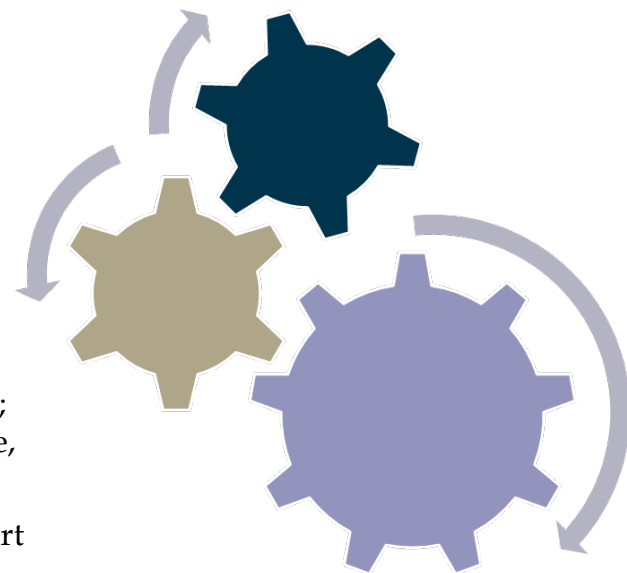
Acquiror	Target	Synergies (% of Revenue)	Enterprise Value / EBITDA	
			Pre-Synergy	Post-Synergy
		3.3%	5.6x	5.1x
		6.6%	5.9x	4.9x
		12.1%	5.9x	3.7x
		7.6%	7.3x	5.6x
		16.0%	5.9x	4.8x
		14.2%	6.3x	4.8x
		5.8%	5.1x	4.5x
		12.7%	8.7x	6.8x
		11.3%	5.9x	4.9x
		7.6%	4.5x	3.4x
		16.9%	5.2x	3.7x
		7.6%	4.5x	3.8x
		6.9%	7.6x	6.6x
		8.7%	8.4x	7.2x
		13.6%	7.0x	5.5x
		16.7%	10.1x	6.7x
Average		10.5%	6.5x	5.1x



Source: Company presentations, press releases, and filings

Strategic Rationales for Transactions

- Large and small ILECs increasingly focus on scale, greater scope, service diversification, reduced regulatory exposure, and expanded fiber density
 - Scale
 - Critical as the number of access lines in smaller markets continues to shrink annually by ~3%-9%
 - Geographic proximity enhances potential for operational synergies
 - Significant interest in price-cap properties
 - Potential for consortia to purchase larger operations
 - Scope
 - Carriers are investing heavily to expand offerings of fiber-rich data services
 - Special access service, notably in support of wireless towers/sites
 - Cable assets have been attractive targets for incumbent carriers
 - Video has been a defensive product to compete with cable operators; over-the-top offerings are expanding as content costs continue to rise, reducing or eliminating standalone video profitability
 - Other service offerings, such as home security and IT services support
 - Diversification
 - Prioritizing transactions and other initiatives that provide diversification away from traditional residential, voice-based business model with significant regulatory exposure



Emerging M&A Developments

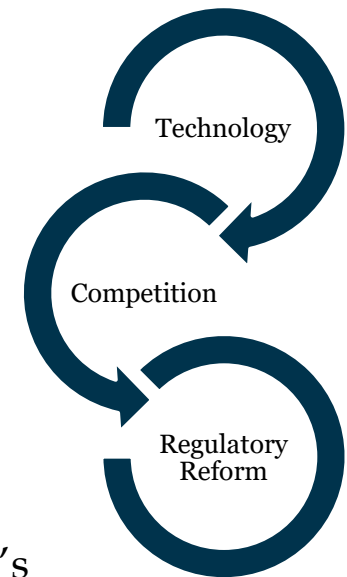
- Historically, much of the telecom M&A activity was driven by strategic acquirors
 - Greater scope and scale
 - Realization of synergies to drive investment
 - Diversification of a carrier's products
 - Data services
 - CLEC operations
 - Data centers
 - Wireless
 - Shift away from high-risk regulatory support payments

- Increased interest of financial investors over the last five years
 - Fewer large strategic acquirors
 - Renewed / new interest by financial buyers
 - Private equity
 - Infrastructure funds
 - Family offices
 - Recent themes
 - Upward pressure on valuations
 - Retain management teams to promote continuity of operations
 - Growth orientation versus primary focus on cash generation through synergies
 - Commitment of significant post-acquisition capital to improve the value of operations

III. M&A Insights

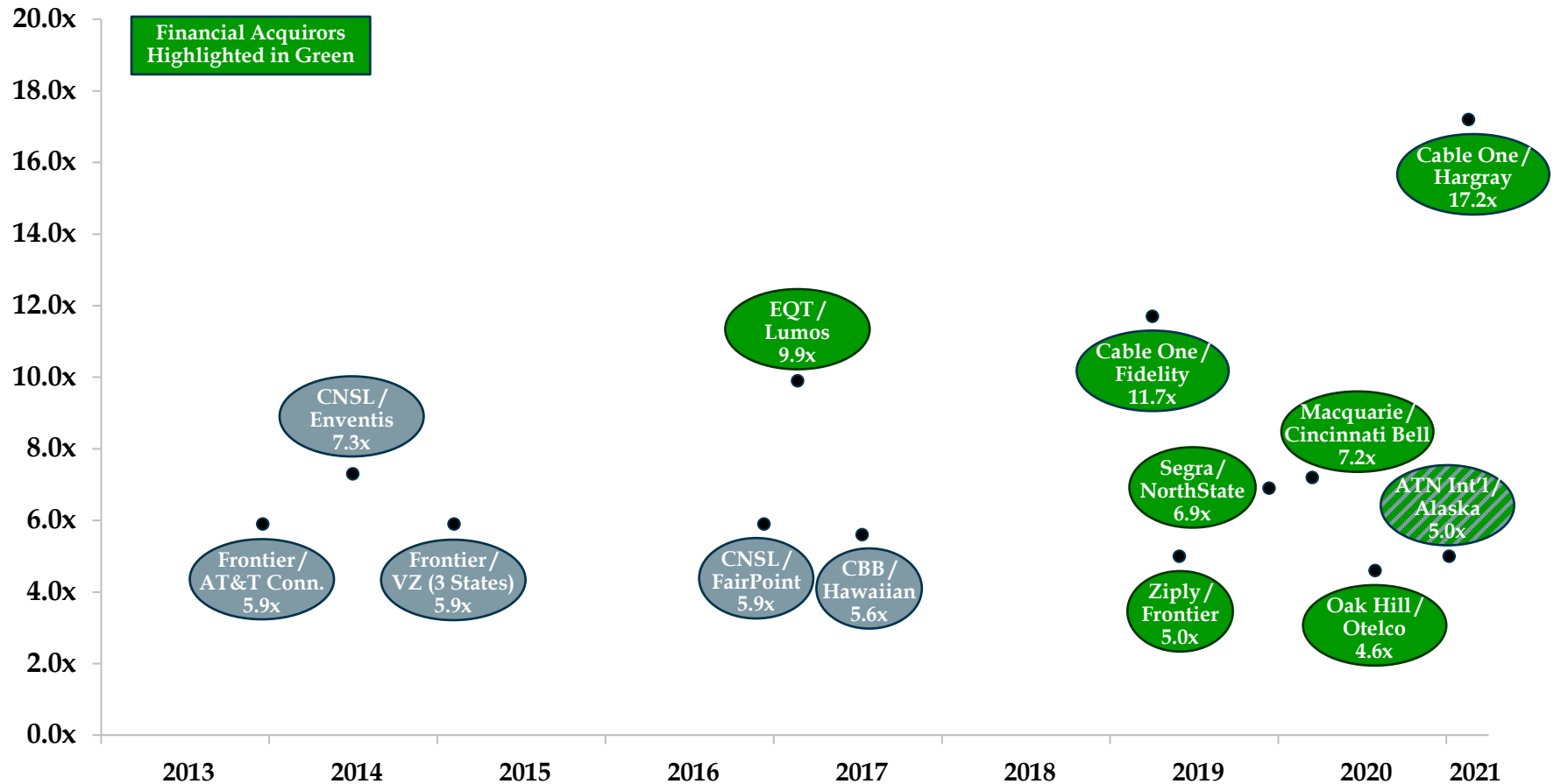
Strategic Optionality

- In a monopoly telecommunications world, “strategy” generally was related to network improvements and product introductions as the markets were stable and slow-changing
- In the wake of deregulation, carriers have been compelled to pursue strategies that . . .
 - Identify competitive opportunities and risks in real time
 - Evolve as the market changes in terms of technology, competition and regulation
 - Facilitate investment in more formidable and longer-term assets that include network and personnel
 - Assure financial flexibility to preserve value and/or grow in a rapidly-changing environment
- Increased scale with a focused strategy provides optionality for today’s successful carriers
 - Enables increased investment in fiber networks that deliver competitive high-speed data services
 - Creates service and operating platforms that are flexible, effective, and efficient
 - Expands universe of accessible growth options and can reduce relative risk
 - Generates opportunities to enrich or expand the carrier’s core competence and breadth of services
 - Provides access to lower-cost, less restrictive capital resources to respond to the evolving, but often narrow, window of opportunity



Selected Telco M&A Valuations

Enterprise Value as a Multiple of EBITDA

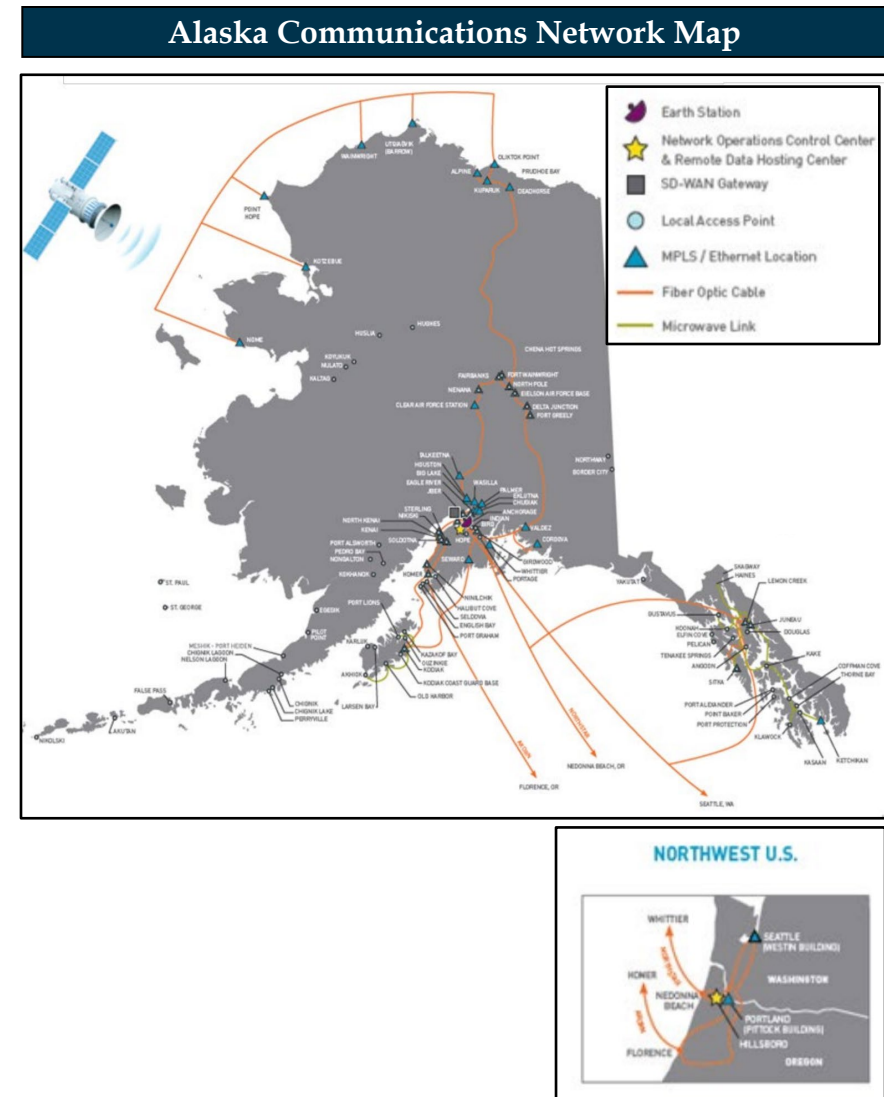


ATN International to Acquire Alaska Communications

- **Announced:** January 4, 2020
- **Buyers:** ATN International (NASDAQ: ATNI) (“ATNI”) and Freedom 3 Capital
- **Target:** Alaska Communications (NASDAQ: ALSK) (“ACS”)
- **Price:** \$3.40 per share, which represents an implied enterprise valuation of ≈\$322 million. The per share price represents a ≈78% premium over the November 2 closing share price of \$1.91 and a ≈70% premium over the 30-day average share price.
- **Assets:** ACS is a leading provider of advanced broadband and managed IT services for businesses and consumers in Alaska. ACS operates a 155,000 fiber strand mile statewide data network and a diverse undersea fiber optic system connecting Alaska to the contiguous U.S. As of June 30, 2020, ACS served ≈6,700 FTTP, ≈40,000 DSL, and ≈89,000 voice subscribers.
- **Valuation:** 1.4x LTM June 30, 2020 Revenue (\$235M)
5.0x LTM June 30, 2020 Adjusted EBITDA (\$66M)
- **Expected Closing:** Second Half 2021
- **Comments:** ATNI operates communications and technology businesses, with a focus on markets with a need for significant infrastructure investments and improvements.

Freedom 3 Capital helps middle-market companies address strategic growth opportunities by delivering capital solutions.

On November 3, 2020, ACS announced an agreement to be acquired by Macquarie Capital and GCM Grosvenor, this agreement has been terminated. In connection with the termination, Alaska Communications paid Macquarie and GCM a \$6.8 million break-up fee.









Oak Hill Capital to Acquire Otelco

- **Announced:** July 27, 2020
- **Buyer:** Oak Hill Capital (“Oak Hill”)
- **Target:** Otelco, Inc. (NASDAQ: OTEL)
- **Price:** \$11.75 per share in cash (43% above the June 23rd closing price), which represents an enterprise value of ≈\$105.6 million.
- **Assets:** Otelco provides wireline telecommunications services in Alabama, Maine, Massachusetts, Missouri, New Hampshire, Vermont and West Virginia. Otelco provides more than 67,000 revenue generating units (“RGUs”) of broadband data, transport services, network access, cable television, and voice, to more than 33,000 customers. Otelco operates eleven incumbent telephone companies serving rural markets and provides competitive retail and wholesale communications services and technology consulting, managed services and private/hybrid cloud hosting. As of March 31, 2020, Otelco owned a more than 2,500-route mile fiber-optic network and a 5,600-route mile copper network.
- **Valuation⁽¹⁾:** 1.7x LTM Revenue (\$62.4 million)
4.6x LTM Adjusted EBITDA (\$23.1 million)
\$3,200 per customer (33,000)
- **Expected Closing:** Fourth Quarter 2020
- **Comments:** Oak Hill Capital is a private equity firm managing funds with ≈\$15 billion of capital commitments since inception. Over the past 34 years, Oak Hill and its predecessors have invested in over 90 private equity transactions across broad segments of the U.S. and global economies. Oak Hill is an experienced telecom investor and its current investments include MetroNet (FTTP overbuilder) and Vast Broadband (broadband service provider).

Otelco Network Maps



	New England CLEC	Missouri RLEC	New England RLEC	Alabama RLEC
Switching Facilities	 broadsoft  GENBAND	metaswitch	 GENBAND  metaswitch	 Level 3  metaswitch
Remote Switches	31 Colos	89	107	75
Video Nodes	-	-	-	46
Wireless Internet Access Points	-	156	-	-
Total Fiber Route Miles	1,259	473	513	1,322
Owned Fiber Route Miles	243	473	513	1,322
Transport Fiber Route Miles	243	457	370	518
Distribution Fiber Route Miles	-	16	143	804
IRU Fiber Route Miles	235	-	-	-
Leased Fiber Route Miles	781	-	-	-
Copper Route Miles	-	1,010	1,501	3,119

Source: Otelco press releases, investor presentations, and SEC filings

(1) Data are as of or for the twelve-month period ended March 31, 2020.

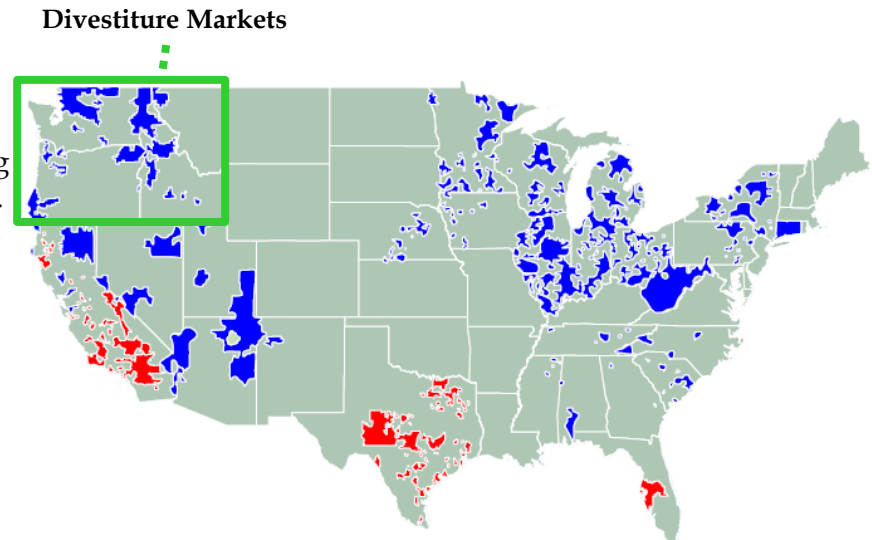
Ziplay Fiber Acquires Frontier's Pacific Northwest Operations

- **Announced:** May 29, 2019
- **Buyers:** Ziplay Fiber (owned by WaveDivision Capital, LLC ("WDC") and Searchlight Capital Partners, LLC)
- **Target:** Frontier Communications Corporation's ("Frontier") (NASDAQ: FTR) wireline operations and all associated assets in Washington, Oregon, Idaho, and Montana
- **Price:** \$1.352 billion in cash, subject to certain adjustments including for working capital and certain pension & retiree medical liabilities.
- **Assets:** Frontier's northwestern network passes 1.7 million residential and business locations, of which ≈500,000 are FTTP capable. The network served ≈150,000 fiber broadband, ≈150,000 copper broadband, and ≈35,000 video connections in four states⁽¹⁾.
- **Valuation⁽¹⁾:** \$3,863 per revenue generating unit
2.2x LTM Revenue (\$619 million)
5.0x LTM Adjusted EBITDA (\$272 million)
- **Closed:** May 1, 2020
- **Comments:** The sale of these properties reduces Frontier's debt and strengthens liquidity.

WDC, founded by Steve Weed, is a private investment firm focused on the broadband industry. Weed was founder and CEO of Wave Broadband, which grew to one of the largest broadband companies on the West coast, until its sale in 2018. Current investments include Hargray, Xplornet, MetroNet, and RCN/Wave/Grande.

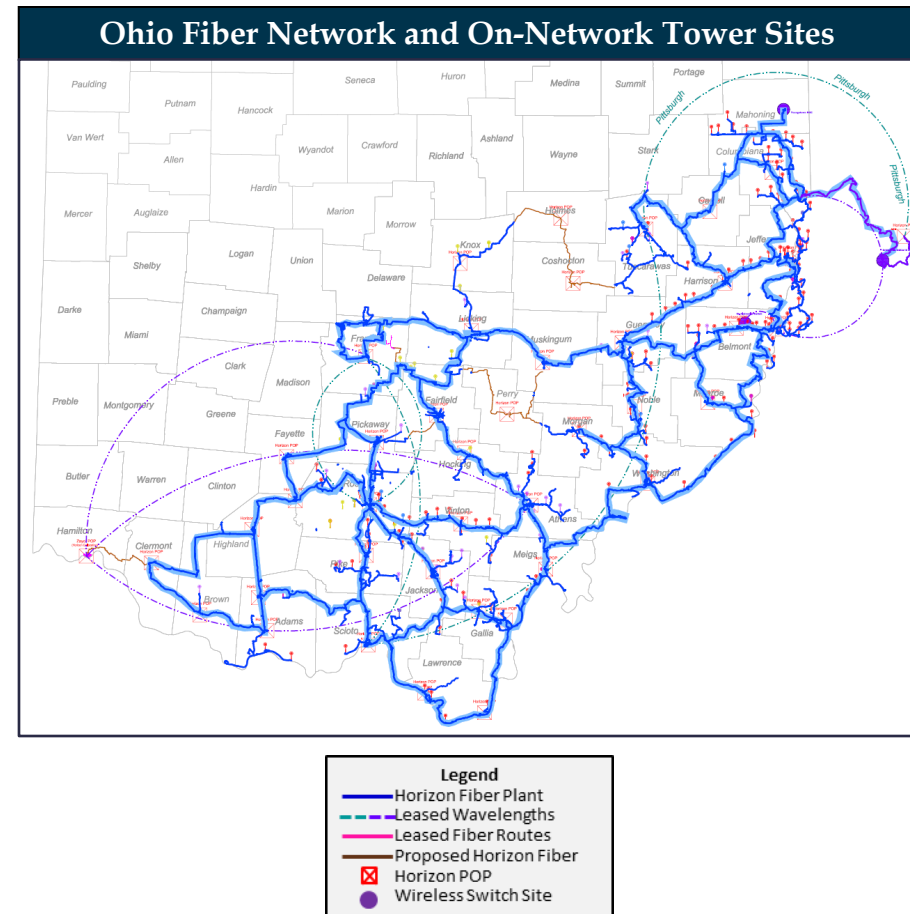
Searchlight is a global private investment firm that seeks to invest in businesses where their long-term capital and strategic support accelerate value creation for all stakeholders.

Frontier National Market Map



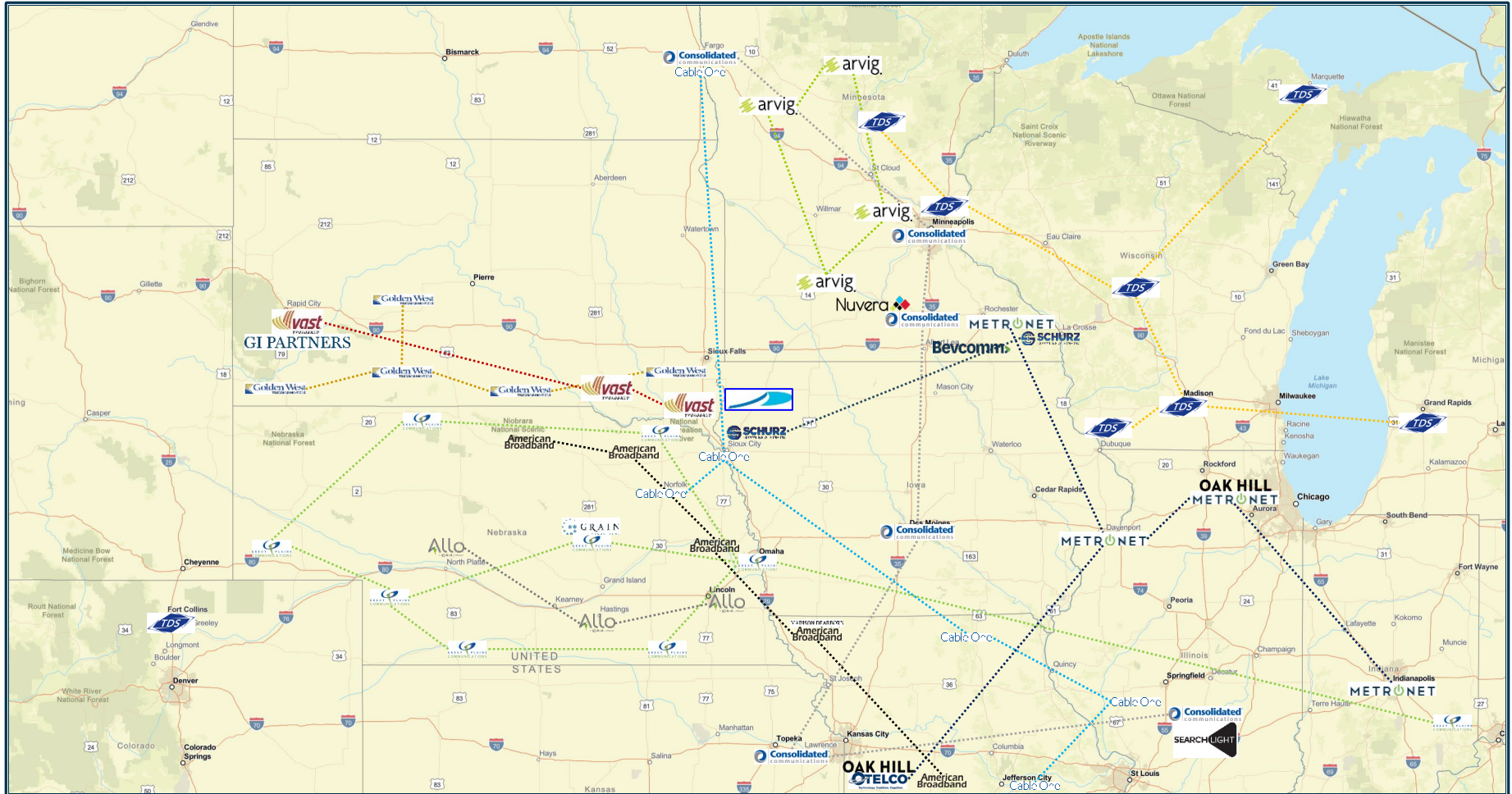
Novacap TMT acquires Horizon Telcom

- **Announced:** January 25, 2018
- **Target:** Horizon Telcom (“Horizon”)
- **Buyer:** Novacap TMT (“Novacap”)
- **Price:** More than \$220 million
- **Assets:** Horizon is a premier provider of fiber-optic bandwidth infrastructure services leveraging the company’s significant investments in its state-of-the-art network and facilities. Upon completion of the acquisition and the finalization of new fiber builds, Horizon will operate 550,000 strand miles of fiber and 4,500 route miles of fiber in six states. Together with Novacap, Horizon intends to enhance its presence in the Columbus, Ohio market and extend its existing network closer to customer premises. In addition to its fiber network assets, Horizon also serves approximately 26,000 RGUs with its FTTN network in Ross County, Ohio.
- **Valuation:** Financial terms not disclosed
- **Closed:** July 10, 2018
- **Comments:** Founded in 1981, Novacap is a leading Canadian private equity firm with \$2.26 billion of assets under management. Novacap’s investment approach, based on deep operational expertise and an active partnership with entrepreneurs, is designed to accelerate growth and create long-term value for its investee companies. Novacap’s recent investments in regional fiber-optic providers include Oxford Networks, FirstLight Fiber, and Fibrenoire.



Charlesmead Advisors, LLC served as exclusive financial advisor to Horizon Telcom in this transaction.

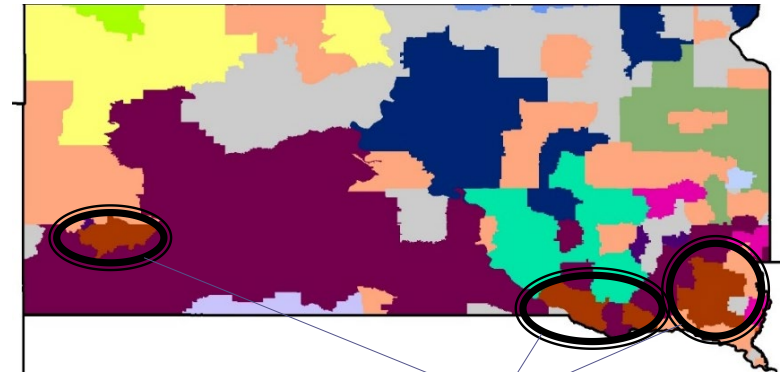
Overview of Midwest "Neighborhood"



Source: Google maps and company websites and investor presentations

Vast Broadband (Owned by GI Partners)

- Vast Broadband
 - Based in Sioux Falls, SD
 - HSD, video & voice services to > 60,000 residential and business customers
 - Primary markets in Sioux Falls & Rapid City, with small presence in southwestern Minnesota
- GI Partners
 - Leading investor in data infrastructure businesses
 - Invests primarily in hard asset infrastructure businesses underpinning the digital economy
 - Founded in 2001 and based in San Francisco
 - Raised over \$23 billion in capital
 - Current fund: \$1.8 billion | ~25% deployed
 - Can dedicate \$100 million - \$500 million in equity to platform investments, such as Vast
 - Focused on residential broadband, with an emphasis on rural / underserved
 - Acquired Blue Stream Fiber (Florida) in 2020
 - Seeks expansion into adjacent states
 - Rumored to have paid a premium multiple



GI PARTNERS

MetroNet – Oak Hill Capital

■ MetroNet

- Based in Evansville, IN; formed with backing from Oak Hill
- Triple-play services delivered over 100% fiber-optic network
- Serves nearly 100 communities throughout FL, IL, IN, IA, KY, MI, MN, & OH
 - Built network in Cologne, MN
 - Acquired Jaguar Communications
 - Fiber optic internet company serving Owatonna, Mankato, Rochester, and several other MN communities
 - Plans to invest \$150+ million to grow in MN
 - Iowa markets include Quad Cities (Bettendorf, Davenport, Le Claire), Ames (Ames, Gilbert, Nevada), West Des Moines (Clive, Grimes, Johnston, Urbandale)



+



■ Oak Hill Capital

- Private equity firm managing funds with approximately \$15 billion of initial capital commitments and co-investments since inception
- Targets control-oriented investments of \$100 to \$400 million in middle-market companies primarily in North America
- January 2021 closed on current \$3.8 billion fund; surpassed \$3.0 billion target; represents the largest amount of 3rd party capital Oak Hill has raised
 - 40% committed with six platform investments to date
- Experienced telecom / FTTP investor; current & recently announced investments include:
 - NetSpeed LLC – a fiber-to-the-premises operator in Pennsylvania and Connecticut
 - Vexus Fiber – a rapidly expanding fiber-to-the-premises provider in Texas
 - Race Communications – a fast-growing fiber-to-the-premises business in California
 - Otelco and Ontario and Trumansburg Telephone Companies, two eastern U.S. broadband companies



American Broadband – Madison Dearborn Partners

- American Broadband
 - A leading provider of broadband for rural America, serving communities in three regional markets (1) Nebraska & Missouri, (2) Alaska, (3) Louisiana & Texas
 - Nebraska operations headquartered in Blair
 - Retains local management and staff in each of its regional markets to ensure continuity-of service
- Madison Dearborn Partners
 - Private equity investment firm based in Chicago
 - Since its formation in 1992, has raised aggregate capital of over \$26 billion
 - Invests across five industry verticals, including telecom, media and technology (“TMT”) services
 - Prominent investor in TMT Services since the early 1980s, having deployed over \$5 billion of equity capital into more than 60 companies across the industry landscape
 - Successful investments in wireless carriers, broadband service providers, media companies and software vendors
 - Currently investing out of a \$4 billion fund
 - Views American Broadband as a platform for significant incremental capital deployment
 - Edge-out FTTP deployments
 - Aggressively pursue M&A opportunities proximate to all three regional markets
 - Residential focus
 - Thesis is growth, not synergy-focused

AmericanBroadband



MADISON DEARBORN
 PARTNERS

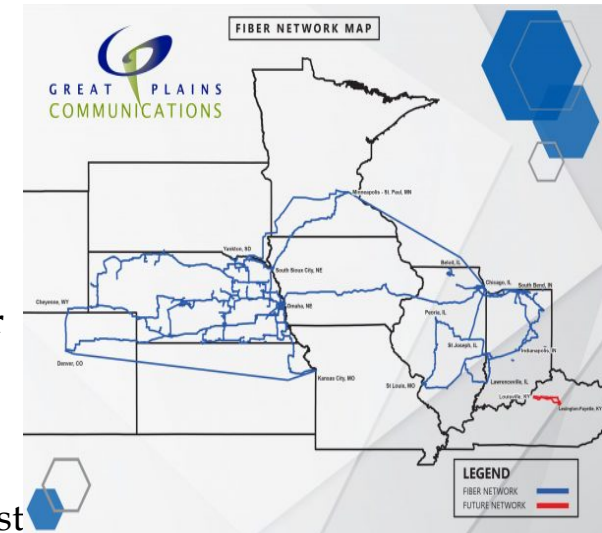
Consolidated Communications – Searchlight Capital Partners

- Consolidated Communications (NASDAQ: CNSL)
 - Top 10 U.S. fiber provider; ~46,600 fiber route miles and 13,600 on-net buildings
 - Based in Illinois; operates in 23 states with 2.8 million homes passed
 - MN operations (fka Enventis) – Triple-Play in Mankato | statewide fiber transport
 - CLEC and fiber transport operations in IA, SD, and ND
 - 2 million FTTP passings (1.6 million additional) by 2025 (70% of service area)
- Searchlight Capital Partners
 - Committed to invest up to \$425 million in CNSL
 - Perpetual preferred stock with a 9% coupon, payment-in-kind (“PIK”) option for 5 years
 - 35% pro forma common ownership & two Board seats
 - Provides CNSL w/ capital structure & liquidity to deploy FTTH/FTTP to large % of its network
 - Founded in 2010; over \$7 billion in assets under management
 - November 2020 closed third fund with \$3.4 billion of committed capital
 - Would like to deploy \$200+ million of equity per acquisition / investment
 - Global leader in broadband and communications infrastructure investment
 - Significant experience working with portfolio companies to deploy broadband infrastructure
 - Focused on transforming ILECs into FTTP businesses to compete with upgraded cable networks
 - Relevant portfolio investments include:
 - Current: Ziplly Fiber (Frontier Pacific Northwest operations)
 - Realized: Uniti Group, Electric Lightwave, General Communication, Inc.



Great Plains Communications – Grain Management

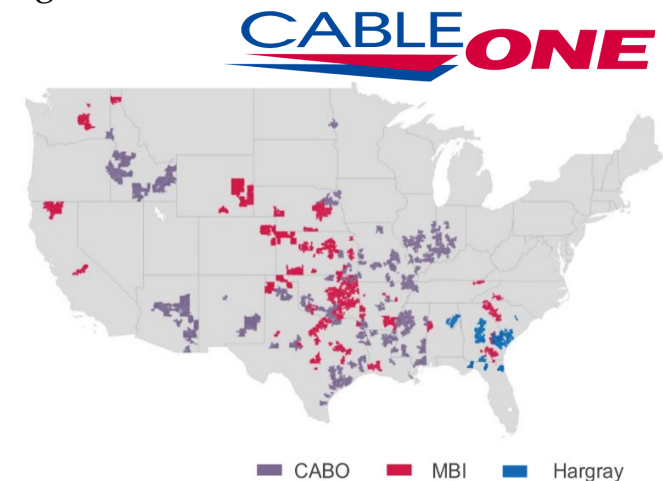
- Great Plains Communications
 - Midwestern telecommunications provider with an expanding 13,000-mile fiber network
 - Long-haul and metro networks that span the state of Nebraska, extending into Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, South Dakota and Wyoming
 - Nebraska’s largest privately-owned telecommunications provider
 - Headquartered in Blair, NE
 - Leading regional provider of fiber-based services to more than 90 communities across the state
 - Grain/Great Plans enhancing its presence throughout the Midwest
 - September 2020 – acquired Enhanced Telecommunications (Southeastern Indiana)
 - August 2019 – acquired InterCarrier Networks (fiber-optic network carrier serving IL, IN, MO & KY)
- Grain Management
 - Private investment firm focuses exclusively on communications companies
 - Founded in 2007; has managed seven investment vehicles on behalf of global investors
 - Current fund closed April 2019 with ≈ \$900 million in commitments
 - Target transaction size of \$50 million to \$150 million
 - Additional portfolio companies include:
 - Summit Broadband (FL)
 - Hunter Communications (OR)
 - Ritter Communications (AR, MO, TN)



Cable One (NYSE: CABO)

■ Company Overview

- Broadband-focused triple-play communications provider serving >950,000 residential and business customers in 21 Western, Midwestern, and Southern states
- ~78% of customers located in 7 states: AZ, ID, IL, MS, MO, OK, and TX
- Differentiated strategy: HSD-centric model in rural footprint with favorable competitive dynamics
- LQA 4Q20 revenues ~\$1.4B | Adj. EBITDA ~\$715B
- Rapidly appreciating share price has supported growth



■ Aggressive acquiror – recent transactions include:

- Hargray (announced February 2021) (AL, FL, GA, SC)
 - Acquiring the 85% of Hargray's equity that CABO did not already own
 - Implied enterprise value of \$2.2 billion
 - 17.2x LQA 4Q20 EBITDA | 12.7x post-synergies
- Mega Broadband Investments (September 2020)
 - Parent company for Northland, Eagle Broadband, Vyve Broadband
 - Acquired 45% of the equity of MBI for ~\$574 million, with call option for the remainder beginning in 2023
- ValuNet Fiber (July 2020) – all-fiber HSD provider in KS; ~\$39 million EV
- Fidelity Communications (October 2019) – cable & ILEC provider in AR, IL, LA, MO, OK, and TX
 - ~\$525 million EV
 - 11.7x LQA 4Q18 EBITDA | 8.8x post-synergies | 7.3x post-synergies & adjusting for PV of tax benefits
- Wisper Internet & Nextlink – minority equity investments in fixed wireless providers

Long Lines Broadband / Hiawatha Broadband – Schurz Communications

- Long Lines Broadband (acquired 2015)
 - Fiber-based triple-play provider headquartered in Sergeant Bluff, IA
 - Serving 16 communities in the tri-state area, including So. Sioux City, NE
 - In 2017, acquired & integrated certain service areas in northwest Iowa and southeast South Dakota from Vast Broadband, including ...
 - Communities of N. Sioux City, SD and Storm Lake, IA
 - 200-mile fiber network infrastructure throughout the service area connecting SD, IA and MN
- Hiawatha Broadband Communications (acquired 2018)
 - Winona-based provider of FTTP networks to homes & businesses in over 30 communities across southern Minnesota
 - Offers symmetrical 1 Gbps residential speeds & up to 100 Gbps business speeds
 - Data transport network connects more than 20 MN cities to a protected fiber-optic ring
 - Extensive wireless broadband network throughout under-served rural areas
- Schurz Communications
 - Family-owned communications company formed in 1872 and headquartered in Mishawaka, IN
 - Recent investments include regional broadband companies, global data center solutions providers, and digital and marketing firms
 - Current portfolio includes:
 - Broadband Services – Antietam Broadband (MD), Burlington Telecom (VT), and Orbitel Communications (AZ)
 - Cloud & Managed Services – Otava (MI)
 - Numerous minority investments



IV. Regulatory Update

Regulatory Stability and M&A Activity

- Regulatory instability caused a slowdown in M&A activity from November 2011 through the A-CAM order in 2017
 - Post-2011 regulatory “reforms” gradually stabilized valuations
 - Major “winners” among the A-CAM recipients prompted assessments related to organic and transactional opportunities – top annual recipients were Arvig (\$21.5M), TDS (\$18.8M), Pioneer (OK) (\$18.2M), Great Plains (\$17.7M) and Blackfoot (\$10.1M)
- Ongoing regulatory pressures
 - Concern about persistent regulatory risk and shrinking support funding
 - Indexed caps on ROR carriers
 - Corporate Operations Expense Limitations
 - Operating Expense Limitations
 - Adjustment factor of 0.746438 applied in 2020 to ensure the total CAF is below the indexed cap
 - National Average Cost Per Loop (“NACPL”) rose to \$647.87, limiting CAF High-Cost Loop support
 - FCC announced reduction in allowed rate of return from 11.25% (March 2016) to 9.75% (July 2021)
 - State commissions have lesser understanding of telecom issues/challenges
 - On balance (except for A-CAM), significant regulatory exposure can depress valuation and limit access to capital
- Assessing price-cap carrier federal funding in M&A processes
 - Connect America Fund II ends in December 2021
 - Recently concluded RDOF auction, with results just released and more detail in early 2021



Federal Regulatory Environment Post-Election

- On January 21, Commissioner Jessica Rosenworcel was named acting chair of the Democrat-controlled FCC
 - Practiced DC Communications Law after graduating from New York University School of Law
 - Senior Communications Counsel for U.S. Senate Committee on Commerce, Science, and Transportation
 - Became an FCC Commissioner in May 2012, and confirmed for an additional term in August 2017
- Possible change in policy priorities at the Commission
 - Renewed support for net neutrality
 - A leader in spectrum policy, including Wi-Fi to video and the Internet of Things
 - Has worked to develop policies to extend broadband to schools, libraries, hospitals, and households across the country (support for Lifeline and E-rate programs); increased focus on universal broadband due to pandemic
- Potential movement on USF contributions reform, but unlikely to be a complete initial overhaul
 - AT&T's CEO is proposing that USF should be an appropriation (controlled by Congress)
 - Rural associations would likely oppose such a modification because of new political risks

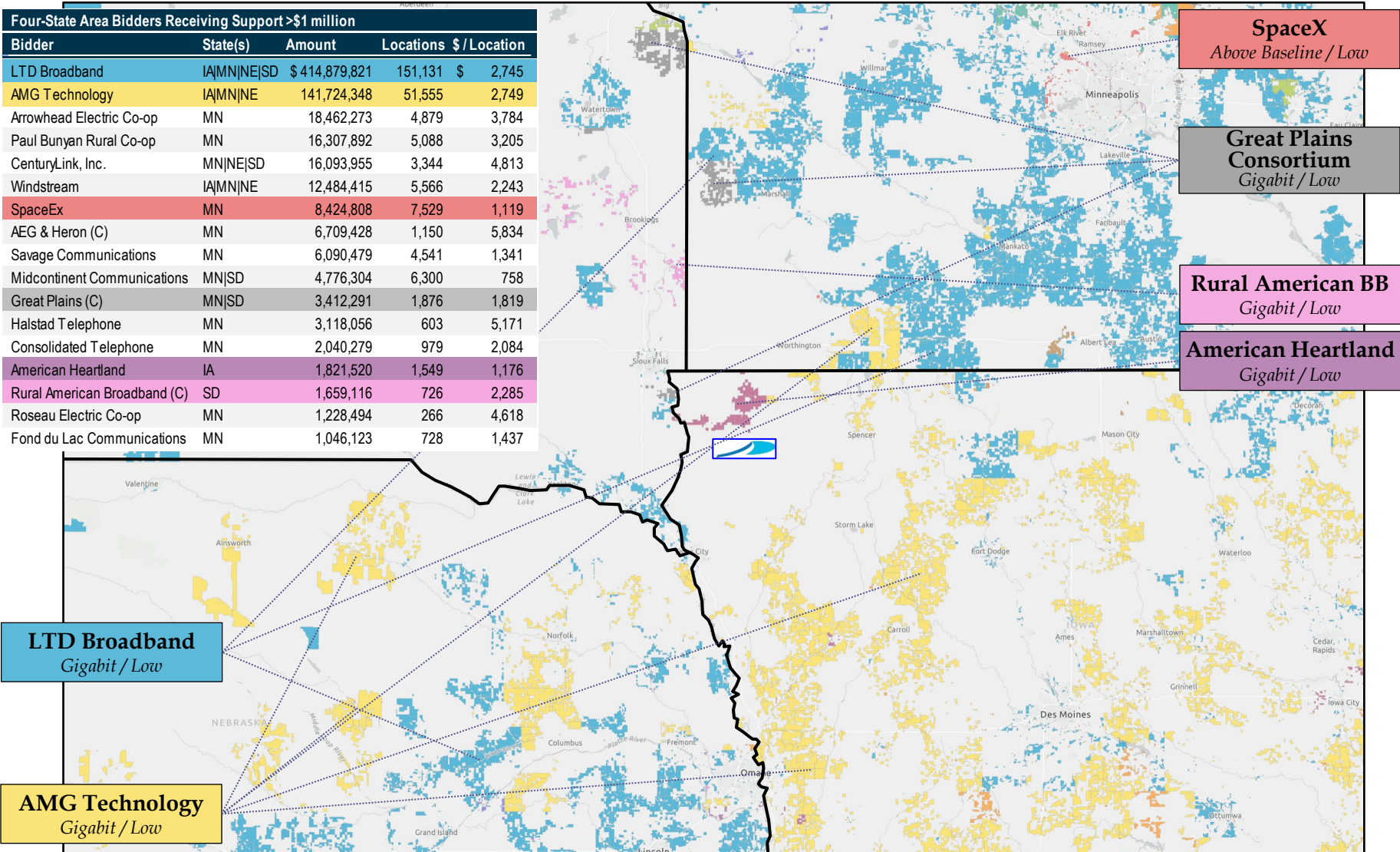


Rural Digital Opportunity Fund (RDOF)

- On December 7, 2020, the FCC announced 180 bidders won funding
 - More than 5.2 million locations in 49 states and the Commonwealth of the Northern Mariana Island
 - Almost 99% of the locations available in the auction
 - 99.7% of the locations are expected to be served at speeds of at least 100/20 Mbps and 85%+ at gigabit speeds
 - Winners: cable operators, electric coops, ILECs, satellite companies, and fixed wireless providers
 - Charter Communications was assigned the most locations (1.057 million) in 24 states for \$1.22 billion
 - Largest funding recipient was LTD Broadband, a WISP, with \$1.32 billion for 528,088 locations in 15 states
 - SpaceX won the most states (35) with 642,925 locations and \$885.5 million in support
 - Process
 - A winner may assigns its bid to related entities, which were submitted to the FCC by December 22
 - The long-form application filing window is open from January 14 to January 29, 2021
 - Letters of credit and detailed technology/system designs due by February 15
 - Providers must meet buildout requirements to reach the locations by the end of the sixth year
- Auction proved to be more competitive than expected
 - Funding available for allocations in Phase I was \$16 billion
 - Competitive bidding among over 300 providers yielded an allocation of \$9.2 billion in total support
 - The remainder (\$6.8 billion) of Phase I support will be rolled into the future Phase II auction
 - Phase II now can draw upon a budget of up to \$11.2 billion in targeting partially-served or unserved areas
 - ILECs bidding on price cap regions adjacent to RLEC service regions expected that they would win because their bids were for gigabit (fiber) speeds; however, the bids continued past the “clearing round” to much lower levels, and only about 40% of one consultant’s clients “won” because the gigabit bids “exceeded” expectation (i.e., bidders accepted lower than expected support amounts)

Regional Midwest RDOF Winners

Four-State Area Bidders Receiving Support >\$1 million				
Bidder	State(s)	Amount	Locations	\$ / Location
LTD Broadband	IA MN NE SD	\$ 414,879,821	151,131	\$ 2,745
AMG Technology	IA MN NE	141,724,348	51,555	2,749
Arrowhead Electric Co-op	MN	18,462,273	4,879	3,784
Paul Bunyan Rural Co-op	MN	16,307,892	5,088	3,205
CenturyLink, Inc.	MN NE SD	16,093,955	3,344	4,813
Windstream	IA MN NE	12,484,415	5,566	2,243
SpaceX	MN	8,424,808	7,529	1,119
AEG & Heron (C)	MN	6,709,428	1,150	5,834
Savage Communications	MN	6,090,479	4,541	1,341
Midcontinent Communications	MN SD	4,776,304	6,300	758
Great Plains (C)	MN SD	3,412,291	1,876	1,819
Halstad Telephone	MN	3,118,056	603	5,171
Consolidated Telephone	MN	2,040,279	979	2,084
American Heartland	IA	1,821,520	1,549	1,176
Rural American Broadband (C)	SD	1,659,116	726	2,285
Roseau Electric Co-op	MN	1,228,494	266	4,618
Fond du Lac Communications	MN	1,046,123	728	1,437



Source: FCC data and Cooperative Network Services. Note: "(C)" denotes a bidding consortium.

V. *Discussion of Strategic Opportunities*

Overview of Potential Strategic Priorities

- Strategic imperatives
 - Complete Fiber-to-the-Premise buildout as soon as possible
 - Continue diversification away from regulatory revenues
 - Grow balance sheet to enhance strategic optionality
 - Many future opportunities likely to be capital intensive
 - Growing list of well-funded entities in the region
 - Maintain or strengthen balance sheet

- Additional areas for strategic focus
 - Transactional opportunities
 - Aggressively increase scale
 - Combine with another sizeable carrier in the region
 - Capital infusion from private equity or infrastructure fund
 - Pursue a combination in conjunction with a capital infusion

Summary Comments

- The rural communications M&A landscape is undergoing a significant transformation, at least in relatively more attractive growth and fiber-rich service properties
 - Double-digit multiples for the most attractive platform companies
 - Other targets tend to be closer to 8x
 - Attracting significant post-acquisition capital investment
 - Multiple financial investors committed to purchase or partner in rapidly changing rural telephony
- Import for rural strategic carriers
 - More urgent to assess strategic opportunities – invest, acquire, merge, divest
 - Focus on strengthened balance sheets and competitive fiber-rich platforms
 - Consider opportunities to diversify risks, including regulatory risks
 - Consider new combinations – even with financial investors – that might enhance growth, strengthen competitive advantage, and provide improved strategic optionality

Appendix A - Charlesmead Background

Charlesmead Senior Professionals

MIKE BALHOFF, CFA
 SENIOR PARTNER
 CO-FOUNDER



Mike Balhoff is a Co-Founder of Charlesmead and also Managing Partner at Balhoff & Williams, LLC, a firm that provides financial-regulatory consulting services for the communications and energy industries. Previously, during his sixteen years at Legg Mason, Mike headed the Technology and Telecommunications Equity Research Group and covered equities in the wireline telecommunications industry. Prior to joining Legg Mason in 1989, Mike taught at the graduate and undergraduate levels. Mike has a doctorate in Canon Law and four master's degrees, including an MBA from the University of Maryland. He is a CFA charterholder and a member of the Baltimore Security Analysts Society. Mike has been named in six annual awards as a Wall Street Journal All-Star Analyst. His coverage of rural telecommunications was named by Institutional Investor magazine as the top domestic boutique in 2003.

FRANK GALLAGHER
 MANAGING PARTNER
 CO-FOUNDER



Frank Gallagher is a Co-Founder of Charlesmead. During his 20 years as an investment banker, Frank has executed a wide range of transaction, financing, and advisory assignments. Prior to Charlesmead Advisors, Frank spent almost 15 years at Legg Mason and Stifel Nicolaus Weisel, where he headed the Telecommunications & Media Investment Banking Group. Prior to becoming an investment banker, Frank practiced mergers and acquisitions and securities law. Frank began his career at New York-based Winthrop, Stimson, Putnam & Roberts where he was resident for three years in that firm's London office. Frank holds a B.A. degree from Georgetown University, where he graduated cum laude, and a law degree from Georgetown University Law Center.

BRAD WILLIAMS
 SENIOR PARTNER
 CO-FOUNDER



Brad Williams is a Co-Founder of Charlesmead and also a Partner at Balhoff & Williams, LLC. Prior to joining Balhoff & Williams in 2005, Brad was a member of the Strategic Planning & Business Development group at Lowe's Companies Inc. Prior to joining Lowe's, Brad worked with Mike in the award-winning Telecommunications Equity Research Group at Legg Mason, focusing on local exchange carriers. Before Legg Mason, Brad was a co-founder of eSprocket/Beachfire, a venture-backed company that evolved into one of the pioneers in mediation technology solutions for the financial services sector. After being admitted to the North Carolina Bar, Brad began his career as an investment banker focusing on private financings and transactional advisory services in First Union's Capital Markets Group. He has a BA in Economics from the University of North Carolina and a JD from the University of North Carolina School of Law.

ANWAR GORHAM
 VICE PRESIDENT



Anwar Gorham, is a Vice President at Charlesmead. Mr. Gorham has executed a wide range of financing and merger and acquisition assignments in his 13-year career as an investment banker. Prior to joining Charlesmead shortly after its inception, Anwar spent five years at Stifel Nicolaus Weisel, the successor form to Legg Mason, where he worked with Frank in the Telecommunications & Media Investment Banking Group. Prior to becoming an investment banker, Mr. Gorham worked at the Federal Reserve Bank of Chicago in the Regional Research department. Anwar holds a B.S. in Business Administration with concentrations in Finance and Economics from American University, where he graduated magna cum laude from the University Honors program.

Representative M&A Transactions

 <p>Has Sold the Browning Exchange to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Been Acquired by</p>  <p>Advisor to Seller</p>	 <p>Has Purchased Certain MN Fiber Network Assets from</p>  <p>Advisor to Buyer</p>	 <p>Has Acquired Scott-Rice Telephone from</p>  <p>Advisor to Buyer</p>	 <p>Has Sold Its Virginia Operations to</p>  <p>Advisor to Seller</p>	 <p>Has Been Acquired by</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Acquired</p>  <p>Advisor to Buyer</p>
 <p>Has Sold Its Equity Interest in</p>  <p>to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Have Sold Spectrum Licenses to</p>  <p>Advisor to Sellers</p>	 <p>Has Sold Its Wireless Tower Portfolio to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Have Acquired Heartland Communications from</p>  <p>Advisor to Buyers</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>
 <p>Has Sold Certain Arkansas and Oklahoma Operations to</p>  <p>Advisor to Seller</p>	 <p>Has sold Tower Assets to</p>  <p>Advisor to Seller</p>	 <p>Has sold Its Wireless Operation to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Its North Carolina Operations to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold its Operation to</p> <p>Big Horn Telecom Holdings, Inc.</p> <p>Valuation for Seller</p>	 <p>Have Sold Their Equity Interest in BPB BIDCO to</p>  <p>Advisor to Sellers</p>	 <p>Have Sold Their Wireless Partnership Interests to</p>  <p>Advisor to Sellers</p>	 <p>Has Sold Its Wireless Tower Portfolio to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>
 <p>Has Sold its Wireless Partnership Interest to</p>  <p>Advisor to Seller</p>	 <p>Has Acquired</p>  <p>Advisor to Buyer</p>	 <p>Has Sold Its Wireless Operation to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Certain Wireless Assets to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Fremont Telecom Company and Fretel Communications, LLC to</p>  <p>Advisor to Seller</p>	 <p>Has Sold Its Wireless Tower Portfolio to</p>  <p>Advisor to Seller</p>	 <p>Has Acquired</p>  <p>Advisor to Buyer</p>	 <p>Has Sold Spectrum Licenses to</p>  <p>Advisor to Seller</p>	 <p>Has Acquired Spectrum from</p>  <p>Advisor to Buyer</p>