

## PROPOSED SALE OF CONTINUUM COMMUNICATIONS SYSTEM

### Summary of Asset Purchase Agreement\*

	Term
Parties	<ul style="list-style-type: none"> <li>▪ Purchaser – TDS Broadband Service LLC.</li> <li>▪ Seller Parties -- MI Connection Communications System (DBA Continuum), Town of Mooresville, Town of Davidson.</li> </ul>
Transaction	<ul style="list-style-type: none"> <li>▪ Seller Parties to sell to Purchaser substantially all assets relating to Continuum.</li> <li>▪ Closing of transaction is subject to Town Voter Approval at referendum scheduled for November 5, 2019.</li> </ul>
Purchase Price	<ul style="list-style-type: none"> <li>▪ Purchase Price of \$80,000,000. The Purchase Price is payable in cash, subject to a Net Working Capital adjustment, escrow amounts, and provisions obligating Seller Parties to indemnify Purchaser for certain losses caused by breaches of representations and warranties and covenants and for Excluded Liabilities. (See descriptions of certain of these items later in this summary.)</li> </ul>
Use of Proceeds	<ul style="list-style-type: none"> <li>▪ The proceeds of sale will be used to satisfy the balance due on the installment financings related to Continuum as of the Closing Date of approximately \$59 million. Proceeds also will be used to satisfy other obligations payable in connection with the transaction, such as Excluded Liabilities described below and fees and expenses. The remainder will be paid to the Towns of Mooresville and Davidson in accordance with their respective 70/30% interests in Continuum.</li> </ul>

\* This summary is provided by Seller Parties, does not purport to be complete, and is subject to, and qualified in its entirety by, the terms of the Asset Purchase Agreement. The Asset Purchase Agreement is available for review at the Town Halls of Mooresville and Davidson and online at [www.townofdavidson.org](http://www.townofdavidson.org) and [www.moorevillenc.gov](http://www.moorevillenc.gov). Capitalized terms used herein have the meanings ascribed to such terms in the Asset Purchase Agreement.

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Net Working Capital Adjustment	<ul style="list-style-type: none"> <li>▪ <i>Working Capital:</i> A Net Working Capital adjustment to the Purchase Price will be made, with an estimated adjustment being made at Closing and a final true-up made after Closing. Net Working Capital is the difference between “current assets” and “current liabilities” as such terms are described in the Asset Purchase Agreement. The Net Working Capital adjustment would reduce the Purchase Price if Continuum’s Net Working Capital as of the Closing Date is less than \$(1,100,000) and would increase the Purchase Price if it is more than \$(1,100,000). (The \$(1,100,000) target Net Working Capital amount was agreed to by the parties based on historical levels of Net Working Capital. However, there are no assurances that Net Working Capital as of the Closing Date will not be less than this amount.)</li> </ul>
Escrow Provisions	<ul style="list-style-type: none"> <li>▪ <i>Working Capital Escrow Fund:</i> \$750,000 will be put in escrow at Closing for the purposes of satisfying Seller Party payment obligations to Purchaser pursuant to the Net Working Capital adjustment. Any amounts remaining in the Working Capital Escrow Fund will be released to Continuum following Closing once the Net Working Capital payment obligations of Seller Parties or Purchaser are determined; any such amounts are thereafter expected to be paid to the Towns of Mooresville and Davidson in accordance with their respective 70/30% interests in Continuum. (Seller Parties will be responsible for payment of any obligations in excess of the Working Capital Escrow Fund.)</li> <li>▪ <i>Indemnity Escrow Fund:</i> \$2,000,000 will be put in escrow at Closing for the purposes of serving as a source of recourse to satisfy any Seller Party indemnification obligations that arise following Closing. This amount will be released to Continuum after 12 months (to the extent not previously paid or subject to indemnity claims outstanding at that time).</li> <li>▪ Escrow amounts (if any) released to Continuum are thereafter expected to be paid to the Towns of Mooresville and Davidson in accordance with their respective 70/30% interests in Continuum.</li> </ul>
Excluded Assets and Excluded Liabilities	<ul style="list-style-type: none"> <li>▪ <i>Excluded Assets:</i> Purchaser will not acquire the Excluded Assets, which include, among other things, any cash of Continuum as of Closing (other than petty cash located at the System offices); investments; cable programming agreements and retransmission consent agreements; employee benefit plans and other agreements for the benefit of employees, directors, officers and independent contractors; and receivables from either Town, other than ordinary course trade receivables.</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Excluded Liabilities: Purchaser is not assuming, and Seller Parties have agreed to satisfy, all liabilities and obligations of Seller Parties, other than the Assumed Liabilities, as specified in the Asset Purchase Agreement. Excluded Liabilities include the matters specified in the definition thereof, which, among other things, includes any liabilities or obligations relating to any of the following: obligations or liabilities with respect to the Excluded Assets; obligations or liabilities relating to the period prior to the Closing Date; obligations or liabilities relating to current or former employees, contractors, consultants or independent contractors of any Seller Party; benefits and compensation plans, programs or arrangements or contracts for the benefit of any employee, or other service provider; violations of laws, breaches of contracts or litigation relating to the period prior to the Closing; liabilities or obligations arising under environmental law; intercompany payables; tax liabilities of the Seller Parties; certain specified matters relating to the pre-closing operation of the Business; earn-out or contingent consideration payable upon or due in connection with the sale of the Business such as any liability or obligation alleged to be owed to the Town of Cornelius, North Carolina or the County of Mecklenburg, North Carolina as described in the Excluded Liabilities Schedule to the Asset Purchase Agreement; and liabilities or obligations unrelated to the Business.</li> </ul>
Seller Parties' Representations and Warranties	<ul style="list-style-type: none"> <li>▪ Include matters relating to, among others: Establishment of Seller<sup>*</sup>; Authority and Validity<sup>†</sup>; No Conflict, Seller Consents, Approvals<sup>†</sup>; Title to Assets<sup>†</sup>, Sufficiency of Assets, Subsidies; Franchises and Communications Licenses and Contracts; System Information; System Programming and Promotional Campaigns; Real Property<sup>†</sup>; Environmental Matters; Compliance with Legal Requirements; Patents, Trademarks and Copyrights<sup>†</sup>; Financial Statements, Absence of Certain Changes of Events; Litigation; Tax Matters<sup>†</sup>; Accounts Receivable, Accounts Payable; Inventory; Finders and Brokers<sup>†</sup>; Information Technology and Security<sup>†</sup>; Employees, Employee Benefit Plans; Labor Relations, Employees; Transactions with Affiliates.</li> </ul>

<sup>\*</sup> Includes a Fundamental Representation.

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<p>Representations and Warranty Insurance Policy (“<b>R&amp;W Insurance Policy</b>”)/Indemnification</p>	<ul style="list-style-type: none"> <li>▪ Purchaser has obtained a R&amp;W Insurance Policy at its expense. The R&amp;W Insurance Policy would be Purchaser’s primary recourse for most breaches of representations and warranties by Seller Parties (if there are any such breaches). <ul style="list-style-type: none"> <li>○ <i>R&amp;W Insurance Policy</i>: \$8 million policy with a deductible of \$800,000 (with Purchaser generally responsible for the first \$400,000, and Seller Parties the second \$400,000).</li> <li>○ <i>Indemnification</i>. Seller Parties will indemnify Purchaser for losses resulting from any breaches of representations and warranties that are not covered by the R&amp;W Insurance Policy, for breaches of covenants and for Excluded Liabilities. Seller Parties’ obligation to indemnify Purchaser for most breaches of representations and warranties and to indemnify Purchaser for most Excluded Liabilities to which it may become subject is generally subject to an aggregate cap of \$4 million. Breaches of Fundamental Representations (such as title to property), breaches of covenants of the Seller Parties, certain Excluded Liabilities (such as obligations to employees for North Carolina retirement system benefits) could result in liability of the Towns to Purchaser in excess of this \$4 million cap (up to a maximum equal to the Purchase Price). Mooresville and Davidson are responsible for indemnification in accordance with their respective 70/30% interests in Continuum. Liability for intentional fraud, willful breach or intentional misrepresentation is not limited by the indemnification provisions.</li> </ul> <p>The Seller Parties’ representations and warranties generally survive until the first anniversary of the Closing Date, other than the Seller Parties’ Fundamental Representations, which survive the Closing indefinitely. Obligations under the tax indemnity in the purchase agreement survive through the statute of limitations applicable to the tax at issue. The parties’ respective performance obligations of their covenants shall survive until performed. Claims made prior to the expiration of the applicable survival period survive until the claim is resolved.</p> </li> </ul>
<p>Post-Closing Restrictive Covenants</p>	<ul style="list-style-type: none"> <li>▪ For a period of five years commencing on the Closing Date, Seller Parties have agreed that they will not engage in or assist others in engaging in any business that would be competitive with any portion of the Business or the System as operated as of the Closing Date, or take certain other detrimental actions with respect to the Business or the System. Seller Parties have also agreed to employee non-solicitation provisions for the protection of the Business.</li> <li>▪ Seller Parties have also agreed that they will not cause the Purchaser or any of its affiliates to be adversely taxed or regulated or discriminated against as compared to other businesses, whether owned by a governmental authority or a public or private enterprise. Subject to applicable law, the Towns have agreed to take commercially reasonable efforts in respect of regulatory matters to facilitate the operation of the Business by Purchaser following the Closing Date, including by providing nondiscriminatory access to local rights-of-way and public utility easements.</li> </ul>

	<b>Term</b>
Hiring of Employees	<ul style="list-style-type: none"> <li>▪ Purchaser will offer employment to at least 90% of Continuum’s employees. Offers of employment to be contingent upon customary hiring criteria of Purchaser.</li> </ul>
Exclusivity	<ul style="list-style-type: none"> <li>▪ Seller Parties have agreed that they will not solicit, initiate or knowingly take any action to facilitate or encourage the submission of any third-party offer to acquire the Business or 15% or more of Continuum’s assets or equity.</li> </ul>
Anticipated Closing Date	<ul style="list-style-type: none"> <li>▪ In the fourth quarter of 2019 or the first quarter of 2020.</li> </ul>
Conditions to Closing	<ul style="list-style-type: none"> <li>▪ Town Voter Approval for each of Mooresville and Davidson (referendum scheduled for November 5, 2019).</li> <li>▪ Accuracy of representations and warranties and compliance with covenants.</li> <li>▪ Commercial arrangements between Purchaser and the Towns relating to the continued provision of fiber network for “internet” connection between Town buildings and other Town facilities.</li> <li>▪ Absence of a Material Adverse Effect on Continuum.</li> <li>▪ Payoff of installment financings with proceeds of the sale.</li> <li>▪ Other customary conditions, such as the receipt of consents of certain Continuum vendors to the assignment of their contracts to Purchaser.</li> </ul>
Termination Fee	<ul style="list-style-type: none"> <li>▪ Termination Fee of \$2,000,000 payable by Seller Parties to Purchaser if agreement is terminated and, within 2 years, Continuum enters into another sale transaction that is subsequently consummated (whether before or after the end of such two year period). In addition, no termination of the agreement will relieve any party of any liability for any intentional or willful inaccuracy in or intentional or willful breach of any representation, warranty, covenant, obligation or other provision thereof.</li> </ul>

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Expenses	<ul style="list-style-type: none"><li>▪ Each party will bear its own expenses in connection with the transaction.</li></ul>