



Hargray & JEA: Fiber Partnership

October 2019

PROPRIETARY & CONFIDENTIAL

Hargray overview

- Hargray was founded in 1947 in the Hilton Head, South Carolina area originally as an incumbent telephone company and later as an incumbent cable company
 - In 2007, the founding family sold Hargray to a private equity firm (Quadrangle) which hired the current management team
- In 2017, The Pritzker Organization, Redwood Capital, and Stephens Capital Partners bought out Quadrangle and reaffirmed our strategy. Please refer to the [Annex](#) attached hereto for our three-pronged strategy.
- Since 2012, Hargray has:
 - Launched metro-fiber businesses in Savannah, Hinesville, Statesboro, Macon/Warner Robins, Valdosta, Conyers, and Covington, GA; and most recently, via its acquisition of Dark Fiber Systems (“DFS”), Jacksonville
 - Peachtree Corners, Lawrenceville, and Tifton, GA will launch in 2020
 - Purchased and successfully integrated nine companies: Charter-Beaufort, iTech, Kennedy Cable, Plantation Cable, ComSouth, USA Communications, DFS, Kingsland Cable, and Infinity Network Solutions
 - Today Hargray serves 90,000 customers and employs over 700 colleagues. Please refer to the [Annex](#) for a detailed map of Hargray service areas and primary fiber routes.
- Hargray recently reorganized into two operating divisions, each run by executives who have been with Hargray for more than a decade:
 - **Hargray Fiber (HF)**, based in Savannah GA, which operates its metro-fiber businesses and is led by Chris McCorkendale
 - Through the DFS acquisition, Hargray Fiber operates a metro-fiber network in Jacksonville and currently works closely with JEA
 - **Hargray Communications (HC)**, based in Bluffton SC, which operates its incumbent businesses and is led by David Armistead;
- Today Hargray serves 90,000 customers and employs over 700 colleagues. Please refer to the [Annex](#) attached hereto for a detailed map of Hargray service areas and primary fiber routes.

Executive summary

- Hargray proposes to negotiate with JEA in order to make optimal use of JEA's fiber assets in Jacksonville

- This could take many forms including but not limited to:
 - Hargray acquires JEA's fiber and leases back fibers and/or communications services to meet JEA's communications needs pursuant to a long-term lease
 - Hargray enters into a long-term lease for use of the remainder of JEA's fiber
 - Hargray and JEA enter into a partnership in which Hargray leases the remainder of JEA's fiber and shares a portion of the revenue it generates from JEA's fiber
 - Hargray manages JEA's fiber

- In all cases, Hargray would hire any JEA personnel that today manages its fiber assets as well as manage those fiber assets pursuant to a fiber maintenance agreement

- In all cases, JEA would generate additional revenue of its fiber assets and/or reduce ongoing operating expenses and capital investments without requiring any additional investment in capital, time, or personnel
 - JEA would enjoy these benefits without impacting its customers in any way

- However, in order to explore these options, we would need to gather more information and discuss with JEA what options are of interest

Statement of interest & qualifications

- As noted on the prior page, we believe a fiber partnership of some kind would be very beneficial to JEA; however, given it would simply be a partnership with respect to JEA's fiber assets, it would not implicate the future partnership, ownership, or management structure of 1) the Electric System; or 2) the Water and Wastewater Systems

Organizational overview

Overview

- Hargray Communications Group (parent to both Hargray Communications and Hargray Fiber) is based on Beaufort County, South Carolina
- We serve 90k customer locations; 80k residential and 10k commercial
- Total company revenues and Adjusted EBITDA, as well as other financial information regarding our customers are set forth on the Annex attached hereto
- Hargray Communications Group does not have any retail electric or water customers (we do serve electric and water utilities), we have no unions, and are deeply involved in all the communities we serve (see strategy summary below)
- Hargray Fiber's strategy is set forth on the Annex attached hereto

Organizational overview (cont'd)

- Hargray's management team is comprised of senior executives who have significant experience in the cable and telecommunications industry
- After joining Hargray in conjunction with the 2007 ownership change, we have generated consistently strong growth
- We have successfully entered new metro-fiber markets and executed and integrated acquisitions to further our company's strategy and enhance growth
- We have established a culture focused on ensuring our customers are receiving the best and most reliable services possible

Name	Title	Years at Hargray	Other relevant industry experience
Michael Gottdenker	Chairman & Chief Executive Officer	12	Commonwealth Telephone, Access Spectrum
Andrew Rein	Chief Financial Officer	12	Access Spectrum
David Armistead	SVP, Hargray Communications	12	CT Communications
Chris McCorkendale	SVP, Hargray Fiber	11	Commonwealth Telephone, Frontier
Dave Dobbin	SVP, Network and Technology	4	Mobilicity, Toronto Hydro Telecom, Telecom Ottawa

Process goals

- Hargray’s proposal, given its nature, does not address many of the process goals below; however, we have highlighted where it does
 - 7) to the extent we hire any JEA colleagues, we would make this commitment to those colleagues so long as they perform at an acceptable level
 - 9) while we are not planning to move our headquarters to Jacksonville, we have already opened an office in downtown Jacksonville, have already added ten people to our Jacksonville operation (which is only the beginning), and intend to be part of contributing to the economic development of the community through our investments in last-mile fiber and community organizations and charitable endeavors

5: Process Goals

The Respondents must provide an overview of their ability to satisfy the following goals:

1. Greater than \$3 billion of value to the City of Jacksonville
2. Greater than \$400 million of value distributed to customers (\$350+ paid to each JEA account; \$1,400+ for customers with electric, water, sewer and irrigation accounts)
3. At least three years of contractually guaranteed base rate stability for customers
4. Commitment to develop and provide the City of Jacksonville and the Duval County Public School system 100% renewable electricity by the year 2030
5. Commitment to develop and provide 40 MGD of alternative water capacity for Northeast Florida by the year 2035
6. Protection of certain employee retirement benefits^{1,2}
7. Maintenance of substantially comparable employee compensation and benefits for three years
8. Retention payments to all full-time employees of 100% current base compensation¹
9. Commitment to new headquarters and employees in downtown Jacksonville, contributing to the economic development of the community³

Response to evaluation criteria

- Hargray’s proposal, given its nature, does not address many of the evaluation criteria on the following page; however, we have highlighted where it does
 - 3) as noted on the prior page, while we are not planning to move our headquarters to Jacksonville, we have already opened an office in downtown Jacksonville, have already added ten people to our Jacksonville operation (which is only the beginning), and intend to be part of contributing to the economic development of the community through our investments in last-mile fiber and community organizations and charitable endeavors
 - 4) to the extent we hire any JEA colleagues, we would make this commitment to those colleagues so long as they perform at an acceptable level
 - 5) Hargray is already in the process of building a state-of-the-art fiber network to serve commercial entities throughout Jacksonville; by partnering with Hargray, JEA will be a key part in the development of this network
 - 7) see number 3 above
 - 8) given our long track record of success and given we are owned by three “family offices” of prominent multi-billionaires, we are fortunate to enjoy a high degree of financial stability with ready access to capital markets; we are already in the process of investing tens of millions of dollars in the Jacksonville area and expect this investment will continue for the foreseeable future

Response to evaluation criteria (cont'd)

Table 5: Evaluation Criteria		
Criteria Item	Requirements	Weighted Value
1. Proposal to Achieve JEA's Goals in this ITN	Respondents must indicate clearly and specifically how their Reply would allow JEA to achieve the goals outlined in this ITN	20
2. Experience and Customer Commitment	<p>A summary of experience managing related or similar operations of comparable size and scope to JEA is required. The Respondent must provide information regarding its experience, knowledge, skills, and abilities for owning, operating, and managing electric generation, transmission, distribution, and water systems or other complex business entities.</p> <p>Specific information regarding experience in other customer service areas, including customer billing, complaint management and resolution history, experience with purchases of other utility systems, customer question management, and emergency repair reply times should be included. Replies demonstrating the following will be treated favorably:</p> <ol style="list-style-type: none"> 1. Longevity of utility generation, transmission, and distribution operations greater than 5 years; 2. Successful customer relations demonstrated through customer outreach, surveys such as JD Power or other comparable sources; 3. Corporate culture demonstrating a long-term commitment to operations; 4. Strong focus on maintaining reliability and minimizing time of disruptions; and 5. Focus on maintaining rate stability for customers, as illustrated through historical rates <p>Where available, Respondents should also include a history of their customer rates for the past 10 years. Respondents are encouraged to provide any incremental information they believe relevant to demonstrate their experience and customer commitment</p>	15
3. Economic Development and Benefits to Jacksonville	Respondents will be treated favorably for their willingness to make commitments to the City of Jacksonville. Additionally, Respondents will be treated favorably based on ability to demonstrate how they may drive economic development and job creation in the City of Jacksonville	10
4. Employee Retention and Benefits	<p>Respondents will be evaluated on the basis of their willingness to make certain commitments to employees consistent with JEA's goals of:</p> <ol style="list-style-type: none"> 1. Protection of certain employee retirement benefits; 2. Maintenance of substantially comparable employee compensation and benefits for three (3) years; and 3. Confirmation to funding of retention payments to all full-time employees of 100% of current base compensation, as provided in the Employee Protection and Retention Agreement approved by the Board of Directors on July 23, 2019 	10
5. Innovation Plan	<p>Respondents should provide initiatives under which they will be committed to provide innovative services or investments that leverage the tangible and intangible assets of JEA in order to achieve the following:</p> <ol style="list-style-type: none"> 1. Position the business for the future; 2. Create new revenue channels; and 3. "Future-proof" the utility business. <p>Separately, Respondents only interested in providing Replies related to potential new business opportunities or innovation or disruption of JEA's business are strongly encouraged to do so</p>	15
6. Environmental, Social and Governance	Respondents will be treated favorably for their willingness to make commitments, including, but not limited to, sustainability initiatives, renewable energy goals and the maintenance of an equitable workforce and management team	10
7. Community Stewardship	Respondents will be treated favorably for their willingness to make commitments to the City of Jacksonville and surrounding communities, including, but not limited to, volunteer activities, charitable contributions, an ongoing community relationship plan and comprehensive storm responsiveness plans	10
8. Financial Stability	Respondents will be treated favorably based on long duration and/or permanent capital availability. Additional merit will be placed on willingness and demonstrated ability to continue growth investments in JEA	10

Annex

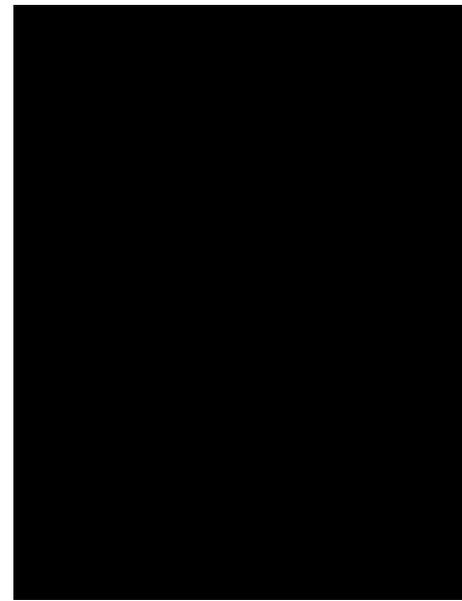
- Hargray’s three-pronged strategy is:
 - (1) [REDACTED];
 - (2) [REDACTED]; and
 - (3) [REDACTED]

- Please refer to the map for Hargray’s service areas, primary fiber routes and location of its headend and data center.

- Total company revenues and Adjusted EBITDA are [REDACTED] respectively

- Commercial services represent [REDACTED] of our customer revenue

- Hargray Fiber’s strategy is as follows:
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]



Legend

-  Hargray Communications
-  Hargray Fiber
-  Primary Fiber Routes
-  Headend and Data Center