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**ANNUAL REPORT**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**CABLEVISION LIGHTPATH LLC**  
(formerly CABLEVISION LIGHTPATH, INC.)

1 Court Square West  
Long Island City, NY 11101

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**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)

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## **Business**

### **Company Overview**

Cablevision Lightpath LLC (together with its subsidiaries, the "Company" or "Lightpath") is a leading provider of communications and bandwidth infrastructure, with an extensive network spanning New York City (primarily Manhattan, the Bronx and Brooklyn), as well as northeastern New Jersey, southern New York State, Nassau and Suffolk Counties (Long Island) and southern Connecticut. Altice USA, Inc. ("Altice USA") indirectly holds a 50.01% interest and Morgan Stanley Infrastructure Partners ("MSIP") indirectly holds the remaining 49.99% interest in the Company.

As of December 31, 2020, we had over 11,800 locations connected to our fiber network, which currently includes more than 18,800 miles of fiber sheaths ("route miles") (approximately 9,000 owned route miles and approximately 9,800 route miles pursuant to an infeasible right of use ("IRU") from an indirect subsidiary of Altice USA ("CSC Holdings LLC" or "Altice Service Provider")) and over 819,000 fiber miles (i.e., route miles multiplied by the number of fiber strands within each cable sheath; "fiber miles") not including an additional approximate 18,000 fiber route miles in the New York metropolitan area available to us on preferential terms via its IRU Agreement with Altice Service Provider. We supply enterprise-grade fiber connectivity, bandwidth and managed services to customers whose activities have required rapidly increasing bandwidth driven by secular trends in 5G, the Internet of Things ("IoT"), cloud-computing, video, voice, mobile, and other bandwidth-intensive applications. Lightpath provides Ethernet, data transport, IP-based virtual private networks, Internet access, and telephony services, including session initiated protocol ("SIP"), as well as trunking and VoIP services. Our bandwidth connectivity offers speeds up to 100 Gbps. We also provide managed services to businesses, including hosted telephony services (cloud based SIP-based private branch exchange), managed WiFi and managed collaboration services, including audio and web conferencing. Additionally, we offer fiber-to-the-tower ("FTTT") services to wireless carriers for cell tower backhaul that enables wireline communications service providers to connect to towers that their own wireline networks do not reach.

### **Our Product Offerings**

We offer the following suite of Data, Voice, Managed Services and Legacy Services products and services:

#### *Data*

Data products and services represented 81% and 80% of our monthly recurring revenue for the years ended December 31, 2020 and 2019, respectively. Our Data products and services include:

- *Dedicated Internet*. Scalable 10 Mbps to 100 Gbps symmetrical business access.
- *E-Line*. Ethernet point-to-point connectivity between 2 locations.
- *V-Line*. Simplified single connection enabling multiple point-to-point connections.
- *E-LAN*. Flexible solution for multi-point ("any-to-any") connectivity.
- *Optical Transport*. Low-latency, high-speed transport to connect business locations, supporting emerging protocols and applications that are highly sensitive to delay and jitter.
- *Private Fiber Network*. Dedicated fiber designed for Education vertical customers.

#### *Voice*

Voice products and services represented 8% and 9% of our monthly recurring revenue for the years ended December 31, 2020 and 2019, respectively. Our Voice products and services include:

- *Enterprise Voice*. Simple voice solutions with multiple handoff options and flat-rate pricing.
- *Dedicated Toll Free*. Enhanced packages with an intuitive portal managing usage and routing plans.

#### *Managed Services*

Managed Services products and services represented 8% and 7% of our monthly recurring revenue for the years ended December 31, 2020 and 2019, respectively. These are typically next-generation products and services which

have been launched more recently than our core Data products and represent our fastest growing offerings. Typically these offerings are "add-ons" to existing customer Data product contracts and are an opportunity to sell additional products and services to existing customers at lower incremental cost to us, with the added benefit of strengthening customer relationships.

Managed Services represent a significant growth opportunity to generate incremental revenue from our existing installed customer base. Our Managed Services products and services include:

- *Hosted Voice*. Cloud-managed internet protocol ("IP") systems, audio, web, video 24-hour support.
- *Managed Anti-DDoS*. Detection and automatic mitigation of DDoS attacks.
- *SecureNet*. Symmetrical internet access, anti-DDoS protection, resiliency options
- *Audio / Web Conferencing*. Alternative connectivity to enable collaboration.
- *Student and Managed WiFi*. Cloud-based managed WiFi, intuitive portal, advanced analytics.

#### *Legacy Services*

Legacy Services represented 3% and 4% of our monthly recurring revenue for the years ended December 31, 2020 and 2019, respectively. These products typically represent legacy technologies from which we are migrating existing customers onto Ethernet based products and services. Our Legacy Services products and services include:

- Time-division multiplexing ("*TDM*") *Voice*. Centrex, POTS (business) lines, Lightlink (T1) services.
- *TDM Data*. T1 / DSx / OCx point-to-point support between two locations.

#### **Our Network**

Our premier network of more than 18,800 fiber route miles and more than 819,000 fiber miles is the result of multiple decades of significant investment in and growth of key network assets. We own approximately 9,000 fiber route miles with more than 610,000 fiber miles in the New York metropolitan area and have approximately 9,800 fiber route miles and approximately 209,000 fiber miles via a long-term IRU from Altice Service Provider. Our fiber consists of fiber cables ranging from 2 to 864 fibers per sheath with overall utilization below 18%, providing a strong foundation for incremental growth. Our fiber network connects over 11,800 locations within the New York metropolitan area and also provides connectivity between Altice USA head ends and third-party datacenters in the footprint. Approximately 78% of our network is deployed on aerial infrastructure (i.e. telephone/utility poles) and 22% in underground infrastructure (i.e. buried conduit). In urban areas such as Manhattan, the percentage of underground infrastructure is higher.

Within the approximate 9,000 owned fiber route miles and 610,000 owned fiber miles, we provide certain strands of fiber for use to Altice USA in the form of a long-term fiber IRU. The fiber we provide to Altice USA encompasses approximately 1,050 route miles and approximately 8,300 fiber miles in total, representing less than 1.4% utilization in aggregate.

In addition to directly owned fiber, we have approximately 9,800 fiber route miles with approximately 209,000 fiber miles via a long-term network access agreement in the form of an IRU from Altice Service Provider. The IRU agreement has an initial term of 20 years with two 10-year automatic renewals. In connection with the agreement, we pay Altice USA recurring fees in exchange for access to and maintenance of the fiber that is made available to us under the IRU. We have exclusive control over network and service configurations, designs, routing configurations, re-grooming, rearrangements or consolidations of circuits, and all related functions related to the fiber under the IRU from Altice USA.

#### **Network Design**

Our network includes a services layer, a core transport layer, and an optical transport layer, with peering at key interconnection points.

Our fiber constitutes the foundation of a network that has been purpose-built to provide enterprise- grade services to customers across the New York metropolitan area with high bandwidth, service flexibility, and reliability in mind. We connect more than 50 headends and hub sites distributed across the footprint, providing aggregation and interconnection point options for our customers.

Connections between these sites are facilitated by high-capacity ROADM-based (reconfigurable optical add/drop multiplexer) and DWDM (dense wave division multiplexing) optical transport platforms allowing for up to 80+ 10 or 100 Gbps wavelengths on each individual route. Access and distribution links (outside the core) are supplemented by point-to-point CWDM (coarse wave division multiplexing) and DWDM links to ensure ready access to capacity and flexible growth options to customer sites.

These optical transport platforms perform a dual purpose, acting as a service platform for those customers who desire wavelengths as the end service, but also as the underpinning of our Metro Ethernet platforms. Beginning with the deployment of our first Metro Ethernet platform over a decade ago, the Metro Ethernet network was designed to ensure the carrier-grade reliability and performance that had been the de-facto standard set by SONET-based systems used to deploy TDM services up until that time. All core and aggregation devices are deployed with sufficient redundancy to be able to absorb typical network failure events without disruption to end-user services, including redundant power supplies, controller cards, and physical paths between core sites. The Metro Ethernet networks serve as the basis for the majority of the Data products offered, including Dedicated Internet, E-Line, V-Line, E-LAN and many of the Managed Services products in speeds ranging from 5 Mbps to 100 Gbps. There are interconnection nodes on the Metro Ethernet network in major datacenters across the footprint, enabling our customers to establish dedicated connections with cloud services providers such as AWS, Google, and Microsoft Azure, as well as other telecom providers for out-of-footprint connectivity needs. In addition to our fiber network and connected locations noted above, we rely on third party Type II circuits to provide last mile connectivity to certain customer locations out of market and within market in instances where new build construction costs are prohibitively expensive.

The Metro Ethernet platforms also provide access for our customers to our voice and internet infrastructure. We own and operate both a traditional TDM and next-generation VoIP softswitch infrastructure to provide Voice services to our customers. There are 8 Nokia (formerly Lucent) 5ESS switches as well as 2 geo-redundant Metaswitch softswitch clusters deployed across the New York metropolitan area. These platforms are the basis for all of the voice services product offerings, including TDM & SIP trunking, Enterprise Voice and Hosted Voice. We share an ASN (Autonomous Systems Number) and interface with Altice USA for peering and IP transit purposes, leveraging the scale that comes with providing Internet access services to more than 4.3 million Altice USA residential customers across the footprint. We interface with multiple peering locations across the New York metropolitan area to ensure ultra-high availability and sufficient capacity for growth of customers' internet access needs.

## **Operations**

Our operations organization enables the delivery and support of our award-winning services. This organization consists of back office and field-based teams that interact directly with our customers to perform functions including order entry, service delivery, network design, field installation, provisioning and support. These teams, typically made up of employees with long tenure as well as substantial industry experience, are a key component of our ability to deliver superior customer experience through all stages of the customer relationship. The operational teams are based out of five primary locations in the New York metropolitan area: Bethpage (NY), Lindenhurst (NY), Elmsford (NY), Randolph (NJ), and Piscataway (NJ). The primary back office teams such as network design, provisioning and service delivery are performed by centralized teams using an innovative set of tools and systems to ensure a smooth and predictable installation process. Customers are assigned a project manager for each of their ordered services, who are responsible for direct communication with the customers along with the management of the end-to-end installation process. This team delivers the products and services sold by the sales teams in a professional and consistent manner with industry-leading installation intervals — a key element of our ability to secure add-on business from customers. The field operations teams are made up of enterprise grade technicians with deep experience installing and testing optical fiber-based telecommunications services. This team is responsible for site surveys, installation, and testing of new orders, but also handle the post-installation maintenance and break-fix activities across over the connected locations and company head ends/hub sites.

## **Sales**

Our sales organization includes a sales team with deep industry experience and key enterprise relationships flanked by "white glove" account services team well suited to execute growth strategies. We utilize a multi-channel approach designed to optimize sales alignment with how enterprise customers procure services. The largest part of our sales organization is our direct channel whereby account executives develop relationships with and sell to enterprise

business decision makers directly. All of our sales personnel are trained in selling the full suite of our products and services which we believe maximizes opportunity to gain wallet share in our base. We complement our direct sales channel with two alternate channels. We deploy our agent channel to gain access to businesses that rely on an intermediary to procure technology services. We utilize our carrier/wholesale channel to opportunistically drive revenue from other service providers requiring connectivity in our footprint and to service demand from wireless backhaul and 5g deployments.

Our sales compensation strategy is tightly aligned with the strategic objectives of the business — new revenue generation, new product sell-in, lit location monetization and revenue retention. Sales representative and management performance is measured against monthly quotas with commissions paid at the time of service installation.

Our sales team operates from four regional offices — Bethpage, Elmsford and Long Island City in New York and Oakland, New Jersey. This regional approach supports the close relationships with customers that we believe is fundamental to our business and could service additional expansion opportunities within the New York metropolitan area.

Our sales team is supported by a group of pre-sales engineers. The sales engineers help sales and our customers design solutions, provide value added technical oversight and ensure that we maximize our network and solutions to differentiate us in the market.

The account services team further complements the sales team by providing "white glove" treatment to our top accounts. This extra level of care deepens our relationships and enables the sales team to remain focused on new revenue generation.

## **Marketing**

We acquire new customers through new account lead generation, email, and digital / social media. Our new account lead generation focuses on generating leads through quarterly targeted analytics of new and closed businesses within our footprint. We utilize email marketing campaigns as our main tactic to reach customers in a cost effective manner. Digital / social media efforts include both paid and organic search efforts in display and search. Our website is where we drive a majority of our tactics, with substantially all of our marketing generated leads coming from our 877 number or web-to-lead forms on our site.

Our lit location penetration plan coordinates with the sales organization and focuses on acquiring new tenants in already lit locations, incentivizing existing customers to refer businesses in their locations, and encouraging landlord/property manager efforts to help 'market' us to new and existing tenants.

We support a large number of events throughout the year, including tradeshow, golf outings, and roundtables. We also plan and execute our own signature events depending upon product launches, company initiatives, and budget. We currently have two marketing run referral programs: employees may refer new business to us and existing customers may refer a new business to us. For both referral programs, the referrer may be eligible to receive a limited one-time payment depending on how much the referred business spends per month.

## **Capital Investment**

Our capital expenditures are primarily success-based, meaning before we commit resources to expand our network, we typically have a signed customer contract that will provide us with an attractive return on the required incremental capital investment. Within our customer relationship management system, near net locations are identified as either a "Target Location" (within 2,500 feet of the network) or a "Super Target Location" (within 1,000 feet of the network). Based on historical construction costs and return parameters, Target and Super Target locations have pre-established monthly recurring revenue thresholds that sales must obtain in order to light new locations. Large, complex sales involve our custom solutions group to develop a custom business case. Upfront customer non-recurring charges may also be used to defray construction costs. We may elect to light new locations that fall below our target thresholds for a variety of reasons such as extending network to increase addressable market, extension of an existing customer relationship, deal is tied to additional on-network monthly recurring revenue, opportunity to break into new customer relationship with future upside, industry vertical with high propensity to renew or expand, defensive competitive response among others. Additional sales into network lit locations to both new and existing customers are highly capital efficient and the sales teams prioritize lit location sales as part of our go to market strategy. We have

historically used third party Type II circuits to connect to off network locations where construction would be cost prohibitive. We believe there are opportunities to edge out our network into adjacent markets and may use a combination of success based sales, proactive new builds and Type II circuits to expand where we can achieve attractive financial returns. Maintenance capital is typically a relatively small percentage of overall capital spend and may be tied to certain IT or network upgrades over time. We typically manage transitions to new network equipment by having new customers and services installed on new technology while existing customers continue to use prior equipment. Network capacity is tracked and network overbuilds to relieve potential future capacity constraints are frequently incorporated into existing success based customer installations.

### **Affiliate Agreements**

Altice USA maintains control over us, subject to certain shareholder protections for MSIP, and will continue to consolidate our results within Altice USA's financial reporting. In connection with our corporate carve out from Altice USA, we entered into certain agreements with Altice USA to ensure business continuity, transitional support, access to network assets and marketing engagement rules. Our longer-term strategic vision is to continue to increase our independence from Altice USA via the transition of Altice USA owned fiber route miles and operational and network services.

**Services Agreement:** Certain operational and network services are provided to us by Altice Service Provider in the form of the Services Agreement. Altice Service Provider provides select operational functions, such as splicing, network security, colocation, facilities management and voice operations, as well as corporate functions including IT systems, human resources, accounting, tax, treasury, insurance, procurement, legal and government affairs. We pay Altice Service Provider recurring fees in connection with these services, which may be amended over time as scope of work changes. The Services Agreement is designed to limit and control disruption to our operations through the completion of our corporate carve out process, and as our controlling shareholder, Altice USA, the parent company of Altice Service Provider, is economically aligned to support us.

**Market Engagement Agreement:** The Market Engagement Agreement (as defined herein) enables us to resell Altice USA SMB services and includes operational boundaries around Altice USA residential and Lightpath enterprise accounts. Such delineations and boundaries support the ongoing momentum of our sales efforts and simplify certain processes like customer support and billing. The ability to resell SMB services ensures that cross-sell opportunities will not be lost through the business separation and that we can continue to support our clients with a comprehensive suite of offerings.

**IRU Agreement:** The IRU Agreement carries an initial term of 20 years with two 10-year automatic renewals. Under the agreement, we have access to existing fiber assets subject to the IRU. The IRU Agreement also provides us with the ability to purchase incremental fiber strands from Altice USA's network of approximately 18,000 fiber miles at preferred rates to support future growth and expansion.

### **Key Customer Verticals**

Over the past 30 years, we have developed a critical mass of customers across a diverse range of industries in our market. As of December 31, 2020, we had approximately 6,600 customers, including approximately 4,300 individual enterprise customers, approximately 770 financial services companies, approximately 670 healthcare institutions, approximately 600 educational and academic institutions, approximately 220 individual government entities, and approximately 60 wholesale customers. We believe this diversified mix of customers provides additional revenue stability through economic cycles and sector trends that may impact an individual category of business.

Service attributes such as product speed and features, customer service and support, service reliability, network reach, ability to provide on dark fiber vs. lit services, need for voice or other managed services, flexible product bundles and price are frequently part of customer conversations across verticals. In addition, we have identified some common interests for certain customer verticals including enterprise (benefits of single source provider, network reach), finance (low latency, specific routes, security), healthcare (rigid SLAs, resilient network with failover, security), education (resilient internet, advanced voice features, compressed installation intervals), government (ubiquity of network, customer service) and carrier / wholesale (scalability and local access).

## **Franchises**

We rely on state and local franchise authority to install, maintain and operate facilities in public rights of way, on poles, and underground. We directly hold 120 telecommunications franchises, most with terms of 25-50 years, and we also rely upon the right of way authority of the cable television franchises of our parent company, Altice USA, and its operating subsidiaries, which under applicable law authorize the operation of a cable television system and the delivery of ancillary services, including telecommunications, broadband and Internet services.

As a general matter, our cable franchises are typically granted for terms of 10 to 15 years and are subject to a legal framework for renewal after their initial and any renewal term. Other than some costs and typical administrative fees associated with acquiring franchises, rights of way access, permits, and similar authorizations, our telecommunications and information services are not subject to recurring franchise fees either in connection with our directly held franchises or as a result of the Altice USA cable franchisees, for which fees are limited to a percent of receipts associated with "cable services" only. Franchises can be terminated, after appropriate judicial process, for material noncompliance and default.

Historically, Altice USA's and our franchises have been renewed without incurring significant costs, although it is possible that any franchise may not be renewed on commercially favorable terms, if at all. See "Risks Related to our Business — Portions of our property, plant and equipment are located on property owned by third parties" and "Risks Related Related to our Business — We rely in part on franchise agreements for access to rights-of way, which subjects us to risk of nonrenewal or termination" under "Risk Factors" included in this annual report. Based on our experience, and the experience of Altice USA, we expect to renew or continue to operate under all, or substantially all, of these franchises. Additionally, we expect, over time, to supplant our reliance on Altice USA's cable franchises by obtaining additional franchises directly or through our operating subsidiaries.

## **Suppliers**

We use products, systems and services provided by a variety of suppliers that are critical to the operation of our network and business as a whole. In the network hardware space, we use equipment from several different manufacturers for optical fiber cable, optical transport (WDM) equipment, as well as routers and switches to deliver Ethernet/IP services — including Commscope (fiber cable), Cisco, ADVA Optical and Infinera (Coriant). Our voice switch infrastructure deployed in support of both legacy and current-generation voice services is primarily supplied by Nokia (Lucent) for TDM voice and Metaswitch for VoIP services. There are key sales and operational IT systems in use from external suppliers, some of whom are associated with the hardware manufacturers mentioned above, but also Salesforce.com, Neteracker, and BMC Software (Remedy Ticketing). We rely on these and other suppliers for the products they provide, as well as their ongoing service and support contracts in certain cases.

We utilize certain suppliers to provide temporary and/or contract labor including Infosys and TEKsystems. We also use certain partners as suppliers for a portion of the services that we provide to end user customers, including Toll Free Service, Audio/Web Conferencing, and certain other managed services vendors. We also use the services of other telecommunication service providers when serving customers in locations that do not fall within our service areas (i.e. Type 2 circuits), consisting of a combination of incumbent and alternative telecom carriers.

We leverage the support of the Altice USA procurement organization for its sourcing. The Altice USA procurement team has primary responsibility for negotiation with vendors and issuance of company requisitions for all purchases. We also utilize systems and tools (primarily Oracle) instituted by the procurement organization to perform the day-to-day aspects of procurement and inventory management.

## **Customer Experience**

We believe customer service is a cornerstone of our business. Our strategy is to demonstrate that we are reliable, technical experts, simple to interact with and, in the event of a service failure, responsive and courteous as we work to resolve the issue. Accordingly, we make a concerted effort to continually improve each customer's experience and, as such, have made significant investments in our people, processes and technology.

Our Customer Care organization is committed to providing the enterprise business customers in the New York metropolitan area the best customer experience possible through high-touch interactions at all stages of their lifecycle. There are several key components of this customer experience, including a Customer Care team, Network



Management Center, Account Service Management team, and Field Maintenance technicians who all work seamlessly to provide the 24x7, 365 day award-winning post-installation customer support for which we have become known. Our predecessor has been awarded numerous New York Public Service Commission awards for outstanding customer service. The Customer Care team takes the first call from customers and is responsible for triaging their needs. When requests are billing or administrative in nature, this team will frequently resolve issues on the first contact, but when requests are associated with technical issues, the care team will open a ticket and perform a warm handoff to the Network Management Center (NMC). The NMC technicians work directly with customers to diagnose the root cause of the trouble, and then drive that trouble to resolution. The NMC team has resources capable of providing 2nd, 3rd, and 4th level support via an Advanced Support team as well as interaction with Engineering and other internal teams for resolution of complex or long-term issues. The NMC staff makes use of a number of alarm management, trouble-ticketing, network inventory and element management systems to perform their monitoring, management, and troubleshooting of the network.

We provide technical service to our customers 24 hours a day, seven days a week, and we have systems that allow our customer care centers to be accessed and managed remotely in the event that system functionality is temporarily lost, which provides our customers access to customer service with limited disruption. When a field dispatch to the customer site or a network location is required, the NMC works directly with the Field Maintenance staff to implement necessary restoration activities. The Account Service Management team provides a "white glove" experience for our most strategic customers, allowing them to focus on their business.

### **Impact of the COVID-19 Pandemic on Our Business**

Our business has remained resilient through the coronavirus ("COVID-19") pandemic as we adjusted our operations, while maintaining high levels of network performance and continuing to install new locations and add customers.

- **Operations.** Our management team refined a business continuity plan and was able to transition our workforce to nearly complete remote work with minimal disruption to the customer experience. Realistic cost-control initiatives were introduced across the business to maintain appropriately conservative financial policy.
- **Employees & Network.** We initiated limited staff reductions and furloughs of certain sales and operations employees at the outset of the pandemic. All furloughed employees returned to work in the second quarter of 2020. Our network availability was unaffected by the COVID-19 pandemic, and we continued to expand through the pandemic as we lit 650 new locations from March 2020 through the rest of the year.
- **Customers.** We added 233 customers from February through the end of December.

### **Competition**

We operate in a highly competitive New York region business telecommunications market.

Competition for customers is based on many factors including price, bandwidth, ability to provide entire customer solution, individual product features, quality, reliability, installation intervals, flexibility and customer support. As bandwidth and data services have become more central to customers' core business, their expectations with respect to variety, reliability and quality of services have increased. Depending on the scope of their network, switching bandwidth and voice providers can be an inconvenient undertaking for customers so a customer's current provider often has an advantage to renewing or adding services.

We categorize the participants in today's bandwidth infrastructure and communications service industry as follows:

- ***ILECs, CLECs, and Other National Providers*** are long-standing competitors that own and provide enterprise connectivity within and between most major US markets. Verizon Communications Inc. ("Verizon"), AT&T Inc. ("AT&T"), Zayo Group Holdings, Inc., Lumen Technologies Inc. (formerly CenturyLink, Inc.) ("Lumen"), Crown Castle International Corp, and Windstream Holdings Inc., all operate within the broad definition of incumbent local exchange carriers ("ILEC") / competitive local exchange carriers ("CLEC"). Their competitive strengths include their incumbency, national coverage and breadth of traditional offerings. We will typically compete with these providers based on network quality, excellent customer service, installation intervals and flexibility to customize solutions to specifically meet a

customer's needs. In addition, Lightpath also competes on network scope when compared to CLECs or national providers who may not have broad network coverage in the footprint.

- **Multiple-Service Operators ("MSOs")** are primarily operators of multiple cable or direct-broadcast satellite television systems, many of whom also provide fiber offerings. MSOs typically have robust regional coverage in their respective franchise areas based on their coax plant infrastructure. Traditionally, MSOs have focused on small and medium-sized businesses ("SMB") with less focus on Enterprise offerings. As MSOs continue to increase Internet speeds at limited additional cost to customers they can potentially create overlap with smaller enterprise customers. We compete with MSOs based on higher available network speeds, reliability, symmetrical speeds, improved latency, excellent customer service, ability to develop higher level customized solutions and other product features more appropriate for enterprises than traditional SMBs. Key MSOs in the New York metropolitan area include Altice USA, Comcast Corporation, Charter Communications, Inc. and RCN Corporation.
- **Niche Providers** are operators of fiber offerings with pockets of network within a limited region. They typically focus on a Data centric product suite, which is typically more limited in scope than those of the larger players. Coverage is more limited to core areas of operation with high fiber count connectivity to interconnection hubs, data centers and primary business locations. They historically have targeted enterprise and carrier customers. Lightpath competes with niche providers based on network scope, reliability, breadth of product offering, installation intervals, ability to be a single source provider of services to a customer and excellent customer service. Notable regional or niche providers within or near our footprint include FirstLight, ZenFi Networks, OCG Networks and Pilot Fiber.

## **Regulatory Environment**

### ***General Company Regulation***

Our services are subject to a variety of federal, state and local law and regulations. The Communications Act and the rules, regulations and policies of the Federal Communications Commission ("FCC"), as well as other federal, state and other laws governing communications, consumer protection, privacy and related matters, affect significant aspects of the operations of our cable, related and other services.

The following paragraphs describe the existing legal and regulatory requirements we believe are most significant to our operations today. Our business can be dramatically impacted by changes to the existing regulatory framework, whether triggered by legislative, administrative or judicial rulings. See also "Risk Factors".

**Pole Attachments.** We make extensive direct and indirect use of utility poles and conduits owned by other utilities to attach and install the facilities that are integral to our network and services. The Communications Act requires most utilities to provide cable systems and telephone companies with access to poles and conduits to attach such facilities at regulated rates. States (or, where states choose not to regulate, the FCC) regulate utility company rates for the rental of pole and conduit space used by companies, including operators like us, to provide telecommunications services and Internet access services. Many states in which we operate have elected to set their own pole attachment rules. Adverse changes to the pole attachment rate structure, rates, classifications, and access could significantly increase our annual pole attachment costs.

**Privacy and Data Security.** In the course of providing our services, we collect certain information about our customers and their use of our services. We also collect certain information regarding potential customers and other individuals. Our collection, use, disclosure and other handling of information is subject to a variety of federal and state privacy requirements, including those imposed specifically on cable operators and telecommunications service providers by the Communications Act. We are also subject to data security obligations, as well as requirements to provide notice to individuals and governmental entities in the event of certain data security breaches, and such breaches, depending on their scope and consequences, may lead to litigation and enforcement actions with the potential of substantial monetary forfeitures or to adversely affect our brand.

As broadband providers provide additional services, additional privacy and data security requirements may arise through legislation, regulation or judicial decisions. For example, the Video Privacy Protection Act of 1988 has been extended to cover online interactive services through which customers can buy or rent movies. In addition, Congress, the Federal Trade Commission ("FTC"), and other lawmakers and regulators are all considering whether to adopt

additional measures that could impact the collection, use, and disclosure of customer information in connection with the delivery of advertising and other services to consumers customized to their interests. See "Privacy Regulations" below.

*Other Regulation.* We are subject to various other regulations, including those related to wiring, telemarketing, general consumer protection laws and equal employment opportunity obligations. The FCC also imposes various technical standards on our operations. In the aftermath of Superstorm Sandy and additional severe weather events, the FCC and the states are examining whether new requirements are necessary to improve the resiliency of communications networks, potentially including our network. Each of these regulations restricts (or could restrict) our business practices to varying degrees. The FCC can aggressively enforce compliance with its regulations and consumer protection policies, including through the imposition of substantial monetary sanctions. It is possible that Congress or the FCC will expand or modify its regulations in the future, and we cannot predict at this time how that might impact our business.

### ***Broadband***

*Regulatory Classification.* Broadband Internet access services were traditionally classified by the FCC as "information services" for regulatory purposes, a type of service that is subject to a lesser degree of regulation than "telecommunications services." In 2015, the FCC reversed this determination and classified broadband Internet access services as "telecommunications services" and in December 2017, reversed it again, when the FCC adopted an order that reestablished the "information service" classification for broadband Internet access service. The 2017 Order (as defined below) was affirmed in part on appeal in October 2019 insofar as it classified broadband Internet access services as information services subject to lesser federal regulation. However, the 2017 Order was also vacated in part on appeal insofar as it preempted states from subjecting broadband Internet access services to any requirements more stringent than the federal requirements. As a result, the precise extent to which state rules may impose requirements on broadband Internet access service providers, including us, is not fully settled. Additionally, the FCC is expected to revisit the appropriate regulatory classification of broadband in 2021.

*Net Neutrality.* Congress and some states are considering legislation that may codify "net neutrality" rules, which could include prohibitions on blocking, throttling and prioritizing Internet traffic. A number of states, including California and New York, have adopted legislation and/or executive orders that apply "net neutrality" rules to Internet service providers ("ISPs"). The California legislation is currently being challenged in court.

*Access for Persons with Disabilities.* The FCC's rules require us to ensure that persons with disabilities have access to "advanced communications services," such as electronic messaging TTY, and related technologies to assist in the use of our services.

*Other Regulation.* Providers of broadband Internet access services must comply with the Communications Assistance for Law Enforcement Act ("CALEA"), which requires providers to make their services and facilities accessible for law enforcement intercept requests. Various other federal and state laws apply to providers of services that are accessible through broadband Internet access service, including copyright laws, telemarketing laws, prohibitions on obscenity, a ban on unsolicited commercial e-mail, and privacy and data security laws. Online content we provide is also subject to some of these laws.

Other forms of regulation of broadband Internet access service currently being considered by the FCC, Congress or state legislatures include consumer protection requirements, billing and notifications requirements, cybersecurity requirements, consumer service standards, requirements to contribute to universal service programs and requirements to protect personally identifiable customer data from theft. Pending and future legislation in this area could adversely affect our operations as a service provider and our relationship with our Internet customers.

Additionally, from time to time the FCC and Congress have considered whether to subject broadband Internet access services to the federal Universal Service Fund ("USF") contribution requirements. Any contribution requirements adopted for Internet access services would impose significant new costs on our broadband Internet service. At the same time, the FCC is changing the manner in which Universal Service funds are distributed. By focusing on broadband and wireless deployment, rather than traditional telephone service, the changes could assist some of our competitors in more effectively competing with our service offerings.

## ***Telephony Services***

We provide telephony services using VoIP technology ("interconnected VoIP") and traditional switched. The FCC has adopted several regulations for interconnected VoIP services, as have several states, especially as it relates to core customer and safety issues such as E911, local number portability, disability access, outage reporting, universal service contributions, and regulatory reporting requirements. The FCC has not, however, formally classified interconnected VoIP services as either information services or telecommunications services. In this vacuum, some states have asserted more expansive rights to regulate interconnected VoIP services, while others have adopted laws that bar the state commission from regulating VoIP service.

*Universal Service.* Circuit switched voice providers and Interconnected VoIP services must contribute to the USF used to subsidize communication services provided to low income households, to customers in rural and high cost areas, and to schools, libraries, and rural health care providers. The amount of universal service contribution required is based on a percentage of revenues earned from interstate and international services provided to end users. We allocate our end user revenues and remit payments to the universal service fund in accordance with FCC rules. The FCC has ruled that states may impose state universal service fees on interconnected VoIP providers.

*Local Number Portability.* The FCC requires circuit switched voice providers and interconnected VoIP service providers and their "numbering partners" to ensure that their customers have the ability to port their telephone numbers when changing providers. We also contribute to federal funds to meet the shared costs of local number portability and the costs of North American Numbering Plan Administration.

*Other Regulation.* Circuit switched and Interconnected VoIP service providers are required to provide enhanced 911 emergency services to their customers; protect customer proprietary network information from unauthorized disclosure to third parties; report to the FCC on service outages; comply with telemarketing regulations and other privacy and data security requirements; comply with disabilities access requirements and service discontinuance obligations; comply with call signaling requirements; and comply with CALEA standards. In August 2015, the FCC adopted new rules to improve the resiliency of the communications network. Under the new rules, providers of telephony services, including interconnected VoIP service providers, must make available eight hours of standby backup power for consumers to purchase at the point of sale. The rules also require that providers inform new and current customers about service limitations during power outages and steps that consumers can take to address those risks.

We provide traditional telecommunications services in various states through our operating subsidiaries, and those services are largely governed under rules established for CLECs under the Communications Act. The Communications Act entitles our CLEC subsidiaries to certain rights, but as telecommunications carriers, it also subjects them to regulation by the FCC and the states. Their designation as telecommunications carriers results in other regulations that may affect them and the services they offer.

*Interconnection and Intercarrier Compensation.* The Communications Act requires telecommunications carriers to interconnect directly or indirectly with other telecommunications carriers and networks, including VoIP. Under the FCC's intercarrier compensation rules, we are entitled, in some cases, to compensation from carriers when they use our network to terminate or originate calls and in other cases are required to compensate another carrier for using its network to originate or terminate traffic. The FCC and state regulatory commissions, including those in the states in which we operate, have adopted limits on the amounts of compensation that may be charged for certain types of traffic. In an October 2011 Order, the FCC determined that intercarrier compensation for all terminating traffic, including VoIP traffic exchanged in TDM format, would be phased down over several years to a "bill-and-keep" regime, with no compensation between carriers for most terminating traffic by 2018. The FCC is considering further reform that could reduce or eliminate compensation for originating and toll-free traffic as well.

*Universal Service.* Our CLEC subsidiaries are required to contribute to the USF. The amount of universal service contribution required of us is based on a percentage of revenues earned from interstate and international telecommunications services provided to end users. We allocate our end user revenues and remit payments to the universal service fund in accordance with FCC rules. The FCC has ruled that states may also impose their own universal service fees on CLEC telecommunications services.

*Other Regulation.* Our CLEC subsidiaries' telecommunications services are subject to other FCC requirements, including protecting the use and disclosure of customer proprietary network information; meeting certain notice requirements in the event of service termination; compliance with disabilities access requirements; compliance with CALEA standards; outage reporting; and the payment of fees to fund local number portability administration and the North American Numbering Plan. As noted above, the FCC and states are examining whether new requirements are necessary to improve the resiliency of communications networks. Communications with our customers are also subject to FCC, FTC and state regulations on telemarketing and the sending of unsolicited commercial e-mail and fax messages, as well as additional privacy and data security requirements.

*State Regulation.* Our CLEC subsidiaries' telecommunications services are subject to regulation by state commissions in each state where we provide services. In order to provide our services, we must seek approval from the state regulatory commission or be registered to provide services in each state where we operate and may at times require local approval to construct facilities. Regulatory obligations vary from state to state and include some or all of the following requirements: filing tariffs (rates, terms and conditions); filing operational, financial, and customer service reports; seeking approval to transfer the assets or capital stock of the broadband communications company; seeking approval to issue stocks, bonds and other forms of indebtedness of the broadband communications company; reporting customer service and quality of service requirements; outage reporting; making contributions to state universal service support programs; paying regulatory and state Telecommunications Relay Service and E911 fees; geographic build-out; and other matters relating to competition.

#### ***Other Services***

We may provide other services and features over our network, such as data security, wide area access networks, entertainment, games and interactive advertising, that may be subject to a range of federal, state and local laws, such as privacy and consumer protection regulations. We also maintain various websites that provide information and content regarding our businesses. The operation of these websites is also subject to a similar range of regulations.

#### ***Privacy regulations***

Our telecommunications, data, Internet and voice services are subject to various federal, state and local laws and regulations, as may also be, in instances where our services are used outside of the U.S., subject to foreign laws regarding subscriber privacy, data security, data protection, and data use. Our provision of Internet services subjects us to the limitations on use and disclosure of user communications and records contained in the Electronic Communications Privacy Act of 1986. Broadband Internet access service is also subject to various privacy laws applicable to electronic communications. We are subject to various state regulations and enforcement oversight related to our policies and practices covering the collection, use, and disclosure of personal information. In 2018, California passed a comprehensive privacy act aimed at increasing disclosure requirements, privacy protections, and the rights of consumers to identify and delete stored private data, subject to some limited business exceptions. The California law became effective on January 1, 2020. We expect further scrutiny of privacy practices at all levels of government in the areas where we operate, and implementing systems to comply with new rules could impact our business opportunities and impose operating costs on the business.

#### ***Environmental regulations***

Our business operations are subject to environmental laws and regulations, including regulations governing the use, storage, disposal of, and exposure to hazardous materials, the release of pollutants into the environment and the remediation of contamination. In part as a result of the increasing public awareness concerning the importance of environmental regulations, these regulations have become more stringent over time. Amended or new regulations could impact our operations and costs.

#### ***Intellectual Property***

We rely on patents, copyrights, trade marks and trade secrets, as well as licenses and other agreements with our vendors and third parties, to use our technologies, conduct our operations, sell our products and services. In addition to licenses included in vendor agreements, we also rely on affiliates of ours, including Altice Europe, N.V. and Altice USA, for access to certain proprietary technology, intellectual property, licenses, trademarks and trade secrets. We own the name "Lightpath," and the use of the name "Altice," as well as derivatives, is licensed to us through an

arrangement for the benefit of Altice USA and its subsidiaries. We believe we own or have the right to use all the intellectual property that is necessary for the operation of our business as we currently conduct it.

### **Employees**

As of December 31, 2020, there were approximately 350 employees comprised of field personnel, sales, call center, engineering, technical and other support staff. As of December 31, 2020, none of the employees described above are represented by unions or covered by collective bargaining agreements, we consider our relations with such employees to be good.

### **Property, Plant and Equipment**

We own or control, including through the IRU Agreement to be entered into with Altice Service Provider, licenses or easements, the property, plant and equipment necessary to provide telecommunications services to customers in each of the states in which we operate.

The property, plant and equipment comprises exchange, data switching, routing, transmission and receiving equipment; computer systems, connecting lines (cables, wires, fibers, poles, antennas, towers and other support structures, ducting and similar items); and other miscellaneous property including retail equipment, furniture and other office equipment, and plants under construction.

The physical components of the connectivity and transmission systems require maintenance and periodic upgrading to improve system performance and capacity.

### **Insurance**

Our business is covered by insurance policies through Altice USA that are consistent with the industry and markets in which we operate. The main insurance policies have deductibles, retentions and policy exclusions that are consistent with the industry and with the size of the business. These deductibles, retentions and policy exclusions would be self-funded if a claim were to arise. We consider our insurance coverage and that of our operations to be adequate both as to risks and amounts for the business currently conducted by us.

### **Legal Proceedings**

Refer to Note 12 to our audited consolidated financial statements included in this Annual Report for a discussion of our legal proceedings.

### **Management and Principal Shareholders**

#### *Board of Managers*

Pursuant to the LLC Agreement, the general authority to make any and all of the day-to-day management decisions for Lightpath Holdings LLC ("Parent") and its subsidiaries, which includes us, will be delegated to the board of managers of Parent (the "Board").

The Board consists of seven members, including four managers appointed by Altice USA and its subsidiaries (the "Altice Members") and three managers appointed by NHIP III Lantern Holding LLC (the "MSIP Member", and together with the Altice Members, the "Members" and each a "Member"). The Board may in the future create an audit committee and a compensation committee. The Board may also have additional committees, as determined from time to time.

Pursuant to the LLC Agreement, a Member who holds: (i) 50% or more of the common units of Parent shall be entitled to appoint four managers; (ii) less than 50% but 40% or more of the common units of Parent shall be entitled to appoint three managers; (iii) less than 40% but 30% or more of the common units of Parent shall be entitled to appoint two managers; (iv) less than 30% but 20% or more of the common units of Parent shall be entitled to appoint one manager; and (v) less than 20% of the common units of Parent shall not be entitled to appoint any managers. In the event that a Member holds less than 20% but at least 10% of the common units of Parent, such member will be entitled to appoint one observer to attend Board meetings. In addition, the LLC Agreement will require that the chairman of the Board be a manager jointly appointed by the Altice Members and the MSIP Member so long as the MSIP Member holds at least 40% or more of the common units of Parent. If the MSIP Member's ownership of

common units of the Company falls below 40%, then the chairman will resign as chairman if he or she was a manager appointed by the MSIP Member, and the Altice Members shall have the right to appoint the new chairman.

All decisions of the Board shall be adopted by a simple majority vote of the Board members present or duly represented, except as otherwise described below. Meetings of the Board shall only be validly held if at least 50% of the members of the Board are present or represented including at least one manager appointed by each member entitled to appoint a manager to the Board.

#### *Protective Rights*

For so long as a Member holds at least 35% of the common units of Parent, certain matters will require the approval of at least one manager designated by such Member, including, among other things and subject to certain exceptions, approval of: the Annual Business Plan (as defined in the LLC Agreement Term Sheet); certain unbudgeted capital expenditures; certain actions with respect to material agreements, including those valued at \$20 million or more and entered into outside the ordinary course of Parent's business; certain actions with respect to the Services Agreement or the IRU Agreement; mergers, acquisitions, divestitures, consolidations or joint ventures; an initial public offering by Parent, any of its subsidiaries or any other newly formed parent company of Parent formed for such purposes (an "IPO"); the incurrence of new indebtedness over a specified threshold; and initiating, discontinuing or settling any disputes or litigation valued at, on an individual basis, \$5,000,000 or more.

In addition, for so long as a Member holds at least 20% of the common units of Parent, certain matters will require the approval of at least one manager designated by such Member, including, among other things and subject to certain exceptions, approval of: transactions between Parent or its subsidiaries, on the one hand, and Altice USA or its affiliates, on the other hand; certain issuances of equity interests or equity repurchases or reductions (or similar transactions); undertaking any fundamental changes to Parent's business or entering into any significant line of business; dissolving, liquidating or winding up of Parent; modifying the distribution policy of Parent or declaring or paying any distributions outside of such distribution policy; appointing auditors or making any change to Parent's auditors; certain changes and decisions regarding tax or certain compliance policies of Parent; and certain material changes to executive compensation or termination of certain executive officers.

The protective rights to be set forth in the LLC Agreement will terminate upon the consummation of an IPO.

For so long as the MSIP Member owns at least 20% of the common units of Parent, under certain limited circumstances involving a material breach by Altice Service Provider under the Services Agreement or IRU Agreement, the MSIP Member will be permitted to cause the Company to enforce its rights under such agreements.

#### *Indemnification of Managers and Officers*

Parent will indemnify each of its managers, officers and members, to the fullest extent permitted by applicable law, against claims arising out of, relating to, or in connection with, any action or omission performed or omitted or alleged to have to have been performed or omitted, in good faith on behalf of Parent or any of its subsidiaries.

Chris Morley, 46, was appointed our Chief Executive Officer (CEO) in January 2021. Prior to becoming our CEO, Mr. Morley served as Chief Operating Officer (COO) for Zayo Group. Mr. Morley studied at University of Denver and holds a BSBA degree in Business, Finance.

David Mayer, 68, was appointed our Chief Strategy Officer (CSO) in January 2021. Prior to becoming our CSO, Mr. Mayer served as Executive Vice President and General Counsel at Lightower Fiber Networks. Mr. Mayer also served as President of Viridian Investment Partners, L.P., a private equity fund that invested in communications towers and other businesses. He has approximately thirty years of experience in the telecommunications business, including a number of years in private law practice focusing on mergers and acquisitions.

Chris Yost, 57, was appointed our General Counsel in February 2021. In this role, he oversees the Company's legal and regulatory matters as well as human resources. Mr. Yost previously served as General Counsel and other leadership roles at Bandwidth Infrastructure Group, Zayo Group, and Level 3 Communications (now Lumen). Earlier in his career he was an associate in litigation and labor and employment at the global law firm Akin, Gump, Strauss, Hauer & Feld in the firm's Washington D.C. office. Mr. Yost earned his bachelor's degree from Western Michigan University and his law degree from Catholic University.

Doug Dalissandro, 55, was appointed our Chief Revenue Officer (CRO) in December 2020. Prior to becoming our CRO, Mr. Dalissandro served as CRO for Lightower Fiber Networks. Mr. Dalissandro studied at Ohio University and holds a Bachelor of Science degree in Communications.

Phil Olivero, 55, was appointed our Chief Technology Officer (CTO) in March 2021. Prior to becoming our CTO, Mr. Olivero served as CTO for the Fiber Services division of Crown Castle and also served as CTO at Lightower Fiber Networks. Mr. Olivero studied at University of Waterloo, and holds a Bachelor of Applied Science in Electrical Engineering.

## **PRINCIPAL SHAREHOLDERS**

The Company is an indirect subsidiary of Altice USA, which holds a 50.01% interest and an indirect subsidiary of MSIP, which holds the remaining 49.99% interest.

Altice USA is a holding company, which, through its subsidiaries, principally provides broadband communications and video services in the United States and markets its services primarily under two brands: Optimum, in the New York metropolitan area, and Suddenlink, principally in markets in the south-central United States. Altice USA delivers broadband, video, telephony, and mobile services to more than five million residential and business customers. Altice USA's footprint extends across 21 states through a fiber-rich hybrid-fiber coaxial broadband network and a fiber-to-the-home network with more than 9 million homes passed as of December 31, 2020.

MSIP is a infrastructure private equity company, which targets assets that provide essential public goods and services primarily located in Organization for Economic Co-operation and Development (OECD) countries.

### **Risk Factors**

#### **Summary of Risk Factors**

Our business is subject to a number of risks that may impact our business and prospects. The following summary identifies certain risk factors that may prevent us from achieving our business objectives or may adversely affect our business, financial condition and results of operations. These and other risks are discussed in detail in the section that follows.

#### ***Risks Related to our Capital Structure***

- Our substantial indebtedness could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations.
- Our ability to service all of our indebtedness depends on many factors beyond our control, and if we cannot generate enough cash to service our indebtedness, we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- Our debt agreements contain restrictions that could limit our flexibility in operating our business.
- Prior to or when our Senior Secured Notes mature, we may not be able to refinance or replace them.
- Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.
- Changes or uncertainty in respect of LIBOR may affect our sources of funding.
- Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.
- A downgrade in our credit rating may also negatively impact the trading prices of and market for our debt securities.
- The financial markets are subject to volatility and disruptions, which may adversely affect our business, including by affecting the cost of new capital and our ability to fund acquisitions or other strategic transactions.

#### ***Risks Related to our Business***

- Our rights to the use of fiber that we do not own and that comprises a significant portion of our network may be affected by the ability to continue long-term contracts and the financial stability of Altice USA and Altice Service Provider.



- Our operations require substantial capital expenditures and the costs of such capital expenditures could be higher than currently anticipated by our management and, as a result, our business, financial condition, results of operations and liquidity may be impacted if funds for capital expenditures are not available when needed.
- We are heavily dependent on our ability to renew our contracts with our customers and we could lose substantial revenue if we are unable to renew certain of these contracts.
- Our major contracts subject us to various risks.
- Our business, financial condition and results of operations may be adversely affected by the ongoing COVID-19 pandemic.
- We may make tax distributions to our ultimate equityholders in amounts in excess of the tax expense that we would incur if we were a similarly situated corporate taxpayer.
- We expect to periodically require financing, and we cannot assure you that we will be able to obtain such financing on terms that are acceptable to us, or at all.
- The current distribution practices of Lightpath Holdings LLC, the Company's direct parent ("Parent"), could limit our ability to deploy cash for other beneficial purposes.
- If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies or forward-looking statements, our consolidated financial statements and related disclosures could be materially affected.
- If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings and reduce our member's equity.
- We are growing and may not efficiently manage our growth.
- Our operations, financial performance and liquidity are materially reliant on various third parties.
- Portions of our property, plant and equipment are located on property owned by third parties.
- We may be subject to litigation that could have a substantial, adverse impact on our business.
- Our business depends on intellectual property rights and on not infringing on the intellectual property rights of others.
- We may be liable for the material that content providers distribute over our networks.
- If we fail to hire and retain an experienced and effective management team and qualified personnel, our business, financial condition and results of operations could be adversely affected.
- We rely on Altice Service Provider's network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations.
- If we experience a significant data security breach or fail to detect and appropriately respond to a significant data security breach, our results of operations and reputation could suffer.
- Our future growth potential depends in part on the continued development and expansion of data demand and the Internet and other business trends.
- We are required to maintain, repair, upgrade, and replace our network and our facilities, the cost of which could materially impact our results and our failure to do so could irreparably harm our business.
- Rapid technological changes could significantly impact our competitive and financial position.
- Our failure to meet the evolving needs of our customers could adversely impact our competitive position.
- Increases in broadband usage may cause network capacity limitations, potentially resulting in service disruptions.
- Our failure to meet performance or service standards under our agreements could result in customers terminating their relationships with us, or customers being entitled to receive financial compensation, leading to reduced revenue or increased costs.

- The geographic concentration of our operations in New York, New Jersey and Connecticut makes our business susceptible to local economic and regulatory conditions, business trends, and natural and man-made disasters in those states.
- We have agreements with customers that are dependent on government funding, which may not be available.
- Our business is sensitive to the creditworthiness of our wholesale customers.
- We may seek to engage in strategic transactions that could significantly impact our business.
- We may not be able to compete successfully against current or future competitors.
- Negative publicity surrounding us or Altice USA may adversely affect current and future customers' perception of us.
- Unfavorable general economic and industry conditions could negatively impact our operating results and financial condition.
- We face risks from natural disasters and extreme weather, which can disrupt our operations and cause us to incur substantial additional capital and operating costs.
- Terrorist attacks and other acts of violence or war may adversely affect the financial markets and our business.
- Our business is subject to extensive governmental oversight, legislation and regulation, which could adversely affect our business, increase our operational and administrative expenses and limit our revenues.
- We rely in part on franchise agreements for access to rights-of-way, which subjects us to risks of nonrenewal or termination.
- Local franchising authorities have the ability to impose additional regulatory constraints on our business, which could reduce our revenues or increase our expenses.
- We may be materially adversely affected by regulatory changes related to pole attachments.
- Increasing regulation of our Internet-based products and services could adversely affect our ability to provide new products and services.
- Offering telephone services may subject us to additional regulatory burdens, causing us to incur additional costs.
- We may be materially adversely affected by regulatory, legal and economic changes relating to our physical plant.
- FCC rulemakings and state regulatory proceedings, including those relating to intercarrier compensation, universal service and broadband services, could have a material adverse effect on our operations.
- We are subject to the oversight of certain federal and state agencies that have in the past, and may in the future, investigate or pursue enforcement actions against us relating to consumer protection matters.
- Regulation may limit our ability to make required investments or adopt business models that are needed to continue to provide robust high-speed data service.
- Compliance with, and changes to, environmental, safety and health laws and regulations could result in significant costs.
- Regulation of the Internet and data privacy could substantially impact us.
- Additional changes in tax laws or tax audits could adversely affect us.
- Changes in any of the above-described laws or regulations may limit our ability to plan, and could subject us to further costs or constraints.
- Our inability to transition successfully to being a standalone business may have a material adverse effect on our business, financial condition, results of operations and reputation.
- Any failure by Altice USA, Altice Service Provider or any of their affiliates to deliver the services to be provided under the Services Agreement could have a material adverse effect on our business, financial condition and results of operations.
- We are subject to business uncertainties that could materially and adversely affect our business.

- As a result of MSIP's purchase of a 49.99% interest in the parent entity of the Company (the "MS Investment") and generally, we may not be able to retain key personnel or recruit additional qualified personnel, which could materially adversely affect our business, financial condition and results of operations and require us to incur substantial additional costs to recruit replacement personnel.

### ***Risks Related to our Capital Structure***

#### ***Our substantial indebtedness could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations.***

We have a substantial amount of indebtedness, which will require significant interest and principal payments. As of December 31, 2020, we have approximately \$1,465 million in aggregate principal amount of indebtedness. We also have had unused availability under the revolving credit facility of \$100 million.

Our and our subsidiaries' substantial amount of indebtedness could have important consequences, including, but not limited, to the following:

- requiring us and certain of our subsidiaries to dedicate a substantial portion of our cash flow from operations to the payment of principal of and interest on our indebtedness, thereby reducing the funds available to us to finance our operations, capital expenditures and any future business opportunities;
- limiting flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have less indebtedness;
- increasing our vulnerability to adverse general economic or industry conditions;
- making us and our subsidiaries more vulnerable to increases in interest rates, as borrowings under our Senior Secured Credit Facilities are at variable rates; and
- limiting our ability to obtain additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations.

The terms of the agreements and instruments governing our debt, including the indentures governing our 5.625% senior notes due 2028 (the "Senior Notes") and 3.875% senior secured notes due 2027 (the "Senior Secured Notes" and together with the Senior Notes, the "Notes") (the "Indentures") and the credit facilities agreement, dated September 29, 2020, between, amongst others, the Company as borrower and Goldman Sachs Bank USA as administrative agent (the "Credit Facilities Agreement"), restrict, but do not prohibit, us from incurring additional debt. The restrictive covenants in these agreements and instruments (and the Indentures) will not apply to our unrestricted subsidiaries. We may refinance our debt, and we may increase our consolidated debt for various business reasons, which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt we refinance, funding distributions to our shareholders or general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

In addition, the Indentures and the Credit Facilities Agreement contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

#### ***Our ability to service all of our indebtedness depends on many factors beyond our control, and if we cannot generate enough cash to service our indebtedness, we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or to refinance our obligations with respect to our debt will depend on our financial and operating performance, which, in turn, are subject to prevailing economic, financial, competitive, legislative, legal and regulatory factors and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

Cash flows from operations are the principal source of funding for us. Our business may not generate cash flow from operations in an amount sufficient to fund our liquidity needs. If our cash flows are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, lay off or otherwise reduce our employee headcount, reduce or delay discretionary spending, sell assets, seek additional capital or restructure or refinance our indebtedness, each of which could have a material adverse effect on our business. Our ability to restructure or refinance our debt will depend on the condition of the capital and credit markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations and limit our financial flexibility. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and, as a result, our liquidity and financial condition could be adversely affected and we may not be able to meet our scheduled debt service obligations.

***Our debt agreements contain restrictions that could limit our flexibility in operating our business.***

The operating and financial covenants and restrictions in the Credit Facilities Agreement, the Indentures and other debt that we incur in the future may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. The agreements governing our indebtedness restrict, subject to certain important exceptions and qualifications, our and our subsidiaries' ability to, among other things:

- incur additional indebtedness or guarantee indebtedness;
- pay dividends or make distributions or make certain other restricted payments;
- make certain investments;
- create liens on our or our subsidiaries' assets;
- sell or otherwise dispose of assets;
- enter into transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- designate our subsidiaries as Unrestricted Subsidiaries; and
- enter into mergers or consolidations or sell all or substantially all of our or our restricted subsidiaries' assets.

A breach of the covenants or restrictions under the Indentures or under the Credit Facilities Agreement could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement governing the Senior Secured Credit Facilities would permit the lenders under our revolving credit facility to terminate all commitments to extend further credit under that facility.

Furthermore, if an event of default occurs under the Credit Facilities Agreement or in respect of the Senior Secured Notes, those lenders or noteholders, as the case may be, could proceed against the Collateral granted to them to secure that indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns, including the ongoing COVID-19 pandemic; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

***Prior to or when the Senior Secured Notes mature, we may not be able to refinance or replace them.***

The Senior Secured Notes have an earlier maturity date than the Senior Notes. Prior to or on the maturity date of the Senior Secured Notes, we may need to refinance them and may not be able to do so on favorable terms or at all. If we

are able to refinance maturing indebtedness, the terms of any refinancing or alternate credit arrangements may contain terms and covenants that restrict our financial and operating flexibility. If we are unable to refinance the Senior Secured Notes prior to or when they mature it could result in an event of default under the Senior Secured Notes Indenture if we are unable to redeem the Senior Secured Notes on the maturity date. Moreover, the occurrence of an event of default under the Senior Secured Notes Indenture could result in an event of default under our other indebtedness, including the Senior Notes Indenture.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Borrowings under our Senior Secured Credit Facilities are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Each quarter point change in interest rates would result in an approximate \$1.5 million change in annual interest expense on our indebtedness under the term loan facility. Any amounts we borrow under the revolving credit facility will also bear interest at a floating rate. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

***Changes or uncertainty in respect of LIBOR may affect our sources of funding.***

Our Senior Secured Credit Facilities may be linked to LIBOR. Various interest rate benchmarks (including LIBOR) are the subject of recent regulatory guidance and proposals for reform. Some reforms are already effective while others are still to be implemented, including the EU Benchmark Regulation (Regulation (EU) 2016/1011). In addition, the sustainability of LIBOR has been questioned by the U.K.'s Financial Conduct Authority ("FCA") as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On November 29, 2017, the Bank of England and the FCA announced that the market Working Group on Sterling Risk-Free Rates would have an extended mandate to catalyze a broad transition to the Sterling Over Night Index Average rate ("SONIA") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. The Bank of England and FCA have stated that a key near-term priority for the Working Group will be to make recommendations relating to the potential development of term SONIA reference rates. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

Based on the foregoing, investors should in particular be aware that:

- any of the reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR) could affect the level of the published rate, including to cause it to be lower or more volatile than it would otherwise be; and
- if LIBOR is discontinued, then the rate of interest applicable to our sources of funding may be determined for a period by applicable fall-back provisions, although such provisions, often being dependent in part upon the provision by reference banks of offered quotations for the LIBOR rate, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available.

More generally, any of the above matters or any other significant change to the setting or existence of LIBOR could affect our ability to meet our obligations under our sources of funding or could have a material adverse effect on the liquidity of, and the amount payable under, our sources of funding. Changes in the manner of administration of LIBOR could result in adjustments to the conditions applicable to our sources of funding or other consequences relevant to our sources of funding. No assurance can be provided that changes will not be made to LIBOR or any other relevant benchmark rate or that such benchmarks will continue to exist.

***A downgrade in our credit rating may also negatively impact the trading prices of and market for our debt securities.***

Our credit rating (including the credit rating assigned to our debt securities) may be impacted by a number of factors, including the effects of the U.S. economy experiencing an uneven recovery following a protracted slowdown, including as a result of the COVID-19 pandemic, and the future economic environment may continue to be challenging. A continuation or further weakening of these economic conditions could lead to further reductions in demand for our services, which could negatively impact our business, financial condition and results of operations.

***The financial markets are subject to volatility and disruptions, which may adversely affect our business, including by affecting the cost of new capital and our ability to fund acquisitions or other strategic transactions.***

From time to time the capital markets experience volatility and disruption. Volatility in the capital markets may be impacted by a number of factors. Some of the main factors which contributed to capital markets volatility in recent months included, for example, the COVID-19 pandemic and governmental and nongovernmental measures in response to that, uncertainty between the United States and other countries with respect to trade policies, treaties, and tariffs, the outlook for interest rates, concerns relating to the impact of the COVID-19 pandemic, and continued uncertainty surrounding the effects of the decision by the U.K. to exit the EU, which formally occurred on January 31, 2020. There can be no assurance that market conditions will not continue to be volatile or worsen in the future.

Historical market disruptions have typically been accompanied by a broader economic downturn, which has historically led to lower demand for our products and increased incidence of customers' inability to pay for the services we provide. A recurrence of these conditions may further adversely impact our business, financial condition and results of operations.

We may rely on the capital markets, particularly for offerings of debt securities and borrowings under syndicated facilities, to meet our financial commitments and liquidity needs if we are unable to generate sufficient cash from operations to fund such anticipated commitments and needs and to fund acquisitions or other strategic transactions. Disruptions or volatility in the capital markets could also adversely affect our ability to refinance on satisfactory terms, or at all, our scheduled debt maturities and could adversely affect our ability to draw on our revolving credit facilities.

Disruptions in the capital markets as well as the broader global financial market can also result in higher interest rates on any new debt securities we issue and increased costs under credit facilities which bear floating interest rates. Such disruptions could increase our interest expense, adversely affecting our business, financial position and results of operations.

Our access to funds under our revolving credit facility is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

Moreover, the obligations of the financial institutions under our revolving credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer term, volatility and disruptions in the capital markets and the broader global financial market as a result of the COVID-19 pandemic, other uncertainties, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our businesses. Such disruptions could require us to take measures to conserve cash or impede or delay potential acquisitions, strategic transactions and refinancing transactions until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

### ***Risks Related to our Business***

***Our rights to the use of fiber that we do not own and that comprises a significant portion of our network may be affected by the ability to continue long-term contracts and the financial stability of Altice USA and Altice Service Provider.***

Our services are provided, in significant part, on network fiber facilities leased from Altice Service Provider through an IRU to be granted pursuant to the IRU Agreement with Altice Service Provider. Pursuant to the IRU Agreement and the Services Agreement with Altice Service Provider, Altice Service Provider is responsible for network maintenance, splicing and connecting fiber within the hybrid fiber optic communication system owned and operated by Altice Service Provider and its affiliates in the New York metropolitan area, and for other services integral to the installation, maintenance and operation of the network fiber facilities that are critical to our business. We pay Altice Service Provider for these services pursuant to the terms of the IRU Agreement and the Services Agreement, and in some cases Altice Service Provider will be the exclusive provider of these services to us. If Altice Service Provider experiences financial trouble or distress, or is otherwise incapable of performing, or unwilling to perform, its obligations under the IRU Agreement or the Services Agreement to maintain the fiber facilities subject to the IRU, our costs, including maintenance costs, would increase substantially and our ability to deliver service to our customers would be materially adversely affected. In addition, if Altice Service Provider is unable to obtain and maintain necessary rights-of-way, access to pole attachments and similar rights for its fiber networks or if it fails to renew or extend those rights, our operations may be interrupted or we could incur material expenses if we were required to relocate to alternative network assets or secure directly our own rights- of-way authority, pole attachments or similar rights.

***Our operations require substantial capital expenditures and the costs of such capital expenditures could be higher than currently anticipated by our management and, as a result, our business, financial condition, results of operations and liquidity may be impacted if funds for capital expenditures are not available when needed.***

Our business is capital intensive. We require, and expect to continue to require, significant capital expenditures to expand, maintain, upgrade and enhance our network facilities and operations as a result of several factors, including:

- our customers' increasing needs to transmit larger amounts of data at faster speeds;
- our need to (i) consolidate and simplify our various legacy systems and (ii) support the development and launch of new products and services; and
- technological advances of our competitors, which may increase the likelihood that our customers may switch providers.

We may be unable to expand or adapt our network infrastructure to respond to these developments in a timely manner, at a commercially reasonable cost or on terms producing satisfactory returns on our investment. In addition to investing in expanded networks, new products or new technologies, we must from time to time invest capital to (i) replace some of our aging equipment that supports many of our traditional services that are experiencing revenue declines or (ii) convert older systems to simplify and modernize our network. While we believe that our currently planned level of capital expenditures will meet both our maintenance and core growth requirements, this may not be the case if demands on our network continue to accelerate or other circumstances underlying our expectations change. Increased spending could, among other things, adversely affect our operating margins, cash flows, results of operations and financial position. Similarly, we continue to anticipate incurring substantial operating expenses to support and maintain our operations. If we are unable to attain our objectives for managing or reducing these costs, our operating margins will be adversely impacted.

In addition, we expect that we will incur significant capital expenditures with respect to success- based installation costs related to connecting enterprise customers to our network (meaning that the cost to connect is only incurred when a new premise signs up for service) and success-based installation costs related to other commercial opportunities. This would result in our cash flow being materially adversely affected, and could materially adversely affect our business, financial condition, results of operations and liquidity. We plan to fund our operations and capital expenditures using cash on hand, internally generated cash flow and, if necessary, borrowings under the revolving credit facility. To the extent that our sources of liquidity are not adequate to fund our operations or our planned capital expenditures as a result of increased costs or otherwise, then we may need to raise additional debt or equity

capital. If this were to occur, there is no assurance that we will be able to raise any debt or equity capital on favorable terms or at all. This also could materially adversely affect our business, financial condition, results of operations and liquidity.

***We are heavily dependent on our ability to renew our contracts with our customers and we could lose substantial revenue if we are unable to renew certain of these contracts.***

Generally, our contracts are for initial terms of 36 to 60 months, with renewals at the customer's option. If not renewed, such arrangements typically become month-to-month contracts that are terminable by either party at any time and for any reason. At any given time, we have multiple substantial customer contracts that have years to run and others that may be nearing expiration or renewal, which we may lose if we cannot compete effectively to retain their business. As of December 31, 2020, approximately 57% of our current monthly recurring revenue is subject to such contracts and the remaining 43% is subject to month-to-month arrangements. There can be no assurance that current contracts will be extended or that we will be awarded contract extensions or new contracts as a result of competitive bidding processes or otherwise. The termination, expiration or failure to renew some or all of our high-value customer contracts could cause us to lose substantial revenue, which would materially adversely affect our business, financial condition, results of operations and liquidity. We may not be able to accurately predict future trends in customer renewals, and our customers' renewal rates may decline or fluctuate because of several factors, including their dissatisfaction with our services, the cost of our services compared to the cost of services offered by our competitors and reductions in our customers' spending levels.

***Our major contracts subject us to various risks.***

We furnish to and receive from our business customers indemnities relating to damages caused or sustained by us in connection with certain of our operations. Our customers' changing views on risk allocation could cause us to accept greater risk to win new business or could result in us losing business if we are not prepared to take such risks. To the extent that we accept such additional risk, and seek to insure against it, our insurance premiums could rise.

We have several complex high-value customer contracts. The revenue and profitability of these contracts could be impacted by a variety of factors, including pricing upon renewal, variations in cost, meeting service level commitments, service outages, changes in our customers' needs, and our suppliers' performance. Any of these factors could reduce or eliminate the profitability of these contracts. Moreover, we would be adversely impacted if we were unable to renew some or all of our high-value customer contracts upon their expiration.

***Our business, financial condition and results of operations may be adversely affected by the ongoing COVID-19 pandemic.***

The COVID-19 pandemic, and measures to prevent its spread, may have a material adverse impact on our business, financial condition and results of operations. The severity and timing of the impact will depend on a number of factors, including the level and rapidity of infection, duration of containment measures, changes in business spending patterns, measures imposed or taken by governmental authorities in response to the pandemic, macroeconomic conditions in our markets and negative effects on the financial condition of our customers.

Under difficult economic conditions, including prolonged unemployment and employment furloughs, demand for our products and services could decline and some customers may be unable or unwilling to pay for our products and services. Additionally, we may delay certain capital investments, products or services, which may adversely affect our business in the future. If these events occur and were to continue, our revenue may be reduced materially which could result in reduced operating margins and a reduction in cash flows.

Governmental and non-governmental initiatives to reduce the transmission of COVID-19, such as the imposition of restrictions on work and public gatherings and the promotion of social distancing, along with new government service, collection, pricing or rebate mandates, could impact our operations and financial results. Our suppliers and vendors also may be affected by such measures in their ability to provide products and services to us and these measures could also make it more difficult for us to serve our customers.

In addition, the impact that the COVID-19 pandemic may have on our business, financial condition and results of operations could exacerbate the other risks identified herein.



In light of the uncertain and evolving situation relating to the spread of COVID-19, we have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, customers and business partners, which could have a material adverse impact on our operating results and financial condition. To this end, we have, among other things, established safety protocols for the safety of our on-site technicians and customers, adopted an employee work-from-home policy where employees who can work from home do so, substantially restricted non-essential business travel and provided credits or payment plans to certain customers who have been negatively impacted by the COVID-19 pandemic. These measures could make it more difficult to (i) timely and efficiently furnish products and services to our customers, (ii) devote sufficient resources to our ongoing network and product development projects, (iii) efficiently monitor and maintain our network, (iv) maintain effective internal controls, (v) mitigate information technology or cybersecurity related risks and (vi) otherwise operate and administer our affairs. As such, these measures ultimately could have a material adverse impact on our operating results and financial condition. The extent to which COVID-19 may impact our workforce, business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted with a reasonable level of certainty at this time.

***We may make tax distributions to our ultimate equityholders in amounts in excess of the tax expense that we would incur if we were a similarly situated corporate taxpayer.***

We may make distributions in respect of taxes to our ultimate equityholders based on an assumed tax rate equal to the highest combined marginal federal, state and local income tax rate applicable to a U.S. individual resident in New York, New York, which may be higher than the blended tax rate applicable to us if we were a similarly-situated standalone corporate taxpayer. Thus, we may make tax distributions to our ultimate equityholders that potentially substantially exceed, in the aggregate and on a net basis, the tax liabilities that such equityholders have incurred in respect of their indirect ownership of us. After taking into account such tax distributions, we may have less capital available to reinvest in our business and to fund future growth than we would have had if we were a similarly-situated corporate taxpayer, and had not made corresponding distributions to our equityholders.

***We expect to periodically require financing, and we cannot assure you that we will be able to obtain such financing on terms that are acceptable to us, or at all.***

We have a significant amount of indebtedness that we may seek to refinance in the future, principally through the issuance of additional debt securities or amendments to the credit agreements governing the Senior Secured Credit Facilities. We may also need to obtain additional financing under a variety of other circumstances, including if:

- we engage in acquisitions or undertake substantial capital projects or other initiatives that increase our cash requirements;
- we become subject to significant judgments or settlements; or
- we otherwise require additional cash to fund our cash requirements described elsewhere herein.

Our ability to arrange additional financing will depend on, among other factors, our financial position, performance and credit ratings, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by (i) general market conditions, such as disruptions in domestic or overseas sovereign or corporate debt markets, geopolitical instabilities, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad, including those that have occurred and may continue to occur as a result of the ongoing COVID-19 pandemic, and (ii) specific conditions in the telecommunications industry. Instability in the domestic or global financial markets has from time to time resulted in periodic volatility and disruptions in the capital markets, and in recent months there has been significant volatility in the capital markets as a result of the ongoing COVID-19 pandemic. In addition, ongoing uncertainty regarding worldwide trade, the strength of various global and supranational governing bodies and other geopolitical events, including the upcoming U.S. presidential election, have affected and could continue to significantly affect global financial markets in 2020. Volatility in the global markets could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are as favorable as those from which we previously benefited, on terms that are acceptable to us or at all. In addition, our ability to borrow funds in the future will depend in part on the satisfaction of the covenants in our Senior Secured Credit Facilities and other debt instruments, including the Indentures.

Our access to funds under the revolving credit facility is further dependent upon the ability of the facility's lenders to meet their funding commitments. Stricter capital-related and other regulations could hamper the ability of these lenders to continue to fund their commitments.

For all the reasons mentioned above, we can give no assurance that additional financing for any of these purposes will be available on terms that are acceptable to us, or at all.

If we are unable to make required debt payments or refinance our debt, we would likely have to consider other options, such as selling assets, issuing additional securities, reducing or terminating our distributions, cutting or delaying costs or otherwise reducing our cash requirements, or negotiating with our lenders to restructure our applicable debt. Our current and future debt instruments may restrict, or market or business conditions may limit, our ability to complete some of these actions on favorable terms, or at all. For these and other reasons, we cannot assure you that we could implement these steps in a sufficient or timely manner, or at all. Moreover, any steps taken to strengthen our liquidity, such as cutting costs, could adversely impact our business or operations.

***Parent's current distribution practices could limit our ability to deploy cash for other beneficial purposes.***

The LLC Agreement requires that Parent distribute to its members 100% of any cash included on Parent's year-end balance sheet in excess of \$50 million, subject to certain conditions and exceptions, including that no distributions are required to be made unless and until Parent has made, starting from January 1, 2021, \$240 million in capital expenditures, which may take us longer to make than we expect, if we are able to do so at all. As a result, we may not be able to retain a sufficient amount of cash to apply to other transactions that could be beneficial to our debtholders, including debt payments or capital expenditures that strengthen our business. In addition, our ability to pursue any material expansion of our business through acquisitions or increased capital spending may depend more than it otherwise would on our ability to obtain third party financing.

***If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies or forward-looking statements, our consolidated financial statements and related disclosures could be materially affected.***

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes, including the judgments, assumptions and estimates applied pursuant to our critical accounting policies, which are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" elsewhere in this Annual Report. If future events or assumptions differ significantly from the judgments, assumptions and estimates applied in connection with preparing our historical financial statements, our future financial statements could be materially impacted.

***If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings and reduce our member's equity.***

As of December 31, 2020, approximately 44% of our total consolidated assets consisted of goodwill, indefinite-lived franchise costs, customer relationships and trade names. Under U.S. GAAP, most of these intangible assets must be tested for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. If our intangible assets are determined to be impaired in the future, we may be required to record additional significant, non-cash charges to earnings during the period in which the impairment is determined to have occurred. Any such charges could, in turn, have a material adverse effect on our results of operation.

***We are growing and may not efficiently manage our growth.***

We have grown our company through expansion of our network and the acquisition of new customers through our sales efforts. We intend to continue to grow our company, including, potentially, through acquisitions. While we will seek to add new customers, changing providers of bandwidth infrastructure can involve substantial expense and technical difficulty, which we expect will make it harder for us to acquire new customers through our sales efforts. Our expansion may place strains on our management and our operational and financial infrastructure. Our ability to manage our growth will be particularly dependent upon our ability to:

- expand, develop, and retain qualified personnel;

- maintain the quality of our offerings;
- attract customers to switch from their current providers to us in spite of the costs associated with switching providers; and
- expand our operational information systems in order to support our growth.

**Our operations, financial performance and liquidity are materially reliant on various third parties.**

*Reliance on other communications providers.* To offer certain services in certain of our markets or beyond our markets, we must either purchase services or lease network capacity from, or interconnect our network with the infrastructure of, other communications carriers or cloud companies who typically compete against us in those markets. In particular, our services are provided, in significant part, on network fiber facilities leased from Altice Service Provider through an IRU granted pursuant to the IRU Agreement with Altice Service Provider. Our reliance on these service, interconnection, IRU and similar arrangements exposes us to multiple risks. Typically, these arrangements limit our control over the quality of our services and expose us to the risk that our ability to market our services could be adversely impacted by changes in the plans or properties of the carriers upon which we rely. In addition, we are exposed to the risk that the other carriers may be unwilling or unable to continue or renew these arrangements in the future on terms favorable to us, or at all. This risk is heightened when the other carrier is a competitor who may benefit from terminating the agreement or imposing price increases, or a carrier who suffers financial distress or bankruptcy. If we lose these arrangements and cannot timely replace them, our ability to provide services to our customers and conduct our business could be materially adversely affected. Moreover, many of our arrangements with other carriers are regulated by domestic agencies, which subject us to the additional risk that changes in regulation could increase our costs or otherwise adversely affect our ability to provide services. Finally, even when another carrier agrees or is obligated to provide services to us to permit us to obtain new customers, it is frequently expensive, difficult and time-consuming to switch the new customers to our network, especially if the other carrier fails to provide timely and efficient cooperation.

Conversely, certain of our operations carry a significant amount of voice or data traffic for other communications providers. Their reliance on our services exposes us to the risk that they may transfer all or a portion of this traffic from our network to existing or newly-built networks owned or leased by them, thereby reducing our revenue.

Our operations and financial performance could be adversely affected if any of these other communications companies are unable or unwilling to continue to engage with us for any reason, including financial distress, bankruptcy, strikes, regulatory impediments, legal disputes or commercial differences, any of which may be more likely to occur as a result of the ongoing COVID-19 pandemic.

*Reliance on other key suppliers and vendors.* We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure, including fiber optic cable, software, optronics, transmission electronics, digital switches and related components. We also rely on a limited number of software vendors or other parties to assist us with operating, maintaining and administering our business. If any of these suppliers experience interruptions or other problems delivering their products and services on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers and may be adversely affected if third parties assert patent infringement claims against our suppliers or us. Similarly, in certain instances we have access to only a limited number of alternative suppliers or vendors. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies, services, utilities or programming on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

*Reliance on utility providers and landlords.* Our energy costs can fluctuate significantly or increase for a variety of reasons, including changes in legislation and regulation. Several pending proposals designed to reduce greenhouse emissions could substantially increase our energy costs, which we may not be able to pass on to our customers. We lease office, network or colocation facilities, which subjects us to risk of higher future rent payments or non-renewals when our current lease expires.

*Reliance on governmental payments.* We provide products or services to various federal, state and local entities. Our failure to comply with complex governmental regulations and laws applicable to these programs, or the terms of our

governmental contracts, could result in us being suspended or disbarred from future governmental programs or contracts for a significant period of time. Moreover, certain governmental agencies frequently reserve the right to terminate their contracts for convenience or if funding is unavailable. If our governmental contracts are terminated for any reason, or if we are suspended or debarred from governmental programs or contracts, our results of operations and financial condition could be materially adversely affected.

***Portions of our property, plant and equipment are located on property owned by third parties.***

We rely on rights-of-way, easements, colocation agreements, franchises and other authorizations granted by governmental bodies, railway companies, utilities, carriers and other third parties to locate our fiber, conduit and other network equipment on or under their respective properties. Some of these authorizations may be short-term or revocable at will, and we cannot be certain that we will continue to have access after the governing agreements terminate or expire. A significant number of these authorizations are also scheduled to lapse over the next five to fifteen years, unless we are able to extend or renew them. Additionally, there can be no assurance that we will be able to comply with all provisions of authorizations and a failure to materially comply may lead to termination. Our operations could be adversely affected if any of these authorizations terminate or lapse, or if a landowner requests price increases. Moreover, our ability to expand our network could depend in part on obtaining additional authorizations, the receipt of which is not assured. Further, customer installations frequently require landlord consent to place our equipment in a common space within the location. Although we are generally able to obtain consents without any incremental fees, failure to obtain consents would negatively impact our ability to install new customers or result in incremental costs.

The Company holds a franchise from New York City to provide service citywide that permits the Company to deliver its telecommunications, data and Internet services. The New York City franchise term ended on December 20, 2008 and is operating pursuant to a letter extension from NYC Department of Information Technology and Telecommunications. While we believe that NYC's letter extends the franchise until a formal determination on renewal is made, there can be no assurance that we will be successful in renewing this franchise on anticipated terms or at all.

In many localities, we rely on our affiliate Altice USA, and its operating subsidiaries, who hold cable franchise agreements that allow rights-of-way use for cable and non-cable services. In many cases, Altice USA's franchises are terminable if it fails to comply with material provisions set forth in the franchise agreements. To the extent that Altice USA fails to maintain the franchises that the Company relies on to install, maintain and operate its facilities, the Company's revenue and operations would be at significant risk, including potentially prohibiting the Company from continuing services in those areas without franchise rights. Franchises are generally granted for fixed terms and must be periodically renewed. Franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate according to criteria established by Federal and state law. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, local franchises have not been renewed at expiration, and Altice USA and its operating subsidiaries have maintained access to rights-of-way under either Temporary Operating Authority or without a franchise while negotiating renewal terms with the local franchising authorities.

As of December 31, 2019, one of Altice USA's largest franchises, the Town of Hempstead, New York, was expired, and its franchise in New York City, pursuant to which the Company maintains some facilities in the Bronx and Brooklyn, expired July 18, 2020. These franchises, unless renewed, are expected to operate under Temporary Operating Authority pursuant to rules of the New York Public Service Commission. Additionally, although Lightpath has relied on Altice USA's franchise agreements for rights-of-way access without incident for many years, it is possible that some franchisors will use the change in Lightpath's ownership structure as a basis to demand additional compensation or to challenge Lightpath's right to continue to use rights-of-way.

The Company expects, over time, to supplant the reliance on Altice USA cable franchises by obtaining its own franchises directly through the Company or its operating subsidiaries. However, there is no guarantee that the Company can successfully implement the strategy of replacing the Altice USA franchises in a manner that is both timely and economic. In the event that the Company is unable to rely on its parent Altice USA's cable franchises to install, maintain and operate its facilities, the failure of the Company to obtain direct franchises could subject the

Company to significant operating risks, additional costs, or inability to provide services to customers, which would result in additional potential liability to the Company.

Over the past few years, certain utilities, cooperatives and municipalities in certain of the states in which we operate have requested significant rate increases for attaching our plant to their facilities. To the extent that these entities are successful in increasing the amount we pay for these attachments, our future operating costs will increase.

***We may be subject to litigation that could have a substantial, adverse impact on our business.***

From time to time, we or our affiliates are subject to litigation, including claims related to patent infringement, employee matters, commercial transactions, and construction that affect our business. Irrespective of its merits, litigation may be both time-consuming and disruptive to our operations and could cause significant expenditure and diversion of management attention. While we do not view any of our current litigation to be material to our business, current or future litigation could have a material adverse effect on our financial position and operating results. For more information, see note 11 to our audited consolidated financial statements included in this Annual Report.

***Our business depends on intellectual property rights and on not infringing on the intellectual property rights of others.***

We rely on our patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. Our intellectual property rights may be challenged and invalidated by third parties and may not be strong enough to provide meaningful commercial competitive advantage.

Third parties have in the past, and may in the future, assert claims or initiate litigation related to exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the rapid rate of issuance of new patents, it is not possible to determine in advance whether a product, service or process or any of its components infringes or will infringe on the patent rights of others. Asserted claims or initiated litigation can include claims against us or our manufacturers, suppliers or customers, alleging infringement of their proprietary rights with respect to our existing or future products, services or processes, or components of those products, services or processes.

Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to modify our business, develop a non-infringing technology, be enjoined from use of certain intellectual property, use alternate technology or enter into license and royalty agreements. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high damage awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third-party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to modify our business, develop non-infringing technology, use alternate technology or license the proprietary rights on commercially reasonable terms and conditions, our business, financial condition and results of operations could be materially adversely affected.

***We may be liable for the material that content providers distribute over our networks.***

The law in most cases limits the liability of private network operators for information carried on, stored on or disseminated through their networks. However, these limitations on liability are subject to certain exceptions and the contours of those exceptions are not fully settled. Among other things, the limitation of copyright liability for network operators with respect to materials transmitted over their networks is conditioned upon the network operators' terminating the accounts of repeat infringers in certain circumstances, and the law is unsettled as to the circumstances in which such termination is required to maintain the operator's limitation of liability. As such, we could be exposed to legal claims relating to content disseminated on our networks or asserting that we are not eligible for statutory limitations on liability for network operators with respect to such content. Claims could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure

to these risks or are required to defend ourselves against such claims, our business, reputation, financial condition and results of operations could be materially adversely affected.

***If we fail to hire and retain an experienced and effective management team and qualified personnel, our business, financial condition and results of operations could be adversely affected.***

We are actively recruiting a chief financial officer and potential candidates for additional c-suite leadership positions. We may not be able to identify, hire or retain suitable candidates to complete our management team, and if we are unable to hire an experienced and effective management team, our business, financial condition and results of operations could be adversely affected.

In addition, our future success depends on our ability to identify, hire, train and retain executives, managers and employees with technological, engineering, software, product development, operational, provisioning, marketing, sales, customer service, administrative, managerial and other key skills. There is a shortage of qualified personnel in several of these fields, particularly in certain functions, such as IP network engineers, voice engineering, (especially those with legacy TDM (5ESS) knowledge), network security, IT/application development and experienced product development personnel. We compete with several other companies for this limited pool of potential employees. As our industry increasingly becomes more competitive, it could become especially difficult to attract and retain top personnel with skills in high demand. In addition, our executives and employees do not have long-term employment agreements. For all these reasons, there is no assurance that our efforts to recruit and retain qualified personnel will be successful.

***We rely on Altice Service Provider's network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations.***

Pursuant to the terms of the Services Agreement, Altice Service Provider provides us with various network and information systems that are essential to our ability to conduct our business and deliver our services to our customers. While we have in place multiple security systems designed to protect against intentional or unintentional disruption, failure, misappropriation or corruption of our network and information systems, there can be no assurance that our efforts to protect our network and information systems will prevent any of the problems identified above. A problem of this type might be caused by events such as computer hacking, computer viruses, worms and other destructive or disruptive software, "cyber-attacks," phishing attacks and other malicious activity, defects in the hardware and software comprising our network and information systems, as well as natural disasters, power outages, terrorist attacks and similar events. Such events could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers, theft and damage to our plant, equipment and data, costs associated with remediation, notification, and potential damages to third parties affected by such malicious activities. Operational or business delays may result from the disruption of network or information systems and the subsequent remediation activities. Moreover, these events, even if occurring on the systems maintained by Altice Service Provider, may create negative publicity resulting in reputation or brand damage with customers and our results of operations could suffer.

Altice Service Provider also uses certain vendors to supply some of the hardware, software and support for our network, some of which have been customized or altered to fit our business needs. Certain of these vendors and suppliers may have leverage over Altice Service Provider considering that there are limited suppliers of certain products and services, or that there is a long lead time or significant expense required to transition to another provider. In addition, some of these vendors and suppliers do not have a long operating history or may not be able to continue to supply the equipment and services we or Altice Service Provider desires. Some of our hardware, software and operational support vendors and some these service providers represent our or Altice Service Provider's sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. In addition, because of the pace at which technological innovations occur in our industry, we or Altice Service Provider may not be able to obtain access to the latest technology on reasonable terms. Any delays or the termination or disruption in these relationships as a result of contractual disagreements, operational or financial failures on the part of vendors and suppliers, or other adverse events that prevent such vendors and suppliers from providing the equipment or services we or Altice Service Provider need, with the level of quality we require, in a timely manner and at reasonable prices, could result in significant costs to Altice Service Provider, which would be passed on to us pursuant to the terms of the Services Agreement, and have a negative effect on our ability to provide

services and roll out advanced services. Altice Service Provider's ability to replace such vendors and suppliers may be limited and, as a result, our business, financial condition, results of operations and liquidity could be materially adversely affected.

***If we experience a significant data security breach or fail to detect and appropriately respond to a significant data security breach, our results of operations and reputation could suffer.***

The nature of our business involves the receipt and storage of information about our customers and employees. Altice Service Provider, which provides us with data security services pursuant to the terms of the Services Agreement, has procedures in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we or Altice Service Provider may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications that Altice Service Provider develops or procures from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our or systems or facilities and to our proprietary business information. If our efforts to protect the security of information about our customers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our financial condition and results of operations could suffer.

***Our future growth potential depends in part on the continued development and expansion of data demand and the Internet and other business trends.***

Our future growth potential depends in part upon the continued development and expansion of data demand and the Internet as a communication medium and marketplace for the distribution of data, video, voice and other products by businesses and governments. Business consumption of data and use of the Internet may not grow and expand at the rate anticipated by us or others, or may be restricted by factors outside of our control, including (i) actions by other carriers or governmental authorities that restrict us from delivering traffic over other parties' networks, (ii) changes in regulations, (iii) technological stagnation, (iv) increased concerns regarding cyber threats or (v) changes in data usage.

***We are required to maintain, repair, upgrade, and replace our network and our facilities, the cost of which could materially impact our results and our failure to do so could irreparably harm our business.***

Our business requires that we maintain, repair, upgrade, and periodically replace our facilities, IT systems and portions of our network. This requires management time and capital expenditures. In the event that we fail to maintain, repair, upgrade, or replace essential portions of our network, IT systems or facilities, it could lead to a material degradation in the level of access and service that we provide to our customers. We have legacy equipment and software in our network that is beyond its useful life and is no longer supported by original equipment vendors. While we believe such equipment and software is generally functioning acceptably currently, potential acceleration of failure rates or incompatibility with newer technology could have negative impacts on network performance or require costly upgrades.

Portions of our network can be damaged in a number of ways, including by other parties engaged in construction close to our network facilities. In the event of such damage, we will be required to incur expenses to repair the network. We could be subject to significant network repair and replacement expenses in the event a terrorist attack, cyber-attack or a natural disaster damages our network.

Further, the operation of our network requires the coordination and integration of sophisticated and highly specialized hardware and software. Our failure to maintain or properly operate this can lead to degradations to or interruptions of customer access and services. Our failure to provide proper or satisfactory access or services could result in claims from our customers, early termination of contracts, and damage to our reputation.

***Rapid technological changes could significantly impact our competitive and financial position.***

The telecommunications industry has been and continues to be impacted by significant technological changes, which in general are enabling companies to compete with us that may not have done so in the past. Many of these technological changes are (i) enabling customers to reduce or bypass use of our networks, (ii) displacing or reducing

demand for our services or (iii) enabling the development of competitive products or services. Continuous improvements in wireless data technologies have and will continue to enable wireless carriers to deliver greater amounts of data faster and with less latency, which may allow such companies to become more competitive with enterprise fiber service providers, such as us, over time.

We may not be able to accurately predict or respond to changes in technology or industry standards, or to the introduction of newly offered services. Any of these developments could make some or all of our offerings less desirable or even obsolete, which would place downward pressure on our market share and revenue. These developments could also require us to (i) expend capital or other resources in excess of currently contemplated levels, (ii) forego the development or provision of products or services that others can provide more efficiently or (iii) make other changes to our operating plans, corporate strategies or capital allocation plans, any of which could be contrary to the expectations of our security holders or could adversely impact our business operating results.

Even if we succeed in adapting to changes in technology or industry standards by developing new products or services, there is no assurance that the new products or services would have a positive impact on our profit margins or financial performance.

In addition to introducing new technologies and offerings, we may need, from time to time, to phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits. Similarly, if new market entrants are not burdened by an installed base of outdated equipment or obsolete technology, they may have a competitive advantage over us.

For additional information on the risks of increased expenditures, see "Our operations require substantial capital expenditures and the costs of such capital expenditures could be higher than currently anticipated by our management and, as a result, our business, financial condition, results of operations and liquidity may be impacted if funds for capital expenditures are not available when needed."

***Our failure to meet the evolving needs of our customers could adversely impact our competitive position.***

In order to compete effectively and respond to changing market conditions, we must continuously offer products and services on terms and conditions that allow us to retain and attract customers and to meet their evolving needs. To do so, we must continuously (i) invest in our network, (ii) develop, test and introduce new products and services and (iii) rationalize and simplify our offerings by eliminating older or overlapping products or services. Our ability to maintain attractive products and services and to successfully introduce new product or service offerings on a timely and cost-effective basis could be constrained by a range of factors, including network limitations, support system limitations, limited capital, an inability to attract key personnel with the necessary skills, intellectual property constraints, inadequate digitization or automation, technological limits or an inability to act as quickly or efficiently as other competitors. Network service enhancements and product launches could take longer or cost more than expected due to a range of factors, including software issues, supplier delays, testing delays, permitting delays or network incompatibility issues. In addition, new product or service offerings may not be widely accepted by our customers. Further, even if we are successful in expanding or adapting our network infrastructure and introducing new products and services, our customers may switch to other service providers on account of their technological advances, competitive pricing or for any other reason. Our business could be materially adversely affected if we are unable to maintain competitive products and services and to timely and successfully develop and introduce new products or services.

***Increases in broadband usage may cause network capacity limitations, potentially resulting in service disruptions.***

As businesses use increased data intensive applications and move services to the cloud, our customers will likely use much more bandwidth than in the past. If this occurs, we could be required to make significant budgeted or unbudgeted capital expenditures to increase core network capacity in order to avoid service disruptions, service degradation or slower transmission speeds for our customers. Any failure by us to provide the increased network capacity that our customers require in order to meet their business needs could adversely affect our reputation, which could cause us to lose customers, and materially adversely affect our operating margins, results of operations, financial condition and cash flows.



***Our failure to meet performance or service standards under our agreements could result in customers terminating their relationships with us, or customers being entitled to receive financial compensation, leading to reduced revenue or increased costs.***

Our agreements with certain of our customers contain various requirements regarding performance and levels of service. If we fail to provide the levels of performance or service required by our agreements, such customers may be able to receive financial compensation or terminate their relationship with us. The failure to address these or other events may result in a disruption of service. In addition, any inability to meet service level commitments or other performance standards could reduce the confidence of customers. Decreased customer confidence could impair our ability to attract and retain customers, which could materially adversely affect our ability to generate revenue and profit.

***The geographic concentration of our operations in New York, New Jersey and Connecticut makes our business susceptible to local economic and regulatory conditions, business trends, and natural and man-made disasters in those states.***

We provide our products and services to areas in New York, New Jersey and Connecticut. A stagnant or depressed economy in the United States, and in particular, in the northeast of the United States, could affect negatively all of our markets. If customer trends become adverse, or if state regulators or legislators in those states take an action that is adverse to our operations, we would not be able to offset the losses by gains from operations in other markets due to our lack of geographic diversity.

Our success depends on the efficient and uninterrupted operation of our communications services. Our network is attached to poles and other structures in many of our service areas, and our ability to provide service depends on the availability of electric power. A tornado, flood, mudslide, earthquake or other natural catastrophe or an act of sabotage or terrorism could damage our network, interrupt our service and harm our business in the affected area. In addition, since all of our markets are geographically close together, a single adverse event could damage our network in more than one market.

***We have agreements with customers that are dependent on government funding, which may not be available.***

We have contracts with customers that include appropriations clauses that permit the customer to terminate the contract if expected government funding is unavailable. There can be no assurance that such government funding will be available for these contracts and that they will not be terminated.

In recent years, the portion of our revenue relating to government-funded programs such as the E-rate program, a program mandated by Congress in 1996 and implemented by the FCC in 1997 in order to make telecommunications and information access and services more affordable for schools and libraries in America, has increased. There can be no assurance that the E-rate program and other such programs will continue or will continue to be funded at current levels in the future.

***Our business is sensitive to the creditworthiness of our wholesale customers.***

We have substantial business relationships with other communications carriers for which we provide services. While bankruptcies or insolvencies of these carriers have not had a material adverse effect on our business in the past, future bankruptcies or insolvencies in the telecommunications industry could result in the loss of significant customers and an increased allowance for doubtful accounts receivable. Such bankruptcies and insolvencies may be more likely in the immediate or long-term future if economic conditions continue to stagnate, including as a result of the ongoing COVID-19 pandemic. As a result, our revenue and results of operations could be materially adversely affected.

***We may seek to engage in strategic transactions that could significantly impact our business.***

We continuously evaluate and may in the future enter into additional strategic transactions. Any such transaction could happen at any time, be material to our business and take any number of forms, including, for example, an acquisition, merger, sale of certain of our assets, refinancing, or other recapitalization or other material strategic transaction. Evaluating potential transactions and integrating completed ones may divert the attention of our management from ordinary operating matters.

The success of potential acquisitions or mergers will depend, in part, on our ability to realize the anticipated growth opportunities and cost synergies through the successful integration of the businesses we acquire with our existing business. Even if we are successful in integrating acquired businesses, these integrations may not result in the realization of the full benefit of any anticipated growth opportunities or cost synergies or that these benefits will be realized within the expected time frames or at all. In addition, acquired businesses may have unanticipated liabilities or contingencies.

We may, from time to time, consider disposing of assets. We may not be able to dispose of any such assets on terms that are attractive to us, or at all, which could materially adversely impact our financial condition or results of operations. In addition, to the extent we consummate an agreement for the sale and disposition of an asset or asset group, we may experience operational difficulties segregating them from our retained assets and operations, which could impact the execution or timing for such dispositions and could result in disruptions to our operations or claims for damages, among other things.

If we complete an acquisition, merger, sale of certain assets, refinancing, recapitalization or material strategic transaction, we may require additional financing that could result in an increase in the aggregate amount or cost of our debt. The aggregate principal amount of our debt that we may issue may be significant. Moreover, the terms of any debt financing may be expensive.

***We may not be able to compete successfully against current or future competitors.***

Each of our offerings to our customers faces increasingly intense competition from a wide variety of sources under evolving market conditions. Aggressive competition from a wide range of communications and technology companies has limited the prospects for several of our offerings to our customers. We expect these trends to continue. Over the past several years, a range of competitive and technological factors, including robust network construction and intense competition, have lowered market prices for many of our products and services. If these market conditions persist, we may need to continue to reduce prices to retain customers and revenue.

In addition to competition from a wide range of technology companies and communications providers (including those described above), we are facing increasing competition from several other sources, including cloud companies, broadband providers, software developers, device providers, resellers, sales agents and facilities-based providers using their own networks as well as those leasing parts of our network. Further competition could arise through industry consolidation, technological innovation, or changes in regulation, including changes allowing foreign carriers to more extensively compete in the U.S. market.

The telecommunications industry continues to undergo significant consolidation. There are many reasons for consolidation in our industry, including the desire for telecommunications companies to acquire network assets in regions where they currently have no or insufficient amounts of owned network infrastructure. The consolidation within the industry may cause customers to disconnect from us and move to their own networks, or consolidate buying with other bandwidth infrastructure providers. Additionally, consolidation in the industry could further strengthen our competitors, give them greater financial resources and geographic reach, and allow them to put additional pressure on prices for bandwidth infrastructure.

Some of our current and potential competitors (i) offer a more comprehensive range of communications products and services, (ii) offer products or services with features that we cannot readily match in some or all of our markets, (iii) install their services more quickly than we do, (iv) have greater marketing, engineering, research, development, technical, provisioning, customer relations, financial or other resources, (v) have larger or more diverse networks with greater transmission capacity, (vi) conduct operations or raise capital at a lower cost than us, (vii) are subject to less regulation, which we believe enables such competitors to operate more flexibly than us with respect to certain offerings, (viii) offer services nationally or internationally to a larger geographic area or larger base of customers, (ix) have substantially stronger brand names, which may provide them with greater pricing power than ours, (x) have deeper or more longstanding relationships with key customers or (xi) have larger operations than ours, which may enable them to compete more successfully in recruiting top talent, entering into operational or strategic partnerships or acquiring companies. Consequently, these competitors may be better equipped to provide more attractive offerings, to charge lower prices for their products and services, to develop and expand their communications and network infrastructure more quickly, to adapt more swiftly to changes in technologies or customer requirements, to devote greater resources to the marketing and sale of their products and services, to provide more comprehensive customer

service, to provide greater resources to research and development initiatives and to take advantage of business or other opportunities more readily.

Competition could adversely impact us in several ways, including (i) the loss of customers, market share or traffic on our networks, (ii) our need to expend substantial time or money on new capital improvement projects, (iii) our need to lower prices or increase marketing expenses to remain competitive and (iv) our inability to diversify by successfully offering new products or services.

We are continually taking steps to respond to these competitive pressures, but these efforts may not be successful. Our operating results and financial condition would be adversely affected if these initiatives are unsuccessful or insufficient.

***Negative publicity surrounding us or Altice USA may adversely affect current and future customers' perception of us.***

We believe our industry is by its nature more prone to reputational risks than many other industries. This has been compounded in recent years by the free flow of unverified information on the Internet and, in particular, on social media. Our ability to attract and retain customers depends substantially upon external perceptions of our products, services management integrity and financial performance. Customer complaints, governmental investigations, outages or other service failures of networks operated by us could cause substantial adverse publicity affecting us. Similar events impacting other operators could indirectly harm us by causing substantial adverse publicity affecting our industry in general. In either case, press coverage, social media messaging or other public statements that insinuate improper actions by us or other operators, regardless of their factual accuracy or truthfulness, may result in negative publicity, litigation, governmental investigations or additional regulations. Addressing negative publicity and any resulting litigation or investigations may distract management, increase costs and divert resources. Negative publicity may have an adverse impact on our reputation and the morale of our employees. We could suffer similar adverse effects if financial analysts or other financial professionals issue public statements that cast us or our industry in a negative light. Any of these developments could adversely affect our business, results of operations, financial condition, cash flows and prospects.

In addition, our ability to attract and retain customers depends, in part, upon the external perceptions of Altice USA's reputation, the quality of its products and its corporate and management integrity. Impairment, including any loss of goodwill or reputational advantages, of Altice USA's reputation in markets in which we do not operate could adversely affect current and future customers' perception of us.

***Unfavorable general economic and industry conditions could negatively impact our operating results and financial condition.***

Unfavorable general economic and industry conditions, including unstable economic and credit markets or depressed economic activity caused by trade wars, epidemics, pandemics (including the ongoing COVID-19 pandemic) or other factors, could negatively affect our business. While it is difficult to predict the ultimate impact of these general economic or industry conditions, they could adversely affect demand for some of our products and services and could cause customers to shift to lower priced products and services, to delay or forego purchases of our products and services or cease operations entirely. These conditions impact, in particular, our ability to sell discretionary products or services to business customers that are under pressure to reduce costs or to governmental customers operating under budgetary constraints. Any one or more of these circumstances could continue to depress our revenue. Also, our customers may encounter financial hardships or may not be able to obtain adequate access to credit, including as a result of the ongoing COVID-19 pandemic, which could negatively impact their ability to make timely payments to us. In addition, as discussed elsewhere herein, unstable economic and credit markets may preclude us from refinancing maturing debt at terms that are acceptable to us or at all. For these reasons, among others, weak economic and industry conditions could adversely affect our operating results, financial condition, and liquidity.

***We face risks from natural disasters and extreme weather, which can disrupt our operations and cause us to incur substantial additional capital and operating costs.***

A substantial number of our facilities are located in areas subject to the risk of severe tropical storms, hurricanes, floods or other similar casualty events. These events could cause substantial damage, including flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment and business interruptions. For

example, in August 2020, Tropical Storm Isaias struck the New York metropolitan area with high winds and rain and caused widespread and extended loss of commercial power, fallen trees, damage to poles, lines, network facilities and other infrastructure. These incidents damaged our plant, required emergency repairs and caused loss of service for some of our customers. Significant and persistent service outages could damage our reputation, customer relationships or result in adverse regulatory actions.

Although we maintain access to property and casualty insurance on our facilities and operations through Altice USA, only a portion of our damages related to natural disasters have historically been recoverable. We cannot predict the continued availability of insurance for catastrophic hazard-related losses or, if obtainable and carried, whether this insurance will be adequate to cover such losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles, retentions and coverage exclusions, and the premiums may increase based on market conditions and our loss experience. Natural disasters and extreme weather events are increasingly common and are likely to continue to negatively impact services for our customers going forward. In addition, many climate experts have predicted an increase in extreme weather events in the future, which would increase our exposure to property and casualty risks. For all these reasons, any future hazard-related costs and business interruptions could adversely affect our operations and our financial condition.

***Terrorist attacks and other acts of violence or war may adversely affect the financial markets and our business.***

Terrorist attacks or armed conflicts may directly affect our physical facilities or those of our customers. These events could cause business confidence and spending to decrease or result in increased volatility in the U.S. and world financial markets and economy. Any of these occurrences could materially adversely affect our business.

***Our business is subject to extensive governmental oversight, legislation and regulation, which could adversely affect our business, increase our operational and administrative expenses and limit our revenues.***

Regulation of the voice and broadband industries imposes operational and administrative expenses and limits their revenues. The Company is therefore subject to, among other things:

- rules governing the manner in which we advertise, market or price our products and services in the marketplace, and how we position those products and services against competing products and services;
- rules and regulations relating to data protection and customer and employee privacy;
- rules limiting the ability to enter into exclusive agreements with MDUs and control inside wiring;
- other requirements covering a variety of operational areas such as equal employment opportunity, emergency alert systems, disability access, technical standards and customer service and consumer protection requirements;
- rules, regulations and regulatory policies relating to the provision of broadband service, including "net neutrality" requirements; and
- rules, regulations and regulatory policies relating to the provision of telephony services;

Many aspects of these regulations are currently the subject of judicial proceedings and administrative or legislative proposals. There are also efforts to amend or expand the federal, state and local regulation of our network, which may compound the regulatory risks we already face, and proposals that might make it easier for our employees to unionize. The Permanent Internet Tax Freedom Act prohibits many taxes on Internet access service, but certain states and localities are considering new taxes and fees on our provision of broadband and telecommunications that could increase operating expenses. Certain states are also considering adopting energy efficiency regulations governing the operation of equipment that we use, which could constrain innovation or increase our costs. Congress periodically considers whether to rewrite the entire Communications Act of 1934 (as amended, the "Communications Act") to account for changes in the communications marketplace or to adopt more focused changes. Congress has in the past considered, and continues to consider, additional regulations on ISPs to address specific consumer or customer issues. In response to recent data breaches and increasing concerns regarding the protection of consumers' personal information, Congress, states, and regulatory agencies are considering the adoption of new privacy and data security laws and regulations that could result in additional privacy, as well as network and information security, requirements for our business. These new laws, as well as existing legal and regulatory obligations, could require significant expenditures.

***We rely in part on franchise agreements for access to rights-of-way, which subjects us to risks of nonrenewal or termination.***

Operation of our business depends on the right to maintain our network in public rights-of-way. In some localities, we rely on Altice USA, and its operating subsidiaries, who hold franchise agreements that allow rights-of-way use for cable and non-cable services. In many cases, such franchises are terminable if the applicable entity fails to comply with material provisions set forth in the franchise agreement. To the extent that Altice USA, or its operating subsidiaries, as applicable, fails to maintain the franchises that the Company relies on to install, maintain and operate its facilities, the Company's revenue and operations would be at significant risk, including prohibiting the Company from continuing services in those areas. Franchises are generally granted for fixed terms and must be periodically renewed. Franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, local franchises have not been renewed at expiration, and Altice USA and its operating subsidiaries have maintained access to rights-of-way under either temporary operating agreements or without a franchise while negotiating renewal terms with the local franchising authorities. As of December 31, 2020, one of Altice USA's largest franchises, the Town of Hempstead, New York, and its franchise in New York City, pursuant to which the Company maintains some facilities in the Bronx and Brooklyn, were expired. These franchises, unless renewed, are expected to operate under Temporary Operating Authority pursuant to rules of the New York Public Service Commission.

In addition to other franchises held directly or indirectly, the Company holds a franchise from New York City to provide service citywide that permits us to deliver telecommunications, data and Internet services. The New York City franchise term ended on December 20, 2008 and is operating pursuant to a letter extension from NYC Department of Information Technology and Telecommunications. While we believe that NYC's letter extends the franchise until a formal determination on renewal is made, there can be no assurance that we will be successful in renewing this franchise on anticipated terms or at all. Nevertheless, as a general matter we expect to renew or continue to operate under all or substantially all of our franchises.

There can be no assurance that we will be able to comply with all significant provisions of our franchise agreements and certain of our franchisors have from time to time alleged that we, or Altice USA or its operating subsidiaries, in the case of franchises held by such entities, have not complied with these agreements. Although Lightpath has relied on Altice USA or its operating subsidiaries' franchise agreements for rights-of-way access without incident for many years, it is possible that some franchisors will use the change in Lightpath's ownership structure as a basis to demand additional compensation or to challenge Lightpath's right to continue to use rights-of-way.

The Company and its operating subsidiaries hold directly franchises authorizing access to public rights of way both within and outside of the service territory in which Altice USA offers cable service, and in the remainder of its service area relies on the franchises held by Altice USA and its operating subsidiaries. Consistent with applicable law, no franchise fees are currently applicable to the Company's revenues, although a change in law, regulation or judicial interpretation of law or regulation could subject the Company to franchise fees, either directly for its own franchises or indirectly for the facilities that it maintains pursuant to the franchises held by Altice USA.

The Company expects, over time, to supplant the reliance on Altice USA cable franchises by obtaining its own franchises directly through the Company or its operating subsidiaries. There is no guarantee that the Company can successfully implement the strategy of replacing the Altice USA franchises in a manner that is both timely and economic. In the event that the Company is unable to rely on its parent Altice USA's cable franchises to install, maintain and operate its facilities, the failure of the Company to obtain direct franchises could subject the Company to significant operating risks, additional costs, or inability to provide services to customers, which would result in additional potential liability to the Company.

***Local franchising authorities have the ability to impose additional regulatory constraints on our business, which could reduce our revenues or increase our expenses.***

In addition to the franchise agreement, local franchising authorities in some jurisdictions have adopted regulatory ordinances that further regulate the operation of cable systems, telecommunications or data and Internet services. This additional regulation increases the cost of operating our business.

There are no assurances that the local franchising authorities will not impose new and more restrictive requirements.

***We may be materially adversely affected by regulatory changes related to pole attachments.***

Pole attachments are the points at which wires that are attached to utility poles and allow us to install and maintain our facilities on the poles of third-party pole owners. Pole attachments to utility poles historically have been regulated at the federal or state level. Any changes in the current pole attachment approach could result in a substantial increase in our pole attachment costs.

***Increasing regulation of our Internet-based products and services could adversely affect our ability to provide new products and services.***

On February 26, 2015, the FCC adopted a new "net neutrality" or Open Internet order (the "2015 Order") that: (1) reclassified broadband Internet access service from an information service to a Title II common carrier service, (2) applied certain existing Title II provisions and associated regulations; (3) forbore from applying a range of other existing Title II provisions and associated regulations, but to varying degrees indicated that this forbearance may be only temporary and (4) issued new rules expanding disclosure requirements and prohibiting blocking, throttling, paid prioritization and unreasonable interference with the ability of end users and edge providers to reach each other. The 2015 Order also subjected broadband providers' Internet traffic exchange rates and practices to potential FCC oversight and created a mechanism for third parties to file complaints regarding these matters. The 2015 Order could have had a material adverse impact on our business by limiting our ability to efficiently manage our services and respond to operational and competitive challenges. In December 2017, the FCC adopted an order (the "2017 Order") that in large part reverses the 2015 Order and reestablishes the "information service" classification for broadband services. The 2017 Order was affirmed in part on appeal in October 2019 insofar as it classified broadband Internet access services as information services subject to lesser federal regulation. However, the 2017 Order was also vacated in part on appeal insofar as it preempted states from subjecting broadband Internet access services to any requirements more stringent than the federal requirements. As a result, the precise extent to which state rules may impose such requirements on broadband Internet access service providers is not fully settled. Additionally, Congress and some states are considering legislation that may codify "net neutrality" rules, which could include prohibitions on blocking, throttling and prioritizing Internet traffic. A number of states have adopted legislation or executive orders that apply "net neutrality" rules to ISPs either by direct regulation or through the procurement process.

***Offering telephone services may subject us to additional regulatory burdens, causing us to incur additional costs.***

We offer telephone services over our broadband network and continue to develop and deploy switched and interconnected VoIP services. The FCC has ruled that competitive telephone companies that support VoIP services, such as those that we offer to our customers, are entitled to interconnect with incumbent providers of traditional telecommunications services, which ensures that our VoIP services can operate in the market. However, the scope of these interconnection rights is being reviewed in a current FCC proceeding, which may affect our ability to compete in the provision of telephony services or result in additional costs. It remains unclear precisely to what extent federal and state regulators will subject VoIP services to traditional telephone service regulation. Expanding our offering of these services may require us to obtain certain authorizations, including federal and state licenses. We may not be able to obtain such authorizations in a timely manner, or conditions could be imposed upon such licenses or authorizations that may not be favorable to us. The FCC has already extended certain traditional telecommunications requirements, such as E911 capabilities, USF contribution, CALEA, measures to protect Customer Proprietary Network Information, customer privacy, disability access, number porting, battery back-up, network outage reporting, rural call completion reporting and other regulatory requirements to many VoIP providers such as us. If additional telecommunications regulations are applied to our VoIP service, it could cause us to incur additional costs and may otherwise materially adversely impact our operations. In 2011, the FCC released an order significantly changing the rules governing intercarrier compensation for the origination and termination of telephone traffic between interconnected carriers. These rules have resulted in a substantial decrease in interstate compensation payments over a multi-year period. The FCC is currently considering additional reforms that could further reduce interstate compensation payments. Further, although the FCC recently declined to impose additional regulatory burdens on certain point to point transport ("special access") services provided by CLECs, that FCC decision could be revisited in the future, bringing additional regulatory burdens and additional costs.

***We may be materially adversely affected by regulatory, legal and economic changes relating to our physical plant.***

Our systems depend on physical facilities, including transmission equipment and fiber optic cable. Significant portions of those physical facilities occupy public rights-of-way and are subject to local ordinances and governmental regulations. Other portions occupy private property under express or implied easements, and many miles of the cable are attached to utility poles governed by pole attachment agreements. No assurances can be given that we will be able to maintain and use our facilities in their current locations and at their current costs. Changes in governmental regulations or changes in these relationships could have a material adverse effect on our business and our results of operations.

***FCC rulemakings and state regulatory proceedings, including those relating to intercarrier compensation, universal service and broadband services, could have a material adverse effect on our operations.***

Our operations are subject to regulation by the FCC and other federal, state and local agencies. We are required to maintain licenses for our operations and conduct our operations in accordance with prescribed standards. We are often involved in regulatory and other governmental proceedings or inquiries related to the application of these requirements. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our operations, or the reviews by federal or state courts of regulatory rulings. Existing laws and regulations may inhibit our ability to expand our business and introduce new products and services. New laws or regulations or changes to the existing regulatory framework at the federal, state, or local level could restrict the ways in which we manage our networks and operate our business, impose additional costs, impair revenue opportunities, and potentially impede our ability to provide services in a manner that would be attractive to us and our customers. Changes in regulation can have a material impact on our business, revenue or financial performance. Changes over the past couple of decades in federal regulations have substantially impacted our operations including recent orders or laws overhauling intercarrier compensation, revamping universal service funding, and increasing our responsibilities to assist various governmental agencies and safeguard customer data.

Our Internet access offerings could become subject to additional laws and regulations as they are adopted or applied to the Internet. As the significance of the Internet expands, federal, state and local governments may pass laws and adopt rules and regulations, including those directed at privacy, or apply existing laws and regulations to the Internet (including Internet access services), and related matters are under consideration in both federal and state legislative and regulatory bodies. Although the FCC recently attempted pre-empt state jurisdiction over network neutrality and privacy, in 2019, the U.S. Court of Appeals for the District of Columbia upheld the FCC's information service reclassification, but vacated the FCC's blanket prohibition of state utility regulation of broadband services. The court left open the possibility that individual state laws could still be deemed preempted on a case by case basis if it is shown that they conflict with federal law. As a result, many states have considered or are moving forward with legislation on these or other Internet-related issues. Multiple states have taken executive or legislative action directed at reinstating aspects of the FCC's net neutrality regulations. We cannot predict whether the outcome of expected or pending challenges to the FCC's order or subsequent state actions will prove beneficial or detrimental to our competitive position.

***We are subject to the oversight of certain federal and state agencies that have in the past, and may in the future, investigate or pursue enforcement actions against us relating to consumer protection matters.***

The FCC and various state and local governmental agencies with jurisdiction over our operations have routinely in the past investigated our billing practices, surcharges and other business practices either in response to customer complaints or publicized customer service issues or disruptions, or on their own initiative, and are expected to continue to do the same in the future. Certain federal and state agencies, including state attorneys general, also monitor and exercise oversight related to consumer protection matters, including those affecting the telecommunications industry. Such inquiries or investigations could result in reputational harm, enforcement actions, litigation, fines, settlements or operational and financial conditions being placed on the company, any of which could materially adversely affect our business.

***Regulation may limit our ability to make required investments or adopt business models that are needed to continue to provide robust high-speed data service.***

The rising popularity of bandwidth-intensive Internet-based services increases the demand for, and usage of, our high-speed data services. We need flexibility to develop pricing and business models that will allow us to respond to changing business uses and demands and, if necessary, to invest more capital than currently expected to increase the bandwidth capacity of our systems. Our ability to do so could be restricted by legislative or regulatory efforts associated with "net neutrality" requirements. In addition, our business may become subject to greater regulation due to the ongoing COVID-19 pandemic or public pressure to make broadband Internet accessible to all.

***Compliance with, and changes to, environmental, safety and health laws and regulations could result in significant costs.***

We are subject to a variety of federal, state, and local environmental safety and health laws and regulations, including those governing such matters as the generation, storage, reporting, treating, handling, remediation, use, transportation and disposal of, and exposure to hazardous materials, the emission and discharge of hazardous materials into the atmosphere, the emission of electromagnetic radiation, the protection of wetlands, historic sites, and threatened and endangered species. Non-compliance with such laws and regulations can result in, among other consequences, imposition of civil or criminal penalties or fines, suspension or cessation of our operations. Such laws and regulations are becoming increasingly more stringent and we may incur significant costs to comply with, or liabilities under, such laws and regulations. It is possible that certain sites related to our business may have potential contamination risks from historical or surrounding activities. Under certain environmental laws and regulations, we may be liable for the costs of remediating contamination, regardless of fault, and these costs could be significant.

***Regulation of the Internet and data privacy could substantially impact us.***

Since the creation of the Internet, there has been extensive debate about whether and how to regulate Internet service providers. A significant number of U.S. congressional leaders, state elected officials and various consumer interest groups have long advocated in favor of extensive regulation. In 2015, the FCC adopted new regulations that regulated broadband services as a public utility under Title II of the Communications Act. The FCC voted to repeal most of those regulations in December 2017 and preempted states from substantial regulations of their own. Opponents of the rescission judicially challenged this action and continue to advocate in favor of reinstating extensive federal regulation. In addition, California and other states have adopted, or are considering adopting, legislation or regulations that govern the terms of internet services. In October 2019, a federal court upheld the FCC's classification decision but vacated a part of its preemption ruling. The court also remanded to the FCC for further findings related to the classification decision. Numerous parties have sought further appellate review of this decision. The results of these further appeals are pending. Depending on the scope of such current and future federal or state regulation and judicial proceedings regarding these matters, the imposition of heightened regulation of our Internet operations could hamper our ability to operate our data networks efficiently, restrict our ability to implement network management practices necessary to ensure quality service, increase the cost of operating, maintaining and upgrading our network, and otherwise negatively impact our current operations.

A growing number of non-U.S. jurisdictions have adopted rigorous data privacy laws. For example, all current member states of the European Union have adopted new European data protection laws that have exposed our European operations to an increased risk of litigation and substantial regulatory fines. In the U.S., California and other states have adopted, or are considering adopting, comparable data privacy laws. These laws are complex and not consistent across jurisdictions. Although we cannot predict the ultimate outcomes of this growing trend toward additional regulation, we expect it will increase our operating costs and heighten our regulatory risk.

***Additional changes in tax laws or tax audits could adversely affect us.***

Like all large businesses, we are subject to multiple sets of complex and varying tax laws and rules. Legislators and regulators at all levels of government may from time to time change existing tax laws or regulations or enact new laws or regulations. In many cases, the application of existing, newly enacted or amended tax laws may be uncertain and subject to differing interpretations that could negatively impact our operating results or financial condition. We are also subject to frequent and regular audits by a broad range of federal, state and local tax authorities. These audits could subject us to tax liabilities if adverse positions are taken by these tax authorities.



We believe that we have adequately provided for tax contingencies. However, our tax audits and examinations may result in tax liabilities that differ materially from those that we have recognized in our consolidated financial statements. Because the ultimate outcomes of all of these matters are uncertain, we can give no assurance as to whether an adverse result from one or more of them will have a material effect on our financial results.

***Changes in any of the above-described laws or regulations may limit our ability to plan, and could subject us to further costs or constraints.***

From time to time, the laws or regulations governing us or our customers, or the government's policy of enforcing those laws or regulations, have changed frequently and materially. The variability of these laws could hamper the ability of us and our customers to plan for the future or establish long-term strategies. Moreover, future changes in these laws or regulations could further increase our operating or compliance costs, or further restrict our operational flexibility, any of which could have a material adverse effect on our results of operations, competitive position, financial condition or prospects.

***Our inability to transition successfully to being a standalone business may have a material adverse effect on our business, financial condition, results of operations and reputation.***

We have historically been a part of the operations of Altice USA, which provided us with operational, financial and other support. We are now a standalone company and, accordingly, following the termination of transition services to be provided to us by Altice Service Provider pursuant to the Services Agreement, must develop and implement the systems and infrastructure necessary to support our current and future business to the extent that we have not assumed or transitioned it from Altice USA. In addition, we must be able to operate effectively the systems that we assume or transition from Altice USA, including the operating support systems and business support system. We cannot assure you that we will continue to make the transition successfully.

For example, historically, certain of our accounting and information technology systems have been a part of Altice USA's larger operations. In addition, our management team and many of our employees may be new to the operational systems, information technology systems and business processes deployed by Altice USA. There can be no assurance that there will not be errors, delays, or other related issues resulting from the transition to a standalone company and adjustments to associated business processes and systems, or that we will be able to fix any error or issue. Any such errors or issues could have a material and adverse impact on our business, financial condition and results of operations.

We also incur costs in the future that have historically been part of Altice USA's larger cost structure, including costs associated with health and welfare benefits for our employees, as well as internal legal, tax, regulatory and treasury services. In particular, we need to bear the cost of hiring additional employees, including in the legal, finance, and human resources areas. We incur costs searching for and hiring individuals to fill the positions, and we may not be able to find qualified candidates at a reasonable cost or at all. Any delays in implementing required systems and services may lead to increased operating expenses.

Additionally, as part of Altice USA, we benefited from certain economies of scale, including with respect to our relationships with our suppliers. We cannot assure you that we will be able to maintain or build the independent relationships that are necessary for us to continue to benefit from such economies of scale or operate our business successfully. We also benefited from Altice USA's borrowing leverage and available capital for investments, to which we no longer have access. As a result, we may experience increased volatility in terms of cash flow, operating results, working capital and financing requirements.

Furthermore, we cannot assure you that the estimated costs to operate as a standalone company will be consistent on a forward-looking basis. Certain contracts may need to be renegotiated with third parties. It is possible that some costs will be greater for us than they were for Altice USA due to the loss of volume discounts and the position of being a large customer to service providers and suppliers. If we are unable to renegotiate such contracts on the same terms, the loss of these contracts could adversely affect our business and financial condition. Any failure to transition successfully to a standalone company may cause us to incur substantial expenses in addition to the anticipated separation costs, and would have a material adverse effect on our business, financial condition, and results of operations.

Disputes may arise between Altice USA and us in a number of areas relating to our past relationships, including, without limitation, labor, tax, employee benefit, indemnification and other matters arising from our separation from Altice USA. We may not be able to resolve any potential conflicts that may arise and we cannot foresee the scope, duration or impact on our business of any potential disputes that may arise.

Further, becoming a standalone company requires a significant amount of management's time and effort, which may divert management's attention from operating and growing our business. If we fail to achieve some or all of the benefits that are expected from becoming a standalone company, or do not achieve them in the expected time frame, there could be a material adverse effect on our business, financial condition, and results of operations.

While we have incurred and expect to continue to incur significant costs, there is no assurance that our accounting or internal control systems will be immediately successful or efficient enough. There can be no assurance that there will not be errors, delays, or other related issues resulting from the transition to a standalone company, our lack of experience as a standalone business and setting up our internal control system, or that we will be able to fix any error or issue. Any such errors or issues could have a material and adverse impact on our business, financial condition, and results of operations. Any delays in implementing required systems may lead to increased operating expenses and divert our management's attention.

***Any failure by Altice USA, Altice Service Provider or any of their affiliates to deliver the services to be provided under the Services Agreement could have a material adverse effect on our business, financial condition and results of operations.***

We and Altice Service Provider have entered into the Services Agreement pursuant to which Altice Service Provider or its affiliates provide to us various transition, ongoing and long-term services, including, but not limited to, certain legal services, human resources services, IT and technology development services, accounting, tax, treasury, procurement, insurance, maintenance, repair, splicing, relocation and reconfiguration services. If Altice Service Provider or its affiliates fail to provide or procure the services prescribed by the Services Agreement, or fail to provide such services in a consistent or timely manner, such failure could have a material adverse effect on our business, financial condition and results of operations. Altice Service Provider is required to provide transition services for a period of 12 months, ongoing services for a period of three years and long-term services for a period of at least twenty years. Once the transition and ongoing services are terminated, we would need to make alternative arrangements for the performance of these services or develop our own internal capabilities, thereby incurring additional costs. In such an event, we may not be able to obtain these services promptly or at reasonable rates, if at all.

***We are subject to business uncertainties that could materially and adversely affect our business.***

Uncertainty about the effect of the MS Investment on customers and suppliers may have an adverse effect on us. These uncertainties could cause customers, suppliers and others who deal with us to seek to change existing business relationships. If customers, suppliers or others seek to change their dealings with us as a result of the MS Investment, our business could be seriously harmed. In addition, the Company has diverted, and will continue to divert, significant management resources to address the business processes and procedures that were affected by the MS Investment, which could adversely affect our business, financial condition and results of operations and ability to service our indebtedness.

***As a result of the MS Investment and generally, we may not be able to retain key personnel or recruit additional qualified personnel, which could materially adversely affect our business, financial condition and results of operations and require us to incur substantial additional costs to recruit replacement personnel.***

To be able to operate our business, we need to retain employees of the Company that have previously been employed by Altice USA and to hire additional employees. As a result of the MS Investment, our current and prospective employees could experience uncertainty about their future roles and prospects with us. This uncertainty may adversely affect our ability to attract, retain and motivate employees. In addition, our financial results and our ability to compete may suffer if we are unable to attract or retain qualified personnel in the future. If employees depart because of issues related to the uncertainty or a desire not to remain with us, or if we otherwise experience failure to attract and retain personnel, this could have a material adverse effect on our business, financial condition and results of operations.

Moreover, our success will depend in part upon the continued services of our management team. We cannot guarantee that our key personnel will not leave or compete with us. The loss, incapacity or unavailability for any reason of key members of our management team could have a material impact on our business.

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

This management's discussion and analysis of financial condition and results of operations contains statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Users are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors.

We operate in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, technological, political and social conditions. Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- our rights to the use of fiber that we do not own and that comprises a significant portion of our network may be affected by the ability to continue long term contracts and the financial stability of Altice USA and Altice Service Provider;
- the substantial capital expenditures that our operations require;
- our dependency on our ability to renew our long-term contracts with our customers;
- risks related to our major contracts;
- the impact of the ongoing COVID-19 pandemic;
- tax distributions to our ultimate equity holders in amounts in excess of the tax expense that we would incur if we were a similarly situated corporate taxpayer;
- our ability to obtain financing on terms that are acceptable to us, or at all;
- the unpredictability of future tax liabilities;
- conditions or assumptions differing from the judgments, assumptions or estimates used in our critical accounting policies or forward-looking statements;
- impairment of goodwill or other intangible assets;
- our ability to efficiently manage our growth;
- our reliance on various third parties for our operations, financial performance and liquidity;
- portions of our property, plant and equipment that are located on property owned by third parties;
- the outcome of litigation and other proceedings;
- our dependence on intellectual property rights and non-infringement on the intellectual property rights of others;
- potential liability for the material that content providers distribute over our networks;
- our failure to hire and retain qualified personnel;
- our reliance on Altice Service Provider's network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations;

- a significant data security breach or our failure to detect and appropriately respond to a significant data security breach;
- our substantial indebtedness and debt service obligations;
- the restrictions contained in our financing agreements;
- adverse changes in the credit market;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate; and
- other risks and uncertainties inherent in business, including those listed under the caption "Risk Factors" included herein.

These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could cause our actual results to differ materially from those expressed in any of our forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Except to the extent required by law, we do not undertake, and specifically decline any obligation, to update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should read this management's discussion and analysis of financial condition and results of operations with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Certain numerical figures included in this management's discussion and analysis of financial condition and results of operations have been subject to rounding adjustments. Accordingly, such numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

All dollar amounts included in the following discussion are presented in thousands.

### ***Our Business***

We provide Ethernet, data transport, IP-based virtual private networks, Internet access, telephony services, including session initiated protocol ("SIP") trunking and VoIP services to the business market primarily in the New York metropolitan area. We also provide managed services to businesses, including hosted telephony services (cloud based SIP-based private branch exchange), managed WiFi, managed desktop and server backup and managed collaboration services including audio and web conferencing. We also offer fiber-to-the-tower services to wireless carriers for cell tower backhaul that enables wireline communications service providers to connect to towers that their own wireline networks do not reach. Our customers include companies in health care, financial, education, legal and professional services, and other industries, as well as the public sector and communication providers, incumbent local exchange carriers, and competitive local exchange carriers.

As of December 31, 2020, we had over 11,800 locations connected to our fiber network, which currently includes more than 18,800 miles of fiber sheaths ("route miles") (approximately 9,000 owned route miles and approximately 9,800 route miles pursuant to an IRU from Altice Service Provider and over 819,000 fiber miles (i.e., route miles multiplied by the number of fiber strands within each cable sheath; "fiber miles") (not including an additional approximate 18,000 fiber route miles in the New York metropolitan area available to us on preferential terms via its IRU Agreement with Altice Service Provider).

We operate in a highly competitive business telecommunications market and compete primarily with local incumbent telephone companies, especially AT&T, Lumen, Frontier and Verizon, as well as with a variety of other national and regional business services competitors.

***Key Factors Impacting Operating Results and Financial Condition***

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our business effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers.

In March 2020, the United States declared a national emergency concerning the outbreak of the coronavirus ("COVID-19") pandemic. There have also been extraordinary and wide-ranging actions taken by federal, state and local governmental authorities to contain and combat the outbreak and spread of the virus. We continue to provide our services to our customers during this pandemic. We expect that our future results may be impacted, including if our customers discontinue their service or are unable to pay for our services. Additionally, in order to prioritize the demands of the business, we may delay certain capital investments. Due to the uncertainty surrounding the magnitude and duration of business and economic impacts relating to COVID-19, including the effort to contain and combat the spread of the virus, and business impacts of government actions, we currently cannot reasonably estimate the ultimate impact of COVID-19 on our business.

**Non-GAAP Financial Measures**

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, non-operating income or expenses, interest expense, interest income, depreciation and amortization, share-based compensation expense or benefit, restructuring expense or credits and transaction expenses.

We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company's ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

We also use Operating Free Cash Flow (defined as Adjusted EBITDA less cash capital expenditures), and Free Cash Flow (defined as net cash flows from operating activities less cash capital expenditures) as indicators of the Company's financial performance. We believe these measures are one of several benchmarks used by investors, analysts and peers for comparison of performance in the Company's industry, although they may not be directly comparable to similar measures reported by other companies.

## Results of Operations

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue:</b>		
Ethernet .....	\$ 329,898	\$ 325,622
Managed services .....	27,892	25,132
Time-division multiplexing ("TDM") services .....	12,039	12,798
Other .....	12,600	15,812
<b>Total revenue</b> .....	<b>382,429</b>	<b>379,364</b>
<b>Operating expenses:</b>		
Direct costs .....	58,452	55,212
Other operating expenses .....	113,711	111,602
Restructuring and other expense .....	194	1,194
Depreciation and amortization .....	145,471	176,523
<b>Operating income</b> .....	<b>64,601</b>	<b>34,833</b>
Other expense:		
Interest expense, net .....	(24,389)	(29,499)
Other expense .....	(70)	(444)
<b>Income before income taxes</b> .....	<b>40,142</b>	<b>4,890</b>
Income tax benefit (expense) .....	222,515	(2,207)
<b>Net income</b> .....	<b>\$ 262,657</b>	<b>\$ 2,683</b>

The following is a reconciliation of net income to Adjusted EBITDA and Operating Free Cash Flow:

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income .....	\$ 262,657	\$ 2,683
Income tax expense (benefit) .....	(222,515)	2,207
Other expense .....	70	444
Interest expense, net .....	24,389	29,499
Depreciation and amortization .....	145,471	176,523
Restructuring and other expense .....	194	1,194
Share-based compensation .....	6,581	5,553
<b>Adjusted EBITDA</b> .....	<b>216,847</b>	<b>218,103</b>
Capital Expenditures (cash) .....	81,220	100,524
<b>Operating Free Cash Flow</b> .....	<b>\$ 135,627</b>	<b>\$ 117,579</b>

The following is a reconciliation of net cash flow from operating activities to Free Cash Flow:

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net cash flows from operating activities</b> .....	<b>\$ 206,920</b>	<b>\$ 210,479</b>
Capital Expenditures (cash) .....	81,220	100,524
<b>Free Cash Flow</b> .....	<b>\$ 125,700</b>	<b>\$ 109,955</b>

## Comparison of Results for the Year Ended December 31, 2020 compared to the Year Ended December 31, 2019

Revenue for the years ended December 31, 2020 and 2019 was \$382,429 and \$379,364, respectively. The Company's revenue is derived primarily from the sale of fiber-based broadband and telephony services, including bandwidth and managed services, to enterprise customers. The revenue increase of \$3,065 (1%) for the year ended December 31, 2020 compared to the prior year was primarily due to an increase in Ethernet revenue of \$4,276 and an increase in managed services revenue of \$2,760, partially offset by a decrease in TDM services revenue of \$759 and a decrease in other revenue of \$3,212. Other revenue includes fees for usage, access, installation, and other ancillary services.

### *Direct Costs*

Direct costs for the years ended December 31, 2020 and 2019 amounted to \$58,452 and \$55,212, respectively. These costs include taxes and surcharges which represent federal and state fees incurred by the Company to operate as a telecommunications carrier. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers.

The increase of \$3,240 (6%) for the year ended December 31, 2020, as compared to the prior year was attributable to the following:

Increase in circuit fees .....	\$	1,188
Increase in taxes and surcharges .....		1,126
Increase in call completion and interconnection costs .....		926
	<u>\$</u>	<u>3,240</u>

### *Other Operating Expenses*

Other operating expenses for the years ended December 31, 2020 and 2019 amounted to \$113,711, and \$111,602, respectively. Other operating expenses include (i) staff costs including salaries and commissions of company employees and related taxes, benefits and other employee related expenses; (ii) costs associated with the repair and maintenance of our network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers; (iii) allocations of certain operating costs from Altice USA, including overhead and common support function costs (such as human resources, legal, government affairs, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs; and (iv) various other operating expenses including agency fees, rent, subscriber billing costs, and marketing and advertising costs. See Note 11 to our audited consolidated financial statements included in this Annual Report for a discussion of services performed by affiliates of the Company and the related charges for these services.

The increase in other operating expenses of \$2,109 (2%) for the year ended December 31, 2020 as compared to the prior year was attributable to the following:

Increase in rent and property taxes .....	\$	3,294
Increase in bad debt expense .....		1,387
Increase in share-based compensation expense .....		1,028
Net decrease in labor costs, benefits and capitalizable activity .....		(2,965)
Other net decreases .....		(635)
	<u>\$</u>	<u>2,109</u>

### *Restructuring and Other Expense*

Restructuring and other expense for the year ended December 31, 2020 amounted to \$194 as compared to \$1,194 for the year ended December 31, 2019. Restructuring and other expense related to severance and other employee related costs resulting from headcount reductions.

### ***Depreciation and Amortization***

Depreciation and amortization for the years ended December 31, 2020 and 2019 amounted to \$145,471 and \$176,523, respectively. The decrease in depreciation and amortization of \$31,052 (18%) for the year ended December 31, 2020 as compared to the prior year is due to certain fixed assets becoming fully depreciated and certain intangibles assets becoming fully amortized, partially offset by an increase in depreciation as a result of asset additions.

### ***Adjusted EBITDA***

Adjusted EBITDA amounted to \$216,847 and \$218,103 for the years ended December 31, 2020 and 2019, respectively. Adjusted EBITDA is a non-GAAP measure. See the definition of Adjusted EBITDA above under "Non-GAAP Financial Measures" and reconciliation of net income to adjusted EBITDA above.

The decrease in Adjusted EBITDA for the years ended December 31, 2020 as compared to the prior year was due to the increase in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation), partially offset by an increase in revenue, as discussed above.

### ***Operating Free Cash Flow***

Operating free cash flow was \$135,627 and \$117,579 for the years ended December 31, 2020 and 2019, respectively. The increase in operating free cash flow in 2020 as compared to 2019 was due to a decrease in capital expenditures, partially offset by a decrease in Adjusted EBITDA.

### ***Free Cash Flow***

Free cash flow was \$125,700 and \$109,955 for the years ended December 31, 2020 and 2019, respectively. The increase in free cash flow in 2020 as compared to 2019 was primarily due to a decrease in capital expenditures, partially offset by a decrease in net cash provided by operating activities.

### ***Interest Expense, Net***

Interest expense, net was \$24,389 and \$29,499 for the years ended December 31, 2020 and 2019, respectively, and represents primarily the interest expense related to the note payable to affiliate. The decrease of \$5,110 for the year ended December 31, 2020 as compared to the prior year was attributable to the following:

Decrease in interest expense due to a decrease in the weighted average cost of capital of Altice USA which was the basis of the interest calculation related to the note payable to affiliate that was forgiven in June 2020 (see Note 11).....	\$	(18,932)
Interest expense, including amortization of deferred financing costs and original issue discounts, related to the term loan, senior notes and senior secured notes issued in 2020 (see Note 8).....		13,773
Lower interest income.....		49
		<u>49</u>
	\$	<u>(5,110)</u>

### ***Other Expense***

Other expense amounted to \$70 and \$444, for the years ended December 31, 2020 and 2019, respectively. These amounts relate to the non-service cost components of Altice USA's pension expense allocated to the Company.

### ***Income Tax Benefit (Expense)***

The Company recorded income tax benefit of \$222,515 and an income tax expense of \$2,207 for the years ended December 31, 2020 and 2019, respectively, which is lower than the U.S. federal statutory tax rate of 21%. The primary driver of the tax benefit in 2020 was due to the remeasurement of the net deferred tax liability at the New York City Unincorporated Business Tax and Connecticut combined effective tax rate as a result of the Legal Entity Conversion in July 2020 (See Note 1 to our audited consolidated financial statements included in this Annual Report).

The primary differences between the effective tax rate and the statutory tax rate in 2019 are nondeductible share-based compensation, state income taxes, net of the federal benefit, and changes in the state rates used to measure the Company's net deferred tax liabilities.



## **Liquidity and Capital Resources**

### ***Cash and Debt Profile***

As of December 31, 2020, our consolidated cash and cash equivalents amounted to \$39,750. Prior to November 1, 2020, cash balances in excess of what was required to fund day-to-day operating activities were distributed to Altice USA. The Company has principal long term debt outstanding of \$1,465,000.

Our most significant financial obligations are our debt obligations. The terms of the debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

### ***Sources of Liquidity***

Our principal sources of liquidity are our existing cash balances, operating cash flows of our operating subsidiaries and borrowings under the revolving credit facility, which we believe will provide adequate funds to support our current operating plan, make planned capital expenditures, and fulfill our debt service requirements pursuant to our outstanding indebtedness, for the next twelve months. The availability of borrowings under the Senior Secured Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to fund our operations, make planned capital expenditures, and make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows and our ability to access the capital markets, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. Competition, market disruptions or a deterioration in economic conditions could lead to lower demand for our products and increased incidence of customers' inability to pay for the services we provide. These events would adversely impact our results of operations, cash flows and financial position.

In the longer term, we may not be able to generate sufficient cash from operations to fund anticipated capital expenditures or meet all existing future contractual payment obligations. As a result, we could be dependent upon our access to the capital and credit markets to issue debt or equity. We believe we have the ability to access the credit markets if needed, however, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets or other conditions. We intend to raise significant amounts of funding over the next several years to extend our debt maturities, repay existing obligations and meet other obligations, and the failure to do so successfully could adversely affect our business. If we are unable to do so, we will need to take other actions including deferring capital expenditures, selling assets, seeking strategic investments from third parties or reducing or eliminating discretionary uses of cash.

Debt issued by the Company is subject to certain restrictive covenants. Debt issued by the Company is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the Company's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to its member or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the Company must either meet the ratio test described below (on a *pro forma basis* for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument. Senior debt of the Company will be subject to an incurrence test of 6.75:1 (Consolidated Net Leverage to L2QA Pro Forma EBITDA (each as defined in the relevant debt instruments)) and senior secured debt of the Company will be subject to an incurrence test of 4.75:1 (Consolidated Net Senior Secured Leverage (as defined in the relevant debt instrument) to L2QA Pro Forma EBITDA). The Company will be allowed to fully consolidate the EBITDA from any subsidiaries in which we have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

## Senior Notes and Senior Secured Notes

On September 29, 2020, in connection with the Lightpath Transaction, the Company issued \$450,000 in aggregate principal amount of senior secured notes that bear interest at a rate of 3.875% and mature on September 15, 2027 and \$415,000 in aggregate principal amount of senior notes that bear interest at a rate of 5.625% and mature on September 15, 2028. Prior to the issuance of these notes, Lightpath became an unrestricted subsidiary under the terms of debt issued by CSC Holdings, LLC, a subsidiary of Altice USA. The proceeds from the issuance of these notes of \$865,000 were distributed to the Company's indirect parent entities and were deposited into escrow accounts. The funds were released from escrow upon the consummation of the Lightpath Transaction.

## Credit Agreement

On September 29, 2020, the Company entered into a credit agreement between, *inter alios*, certain lenders party thereto and Goldman Sachs Bank USA, as administrative agent, and Deutsche Bank Trust Company Americas, as collateral agent, (the "Credit Agreement") which provides for, among other things, (i) a term loan in an aggregate principal amount of \$600,000 (the "Term Loan Facility") at a price of 99.5% of the aggregate principal amount, which was drawn on November 30, 2020, and (ii) revolving loan commitments in an aggregate principal amount of \$100,000 (the "Revolving Credit Facility"). As of December 31, 2020, there were no borrowings outstanding under the Revolving Credit Facility. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$1,500) of the principal amount of the Term Loan Facility, beginning with the fiscal quarter ended March 31, 2021. The Revolving Credit Facility is subject to a financial maintenance test of 7.3:1 (consolidated net senior secured debt to L2QA pro forma EBITDA (each as defined in the Credit Agreement)). The incurrence covenants terms of the Credit Agreement are no more restrictive than the incurrence covenants contained in the senior secured notes indenture. The net proceeds of the term loan were distributed to Altice USA.

The loans made pursuant to the Credit Agreement are comprised of eurodollar borrowings or alternative base rate borrowings, and bear interest at a rate per annum equal to the adjusted LIBOR rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum. The maturity date of the (i) Term Loan Facility is November 30, 2027 and (ii) Revolving Credit Facility is November 30, 2025.

See further details of our long term debt in Note 8 to our audited consolidated financial statements included in this Annual Report.

## Capital Expenditures

The following table presents the Company's capital expenditures for the periods indicated:

	Years Ended December 31,	
	2020	2019
Fiber network (1)	\$ 56,692	\$ 63,707
Network and customer equipment (2)	20,252	27,772
Support and other (3)	4,276	9,045
Capital purchases (cash basis)	81,220	100,524
Change in accrued and unpaid purchases and other	5,590	4,677
Capital purchases (including accrued but not paid and financed capital) (4)	\$ 86,810	\$ 105,201

- (1) Fiber network includes the cost of design, engineering and construction of the Company's fiber backbone and fiber connections to customer locations.
- (2) Network and customer equipment includes routing and interconnection equipment at our network locations, as well as equipment collocated in customer facilities.
- (3) Support and other includes costs associated with the replacement or enhancement of non-network assets, such as software systems, office equipment, and facilities.
- (4) Amounts are comprised of the following:

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Success-based.....	\$ 72,995	\$ 88,975
Maintenance, support and other.....	13,815	16,226
Capital purchases (including accrued not paid and financed capital).....	<u>\$ 86,810</u>	<u>\$ 105,201</u>

### **Cash Flow - Years Ended December 31, 2020 and 2019**

#### *Operating Activities*

Net cash provided by operating activities amounted to \$206,920 and \$210,479 for the years ended December 31, 2020 and 2019, respectively.

The 2020 cash provided by operating activities resulted from \$197,708 of income before depreciation and amortization and non-cash items, an increase to amounts due to affiliates of \$20,879, and an increase in accrued liabilities of \$8,134, partially offset by cash used from an increase in accounts receivable of \$13,555, an increase in prepaid expenses and other assets of \$1,831, and decreases in accounts payable of \$4,369 and deferred revenue of \$46.

The 2019 cash provided by operating activities resulted from \$191,282 of income before depreciation and amortization and non-cash items, an increase to amounts due to affiliates of \$29,517 and a decrease in accounts receivable of \$6,338, partially offset by cash used from decreases in accounts payable of \$11,907, an increase in prepaid expenses and other assets of \$2,562, a decrease in accrued liabilities of \$1,853, and a decrease in deferred revenue of \$336.

#### *Investing Activities*

Net cash used in investing activities for the years ended December 31, 2020 and 2019 was \$81,255 and \$100,482, respectively, consisting primarily of capital expenditures.

#### *Financing Activities*

Net cash used in financing activities amounted to \$92,995 and \$109,215 for the years ended December 31, 2020 and 2019. The 2020 activity primarily related to distributions to Altice USA of \$1,547,013, partially offset by proceeds from long-term debt of \$1,462,000. The 2019 activity included distributions to Altice USA of \$109,215.

### **Critical Accounting Policies**

In preparing its financial statements, the Company is required to make certain estimates, judgments and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policy, which we believe is the most critical to aid in fully understanding and evaluating our reported financial results, is the following:

#### *Plant and Equipment*

Costs incurred in the construction of the Company's fiber network, including line extensions to, and upgrade of, the Company's fiber infrastructure are capitalized. This includes initial placement of the feeder cable to connect a customer that had not been previously connected, and network equipment. These costs consist of materials, subcontractor labor, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the fiber (5 to 25 years) and network equipment (5 to 15 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred. Refer to Note 2 to our audited consolidated financial statements included in this Annual Report for a discussion of our accounting policies.

## Independent Auditors' Report

The Board of Directors and Member  
Cablevision Lightpath LLC (formerly Cablevision Lightpath, Inc.):

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cablevision Lightpath LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, total equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cablevision Lightpath LLC and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York  
March 29, 2021

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share amounts)

	December 31,	
	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents.....	\$ 39,750	\$ 7,080
Accounts receivable, trade (less allowance for doubtful accounts of \$3,927 and \$2,269).....	36,920	26,633
Prepaid expenses and other current assets.....	17,230	14,563
Amounts due from affiliates.....	8,323	—
Total current assets.....	102,223	48,276
Property, plant and equipment, net of accumulated depreciation of \$586,035 and \$474,709.....	625,753	657,911
Right-of-use operating lease assets.....	23,989	3,757
Other assets.....	5,479	6,315
Amortizable intangibles, net of accumulated amortization of \$188,752 and \$162,285.....	171,248	197,715
Indefinite-lived franchise costs.....	340,000	340,000
Goodwill.....	94,094	94,094
Total assets.....	\$ 1,362,786	\$ 1,348,068
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>		
Current Liabilities:		
Accounts payable.....	\$ 12,545	\$ 11,323
Interest payable.....	12,465	—
Accrued employee related costs.....	5,655	3,625
Accounts payable to affiliates.....	18,574	—
Deferred revenue.....	1,050	1,046
Right-of-use operating lease liability.....	6,719	1,528
Debt.....	6,000	—
Other current liabilities.....	5,342	8,652
Total current liabilities.....	68,350	26,174
Other liabilities.....	3,024	2,767
Right-of-use operating lease liability.....	17,378	2,350
Deferred tax liability, net.....	7,794	231,861
Long-term debt, net of current maturities.....	1,423,471	—
Note payable to affiliate.....	—	870,615
Total liabilities.....	1,520,017	1,133,767
Commitments and contingencies (Note 11)		
Redeemable equity.....	—	8,719
Total equity:		
Cablevision Lightpath, Inc:		
Common Stock, \$.01 par value, 1,000 shares authorized, 100 shares issued and outstanding.....	—	—
Paid-in capital.....	—	220,412
Accumulated deficit.....	—	(14,830)
Cablevision Lightpath LLC:		
Member's deficiency.....	(157,231)	—
	(157,231)	205,582
	\$ 1,362,786	\$ 1,348,068

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands)

	Years ended December 31,	
	2020	2019
Revenue (including revenue from affiliates of \$4,815 and \$4,615, respectively. See Note 11).....	\$ 382,429	\$ 379,364
Operating expenses:		
Direct costs (including charges from affiliates of \$541 and \$550, respectively. See Note 11).....	58,452	55,212
Other operating expenses (including charges from affiliates of \$32,524 and \$35,532, respectively. See Note 11).....	113,711	111,602
Restructuring and other expense.....	194	1,194
Depreciation and amortization.....	145,471	176,523
	<u>317,828</u>	<u>344,531</u>
Operating income.....	<u>64,601</u>	<u>34,833</u>
Other income (expense):		
Interest expense (including charges from affiliates of \$10,628 and \$29,559, respectively. See Note 11).....	(24,400)	(29,559)
Interest income.....	11	60
Other expense (See Note 11).....	(70)	(444)
	<u>(24,459)</u>	<u>(29,943)</u>
Income before income taxes.....	40,142	4,890
Income tax benefit (expense).....	222,515	(2,207)
Net income.....	<u>\$ 262,657</u>	<u>\$ 2,683</u>
Comprehensive income.....	<u>\$ 262,657</u>	<u>\$ 2,683</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF TOTAL EQUITY**  
(In thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Deficiency	Total Equity (Deficit)
Balance at January 1, 2019	\$ —	\$ 324,025	\$ (17,513)	\$ —	\$ 306,512
Net income	—	—	2,683	—	2,683
Share-based compensation expense	—	5,553	—	—	5,553
Redeemable equity vested	—	11,604	—	—	11,604
Change in redeemable equity	—	(11,555)	—	—	(11,555)
Distributions to Altice USA	—	(109,215)	—	—	(109,215)
Balance at December 31, 2019	—	220,412	(14,830)	—	205,582
Net income	—	—	5,375	—	5,375
Share-based compensation expense	—	5,471	—	—	5,471
Redeemable equity vested	—	7,696	—	—	7,696
Change in redeemable equity	—	283	—	—	283
Distributions to Altice USA	—	(56,333)	—	—	(56,333)
Non-cash contribution - forgiveness of note payable and accrued interest to affiliate	—	881,243	—	—	881,243
Balance prior to the Legal Entity Conversion	—	1,058,772	(9,455)	—	1,049,317
Legal Entity Conversion (See Note 1)	—	(1,058,772)	9,455	1,049,317	—
Net income	—	—	—	257,282	257,282
Share-based compensation expense	—	—	—	1,110	1,110
Change in redeemable equity	—	—	—	740	740
Contributions from its parent entity	—	—	—	25,000	25,000
Distributions to Altice USA	—	—	—	(1,490,680)	(1,490,680)
Balance at December 31, 2020	\$ —	\$ —	\$ —	\$ (157,231)	\$ (157,231)

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Years Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income.....	\$ 262,657	\$ 2,683
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	145,471	176,523
Share-based compensation expense.....	6,581	5,553
Deferred income taxes.....	(224,068)	803
Decrease in right-of-use asset.....	3,346	3,838
Amortization of deferred financing costs and discounts on indebtedness.....	453	—
Provision for doubtful accounts.....	3,268	1,882
Change in assets and liabilities:		
Accounts receivable, trade.....	(13,555)	6,338
Prepaid expenses and other assets.....	(1,831)	(2,562)
Amounts due to affiliates.....	20,879	29,517
Accounts payable.....	(4,369)	(11,907)
Accrued liabilities.....	8,134	(1,853)
Deferred revenue.....	(46)	(336)
Net cash provided by operating activities.....	<u>206,920</u>	<u>210,479</u>
Cash flows from investing activities:		
Capital expenditures.....	(81,220)	(100,524)
Other.....	(35)	42
Net cash used in investing activities.....	<u>(81,255)</u>	<u>(100,482)</u>
Cash flows from financing activities:		
Distributions to Altice USA.....	(1,547,013)	(109,215)
Proceeds from long-term debt.....	1,462,000	—
Additions to deferred financing costs.....	(32,982)	—
Contributions from parent entity.....	25,000	—
Net cash used in financing activities.....	<u>(92,995)</u>	<u>(109,215)</u>
Net increase in cash and cash equivalents.....	32,670	782
Cash and cash equivalents at beginning of year.....	7,080	6,298
Cash and cash equivalents at end of year.....	<u>\$ 39,750</u>	<u>\$ 7,080</u>

See accompanying notes to consolidated financial statements.



**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands)

**NOTE 1. DESCRIPTION OF BUSINESS AND RELATED MATTERS**

**The Company and Related Matters**

Cablevision Lightpath LLC (together with its subsidiaries, the "Company") provides advanced fiber, Ethernet, data transport, IP-based virtual private networks, Internet access, managed services, telephony services, including session-initiated protocol ("SIP") trunking, and voice over Internet protocol ("VoIP") services to the business market in the New York metropolitan area.

Prior to December 1, 2020, the Company was a wholly-owned indirect subsidiary of Altice USA, Inc. ("Altice USA"). On December 1, 2020, a wholly-owned indirect subsidiary of Altice USA completed the sale of a 49.99% interest in Lightpath Holdings LLC ("Lightpath Holdings"), the direct parent of the Company, based on an implied enterprise value of \$3,200,000 (the "Lightpath Transaction") to Morgan Stanley Infrastructure Partners ("MSIP"). Altice USA retained a 50.01% interest in Lightpath Holdings and maintains control.

In connection with the Lightpath Transaction, in September 2020, the Company incurred certain indebtedness, the proceeds of which were distributed to the Company's indirect parent entities and were deposited into escrow accounts pending the consummation of the Lightpath Transaction. The Company was released from the debt guarantor obligations of CSC Holdings LLC ("CSC Holdings"), a wholly-owned subsidiary of Altice USA. The security over the ownership interests in the Company and certain of its subsidiaries were released concurrently with the release of the guarantees. Upon closing of the Lightpath Transaction, the funds were released from escrow to Altice USA. Additionally, in November 2020, the Company incurred additional indebtedness, the proceeds of which were distributed to Altice USA. See Note 7 for information regarding indebtedness incurred by Lightpath and Note 11 for a discussion of cash distributions to Altice USA.

*Business Organization*

Prior to July 2020, the Company was a Delaware corporation. In July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company (the "Legal Entity Conversion"). Upon the Legal Entity Conversion, Cablevision Lightpath, Inc. became Cablevision Lightpath LLC. Pursuant to the Legal Entity Conversion, all of the issued and outstanding shares of capital stock of the Company were converted into, and represent all of the limited liability company interest in, Cablevision Lightpath LLC. The accompanying consolidated financial statements reflect the Company as a corporation for the periods presented prior to the Legal Entity Conversion.

**Basis of Presentation**

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and have been derived from the consolidating financial statements and accounting records of Altice USA and reflect certain assumptions and allocations. The financial position, results of operations and cash flows of the Company could differ from those that might have resulted had the Company been operated autonomously or as an entity independent of Altice USA.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, including estimated allocations, which affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

***Revenue Recognition***

The Company's service offerings consist of various telecommunications services to large enterprise businesses, including broadband, telephony and networking services. The Company satisfies its performance obligations to provide services to customers over time as the services are rendered. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these services. Fixed fees are billed monthly in advance and usage fees are billed monthly in arrears. Amounts billed are due upon receipt and contract lengths typically range from three to five years. To the extent a customer contract is terminated prior to its contractual end, the customer is subject to termination fees. The Company recognizes termination fees as they are collected. Installation revenue is deferred and recognized over the average contract term.

The Company is assessed non-income related taxes and fees by governmental authorities and collects such taxes from its customers. In instances where the tax and fee is being assessed directly on the Company, amounts paid to the governmental authorities are recorded as direct costs, and amounts received from the customers are recorded as revenue. For the years ended December 31, 2020 and 2019, the amount of these non-income related taxes and fees included as a component of revenue aggregated \$19,905 and \$19,767, respectively.

The following table presents the composition of revenue:

	Years Ended December 31,	
	2020	2019
Ethernet.....	\$ 329,898	\$ 325,622
Managed services.....	27,892	25,132
Time-division multiplexing ("TDM") services.....	12,039	12,798
Other.....	12,600	15,812
	\$ 382,429	\$ 379,364

***Contract Assets***

Incremental costs incurred in obtaining a contract with a customer are deferred and recorded as a contract asset if the period of benefit is expected to be greater than one year. Sales commissions related to enterprise customers are deferred and amortized over the average contract term.

Deferred enterprise commission costs are included in other assets in the accompanying consolidated balance sheets and totaled \$11,569 and \$15,948 as of December 31, 2020 and 2019, respectively.

***Direct Expenses***

Costs of revenue related to sales of services, including call completion, interconnection and transmission costs, are classified as "direct costs" in the accompanying consolidated statements of operations and comprehensive income.

***Advertising Expenses***

Advertising costs are charged to expense when incurred and are reflected in "other operating expenses" in the accompanying consolidated statements of operations and comprehensive income. Advertising costs amounted to \$2,371 and \$1,894 for the years ended December 31, 2020 and 2019, respectively.

***Share-Based Compensation***

Altice USA charges the Company for costs related to certain awards granted under Altice USA's employee stock plan. Share-based compensation expense which primarily relates to awards of units in a carried unit plan and stock options is based on the fair value of share-based payment awards at the date of grant.

For carried interest units, Altice USA measures share-based compensation expense based on the estimated grant date fair value using an option pricing model. For stock option awards, Altice USA measures compensation expense

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based on the estimated grant date fair value using the Black-Scholes valuation model. The fair value of these awards are amortized to share-based compensation expense over the requisite service period.

See Note 11 to the consolidated financial statements for additional information related to the Company's share-based compensation.

***Income Taxes***

In July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company. As a result of the Legal Entity Conversion, the Company is no longer a taxable entity for federal income tax purposes and the results of its operations are included in the federal tax return of its member. However, the Company is now subject to New York City Unincorporated Business Tax ("NYC UBT") and Connecticut pass-through entity level income tax .

Prior to the Legal Entity Conversion in July 2020, the Company was or will be included in the federal and state income tax returns of Altice USA, other than income tax returns for the state of New Jersey, in which it files separately.

***Cash and Cash Equivalents***

The Company's cash investments are placed with money market funds and financial institutions that are investment grade as rated by S&P Global Ratings and Moody's Investors Service. The Company selects money market funds that predominantly invest in marketable, direct obligations issued or guaranteed by the United States government or its agencies, commercial paper, fully collateralized repurchase agreements, certificates of deposit, and time deposits.

The Company considers the balance of its investment in funds that substantially hold securities that mature within three months or less from the date the fund purchases these securities to be cash equivalents. The carrying amount of cash and cash equivalents either approximates fair value due to the short-term maturity of these instruments or are at fair value.

***Accounts Receivable***

Accounts receivable are recorded at net realizable value. The Company periodically assesses the adequacy of valuation allowances for uncollectible accounts receivable by evaluating the collectability of outstanding receivables and general factors such as historical collection experience, length of time individual receivables are past due, and the economic and competitive environment.

***Long-Lived Assets and Amortizable Intangible Assets***

Property, plant and equipment, including construction materials, are carried at cost, and include all direct costs and certain indirect costs associated with fiber construction, and the costs of new equipment installations. Equipment under finance leases is recorded at the present value of the total minimum lease payments. Depreciation on equipment is calculated on the straight-line basis over the estimated useful lives of the assets or, with respect to equipment under finance leases and leasehold improvements, amortized over the shorter of the lease term or the assets' useful lives and reported in depreciation and amortization in the consolidated statements of operations and comprehensive income.

The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized over the estimated useful life of the software and reported in depreciation and amortization.

Customer relationships and trade names established in connection with acquisitions that are finite-lived are amortized in a manner that reflects the pattern in which the projected net cash inflows to the Company are expected to occur, such as the sum of the years' digits method over their respective estimated useful lives.

The Company reviews its long-lived assets (property, plant and equipment, and intangible assets subject to amortization that arose from acquisitions) for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest,

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is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value.

***Goodwill and Indefinite-Lived Intangible Assets***

Goodwill which has an indefinite useful life is not amortized. Rather, such asset is tested for impairment annually or upon the occurrence of a triggering event.

The Company assesses the recoverability of its goodwill annually, or more frequently whenever events or substantive changes in circumstances indicate that the carrying amount of its reporting units may exceed their fair value. The Company firsts considers qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely- than-not that the fair value of a reporting unit is less than its carrying amount. If, after this qualitative assessment, the Company determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount then no further testing is performed. A quantitative assessment is performed if the qualitative assessment results in a more-likely-than-not determination or if a qualitative assessment is not performed. The quantitative assessment considers whether the carrying amount of a reporting unit exceeds its fair value, in which case an impairment charge is recorded to the extent the reporting unit's carrying value exceeds its fair value.

***Deferred Financing Costs***

Deferred financing costs, which are presented as a reduction of debt, are amortized to interest expense using the effective interest method over the term of the related debt.

***Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when the Company believes it is probable that a liability has been incurred and the amount of the contingency can be reasonably estimated.

***Concentrations of Credit Risk***

Financial instruments that may potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company monitors the financial institutions and money market funds where it invests its cash and cash equivalents with diversification among counterparties to mitigate exposure to any single financial institution. The Company's emphasis is primarily on safety of principal and liquidity and secondarily on maximizing the yield on its investments. Management believes that no significant concentration of credit risk exists with respect to its cash and cash equivalents because of its assessment of the creditworthiness and financial viability of the respective financial institutions.

The Company did not have a single customer that represented 10% or more of its consolidated revenues for the years ended December 31, 2020 and 2019 or consolidated net trade receivables for the year ended December 31, 2019. As of December 31, 2020, there was one customer who accounted for approximately 18% of the balance of consolidated trade receivables, net.

**NOTE 3. ACCOUNTING PRONOUNCEMENTS**

***Recently Adopted Accounting Pronouncements***

*ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12")*

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740). ASU 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions for investments, intraperiod allocations and interim calculations. The new guidance also simplifies aspects of the accounting for franchise taxes, enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The amendments did not create new accounting requirements. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

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*ASU No. 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")*

In August 2018, the FASB issued ASU 2018-15 which requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

*ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350) ("ASU 2017-04")*

In January 2017, the FASB issued ASU 2017-04 which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

*ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")*

In June 2016, the FASB issued ASU 2016-13 which requires a financial asset (or a group of financial assets) measured at amortized cost to be assessed for impairment under the current expected credit loss model rather than an incurred loss model. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 became effective for the Company on January 1, 2020 and the adoption of this standard did not have a significant impact on the Company's consolidated financial statements. The Company will continue to actively monitor the impact of the recent coronavirus (COVID-19) pandemic on expected credit losses.

**NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company's non-cash investing and financing activities and other supplemental data were as follows:

	Years Ended December 31,	
	2020	2019
<u>Non-Cash Investing and Financing Activities:</u>		
Property and equipment accrued but unpaid .....	\$ 22,318	\$ 16,727
Forgiveness of notes payable and accrued interest to affiliate .....	881,243	—
<u>Supplemental Data:</u>		
Interest paid .....	—	—
Income taxes paid .....	2,387	699

**NOTE 5. PROPERTY, PLANT AND EQUIPMENT**

Costs incurred in the construction of the Company's fiber network, including line extensions to, and upgrade of, the Company's fiber infrastructure are capitalized. This includes initial placement of the feeder cable to connect a customer that had not been previously connected, and network equipment. These costs consist of materials, subcontractor labor, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the fiber (5 to 25 years) and network equipment (5 to 15 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively.

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Property, plant and equipment (including equipment under finance leases) consist of the following assets, which are depreciated or amortized on a straight-line basis over the estimated useful lives shown below:

	December 31, 2020	December 31, 2019	Estimated Useful Lives
Fiber.....	\$ 800,680	\$ 743,166	5 to 25 years
Network equipment.....	297,396	284,533	5 to 15 years
Customer premise equipment.....	22,137	20,624	3 years
Equipment and software.....	39,461	38,275	3 to 10 years
Furniture and fixtures.....	3,288	3,277	8 years
Transportation equipment.....	1,353	1,426	10 years
Buildings and building improvements.....	6,383	4,284	10 years
Leasehold improvements.....	5,579	4,990	Term of lease
Construction in progress (including materials and supplies).....	35,511	32,045	
	<u>1,211,788</u>	<u>1,132,620</u>	
Less accumulated depreciation and amortization.....	<u>(586,035)</u>	<u>(474,709)</u>	
	<u>\$ 625,753</u>	<u>\$ 657,911</u>	

For the years ended December 31, 2020 and 2019, the Company capitalized certain costs aggregating \$3,236 and \$2,132, respectively, related to the acquisition and development of internal use software, which are included in the table above.

Depreciation expense on property, plant and equipment (including finance leases) for the years ended December 31, 2020 and 2019 amounted to \$119,004 and \$146,608, respectively.

**NOTE 6. LEASES**

On January 1, 2019, the Company adopted Accounting Standards Codification, Topic 842 ("ASC 842") which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new guidance requires the recognition of the right-of-use ("ROU") assets and related operating and finance lease liabilities on the balance sheet. The Company adopted the new guidance using the modified retrospective approach with a cumulative-effect adjustment recorded on January 1, 2019.

The adoption of ASC 842 resulted in the recognition of ROU assets of \$4,907 and lease liabilities for operating leases of \$4,931 on the Company's consolidated balance sheet as of January 1, 2019, with no material impact to its consolidated statements of operations and comprehensive income. The difference between the ROU assets and the operating lease liability represents the reclassification of deferred rent balances resulting from the historical operating leases.

The Company elected the package of practical expedients permitted within the standard, which allows an entity to forgo reassessing (i) whether a contract contains a lease, (ii) classification of leases, and (iii) whether capitalized costs associated with a lease meet the definition of initial direct costs. Also, the Company elected the expedient allowing an entity to use hindsight to determine the lease term and impairment of ROU assets and the expedient related to land easements which allows the Company not to retrospectively treat land easements as leases; however, the Company must apply lease accounting prospectively to land easements if they meet the definition of a lease.

For contracts entered into on or after the effective date, at the inception of a contract the Company will assess whether the contract is, or contains, a lease. The Company's assessment is based on: (i) whether the contract involves the use of a distinct identified asset, (ii) whether the Company obtained the right to substantially all the economic benefit from the use of the asset throughout the period, and (iii) whether the Company has the right to direct the use of the asset. Leases entered into prior to January 1, 2019, are accounted for under ASC 840 and were not reassessed for classification.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease

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payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective interest method. The Company generally uses an incremental borrowing rate as the discount rate for leases, unless an interest rate is implicitly stated in the lease. The lease term for all of the Company's leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. All ROU assets are reviewed for impairment.

Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the asset on a straight-line basis over the earlier of the lease term or its useful life and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

The Company's operating leases are comprised primarily of co-location facility leases.

Balance sheet information related to our leases is presented below:

Balance Sheet location	December 31, 2020	December 31, 2019	January 1, 2019	
<i>Operating leases:</i>				
Right-of-use lease assets.....	Right-of-use operating lease assets	\$ 23,989	\$ 3,757	\$ 4,907
Right-of-use lease liability, current.....	Other current liabilities	6,719	1,528	4,020
Right-of-use lease liability, long-term....	Right-of-use operating lease liability	17,378	2,350	911

Operating lease expense amounted to \$3,641 and \$4,087 for the years ended December 31, 2020 and 2019, respectively.

Other information related to leases is presented below:

	As of December 31,	
	2020	2019
Right-of-use assets acquired in exchange for operating lease obligations.....	\$ 23,578	\$ 2,688
Operating cash flows from operating leases.....	3,654	3,990
Weighted Average Remaining Lease Term - Operating leases.....	4.4 years	3.2 years
Weighted Average Discount Rate - Operating leases.....	3.84 %	6.09 %

The minimum future annual payments under the Company's outstanding non-cancellable leases are as follows:

	Operating leases
2021.....	\$ 7,054
2022.....	5,402
2023.....	5,258
2024.....	4,560
2025.....	3,855
Total future minimum lease payments, undiscounted.....	26,129
Less: Imputed interest.....	(2,032)
Present value of future minimum lease payments.....	<u>\$ 24,097</u>

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**NOTE 7. INTANGIBLE ASSETS**

The following table summarizes information relating to the Company's amortizable intangible assets:

	As of December 31, 2020			As of December 31, 2019			Estimated Useful Lives
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships .....	\$ 300,000	\$ (128,752)	\$ 171,248	\$ 300,000	\$ (103,363)	\$ 196,637	18 years
Trade names .....	60,000	(60,000)	—	60,000	(58,922)	1,078	4 years
	<u>\$ 360,000</u>	<u>\$ (188,752)</u>	<u>\$ 171,248</u>	<u>\$ 360,000</u>	<u>\$ (162,285)</u>	<u>\$ 197,715</u>	

Amortization expense for the years ended December 31, 2020 and 2019 aggregated \$26,467 and \$29,915, respectively.

The following table sets forth the future estimated amortization expense on intangible assets:

Estimated amortization expense

Year Ending December 31, 2021 .....	\$ 23,635
Year Ending December 31, 2022 .....	21,881
Year Ending December 31, 2023 .....	20,127
Year Ending December 31, 2024 .....	18,372
Year Ending December 31, 2025 .....	16,618

The carrying amount of indefinite-lived franchise costs and goodwill was \$340,000 and \$94,094, respectively, as of December 31, 2020 and 2019.

**NOTE 8. DEBT**

The following provides a summary of the Company's outstanding debt:

	Date Issued	Maturity Date	Interest Rate	December 31, 2020	
				Principal Amount	Carrying Amount (a)
Senior Notes .....	September 29, 2020	September 15, 2028	5.625 %	\$ 415,000	\$ 406,176
Senior Secured Notes .....	September 29, 2020	September 15, 2027	3.875 %	450,000	440,487
Term Loan .....	November 30, 2020	November 30, 2027	3.750 %	600,000	582,808
Revolving Credit Facility .....	—	November 30, 2025	(b)	—	—
				1,465,000	1,429,471
Less: current portion of credit facility debt .....				(6,000)	(6,000)
Long-term debt, net of current maturities .....				\$ 1,459,000	\$ 1,423,471

(a) The carrying amount is net of the unamortized deferred financing costs and/or discounts.

(b) There were no borrowings outstanding under the Lightpath Revolving Credit Facility which provides for commitments in an aggregate principal amount of \$100,000. See discussion below.

On September 29, 2020, the Company issued \$450,000 in aggregate principal amount of senior secured notes that bear interest at a rate of 3.875% and mature on September 15, 2027 and \$415,000 in aggregate principal amount of senior notes that bear interest at a rate of 5.625% and mature on September 15, 2028. Prior to the issuance of these notes, Lightpath became an unrestricted subsidiary under the terms of CSC Holdings' debt.

In addition, on September 29, 2020, the Company entered into a credit agreement between, inter alios, certain lenders party thereto and Goldman Sachs Bank USA, as administrative agent, and Deutsche Bank Trust Company Americas,



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as collateral agent, (the "Credit Agreement") which provides for, among other things, (i) a term loan in an aggregate principal amount of \$600,000 (the "Term Loan Facility") at a price of 99.5% of the aggregate principal amount, which was drawn on November 30, 2020, and (ii) revolving loan commitments in an aggregate principal amount of \$100,000 (the "Revolving Credit Facility"). As of December 31, 2020, there were no borrowings outstanding under the Revolving Credit Facility. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$1,500) of the principal amount of the Term Loan Facility, beginning with the fiscal quarter ended March 31, 2021. The Revolving Credit Facility is subject to a financial maintenance test of 7.3:1 (consolidated net senior secured debt to L2QA pro forma EBITDA). The incurrence covenants terms of the Credit Agreement are no more restrictive than the incurrence covenants contained in the senior secured notes indenture.

The loans made pursuant to the Credit Agreement are comprised of eurodollar borrowings or alternative base rate borrowings, and bear interest at a rate per annum equal to the adjusted LIBOR rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum. The maturity date of the (i) Term Loan Facility is November 30, 2027 and (ii) Revolving Credit Facility is November 30, 2025.

The net proceeds from the issuance of the senior secured notes, senior notes, and Term Loan Facility aggregating \$1,434,471 were distributed to Altice USA in connection with the Lightpath Transaction (see Note 1).

**NOTE 9. FAIR VALUE MEASUREMENT**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I - Quoted prices for identical instruments in active markets.
- Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III - Instruments whose significant value drivers are unobservable.

The carrying values of cash, accounts receivable, accounts payable, and accrued expenses approximate their fair value due to the short-term maturity of these instruments. The note payable to affiliate with a carrying value of \$870,615 had a fair value of \$842,855 as of December 31, 2019. The fair value of note payable is based primarily on the present value of the remaining payments discounted at the borrowing cost of Altice USA.

*Credit Facility Debt, Senior Secured Notes and Senior Notes*

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities.

The carrying values, estimated fair values, and classification under the fair value hierarchy of the Company's financial instruments are summarized below:

	Fair Value Hierarchy	December 31, 2020	
		Carrying Amount (a)	Estimated Fair Value
Credit facility debt.....	Level II	\$ 582,808	\$ 600,000
Senior secured notes.....	Level II	440,487	451,125
Senior notes.....	Level II	406,176	429,525
		<u>\$ 1,429,471</u>	<u>\$ 1,480,650</u>

(a) Amounts are net of unamortized deferred financing costs and discounts/premiums.

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The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**NOTE 10. INCOME TAXES**

*Cablevision Lightpath LLC*

As discussed in Note 1, in July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company. As a result of the Legal Entity Conversion, the Company is no longer a taxable entity for federal income tax purposes and the results of its operations are included in the federal tax return of its member. Accordingly, federal income taxes are not reflected in the financial statements for the period subsequent to the Legal Entity Conversion. However, the Company is subject to New York City Unincorporated Business Tax ("NYC UBT") and Connecticut pass-through entity level income tax. The net tax benefit for the period subsequent to the Legal Entity Conversion was largely driven by the remeasurement of the net deferred tax liability of \$232,807 at the time of the Legal Entity Conversion to the combined effective rate for the jurisdictions stated above.

*Cablevision Lightpath, Inc.*

For the year ended December 31, 2019 and the 2020 period prior to the Legal Entity Conversion, the Company was included in the federal and state income tax returns of Altice USA, other than income tax returns for the state of New Jersey, in which it filed separately. The income taxes of the Company for these periods are based upon the taxable income/loss of the Company on a stand-alone basis as if the Company filed separate tax returns.

Income tax expense (benefit) consists of the following components:

	Years Ended December 31,	
	2020	2019
Current expense:		
Federal .....	\$ —	\$ —
State .....	1,552	1,404
	<u>1,552</u>	<u>1,404</u>
Deferred expense (benefit):		
Federal .....	(205,713)	1,590
State .....	(18,354)	(787)
	<u>(224,067)</u>	<u>803</u>
Income tax expense (benefit) .....	<u>\$ (222,515)</u>	<u>\$ 2,207</u>

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The income tax expense (benefit) attributable to the Company's operations differs from the amount derived by applying the statutory federal rate to pretax income principally due to the effect of the following items:

	Years Ended December 31,	
	2020	2019
Federal tax expense at statutory rate.....	\$ 1,561	\$ 1,027
State income taxes, net of federal impact.....	(1,507)	833
Remeasurement of net deferred tax liability in connection with Legal Entity Conversion.....	(232,807)	—
Changes in the state rates used to measure deferred taxes, net of federal impact.....	(89)	(483)
Other non-deductible expenses.....	167	859
Write-off of NOLs due to Legal Entity Conversion.....	10,160	—
Other, net.....	—	(29)
Income tax expense (benefit).....	<u>\$ (222,515)</u>	<u>\$ 2,207</u>

The tax effects of temporary differences which give rise to significant portions of deferred tax assets or liabilities and the corresponding valuation allowance at December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
<i>Noncurrent</i>		
NOLs and tax credit carry forwards.....	\$ —	\$ 19,977
Compensation and benefit plans.....	186	1,125
Other.....	311	2,780
Deferred tax asset.....	<u>497</u>	<u>23,882</u>
Valuation allowance.....	—	—
Net deferred tax asset, noncurrent.....	<u>497</u>	<u>23,882</u>
Property, plant, equipment and intangibles.....	7,930	251,179
Deferred commission expense.....	114	3,297
Other.....	247	1,267
Deferred tax liability, noncurrent.....	<u>8,291</u>	<u>255,743</u>
Total net deferred tax liability.....	<u>\$ 7,794</u>	<u>\$ 231,861</u>

Due to the Legal Entity Conversion, Cablevision Lightpath LLC is deemed a partnership for income tax purposes. Pursuant to the Legal Entity Conversion, the net operating loss carryforwards under Cablevision Lightpath, Inc. (a corporation) will not carry forward to the partnership.

Management has evaluated the realizability of the deferred tax assets and the need for a valuation allowance for the Company, on a stand-alone basis. As future taxable income that will result from the reversal of existing taxable temporary differences for which deferred tax liabilities are recognized is sufficient it was concluded that it is more likely than not that the Company will realize all of its gross deferred tax assets.

As part of Altice USA's combined federal and state income tax filings, or the separately filed state of New Jersey income tax filing, management believes the tax positions taken by the Company will more likely than not be sustained by the taxing authorities on audit. As a result, no unrecognized tax benefits have been recorded by the Company for the periods presented. The state of New Jersey is currently auditing the Company's returns for the tax years 2014 through 2017. Management does not believe that the resolution of the ongoing income tax examination will have a material adverse impact on the financial position of the Company.

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**NOTE 11. AFFILIATE AND RELATED PARTY TRANSACTIONS**

The Company is a majority-owned indirect subsidiary of Altice USA, which is controlled by Patrick Drahi who is also the controlling stockholder of other entities. In connection with the operation of its business, the Company receives certain services from and provides certain services to affiliates, primarily Altice USA and its subsidiaries.

As the transactions discussed below were conducted between entities under common control, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations. It is not practicable to determine whether the amounts charged for such services represent amounts that it might have incurred on a standalone basis. Management believes that the assumptions underlying the allocations of corporate general and administration expenses from Altice USA are reasonable.

The following table summarizes the revenue and charges related to services provided to or received from affiliates and related parties:

	Years Ended December 31,	
	2020	2019
Revenue.....	\$ 4,815	\$ 4,615
Operating expenses:		
Direct costs.....	(541)	(550)
Other operating expenses, net:		
Technical and network support personnel.....	(19,257)	(21,577)
Corporate overhead and support.....	(14,664)	(15,172)
Network support services.....	(5,811)	(6,930)
Health and welfare plans.....	(3,675)	(4,411)
401(k) plan.....	(1,165)	(1,326)
Share-based compensation.....	(6,581)	(5,553)
Capitalized costs.....	14,578	15,704
Marketing and sales costs charged to affiliates.....	4,051	3,733
	<u>(32,524)</u>	<u>(35,532)</u>
Total operating expenses.....	<u>(33,065)</u>	<u>(36,082)</u>
Interest expense.....	(10,628)	(29,559)
Other expense.....	(70)	(444)
Net charges.....	<u>\$ (38,948)</u>	<u>\$ (61,470)</u>
Capital expenditures.....	<u>\$ 13,513</u>	<u>\$ 16,286</u>

*Revenue*

Revenue amounts reflected in the table above relate to certain technical services provided primarily to Altice USA, including Ethernet, multiplexing and usage.

*Direct Costs*

Direct costs relate to data usage and call completion charged to the Company by its affiliates.

*Technical and Network Support Personnel*

The Company was charged for salaries and benefits of technical and network support personnel of Altice USA who performed services exclusively for the Company based upon actual costs incurred by Altice USA.

*Corporate Overhead and Support*

Through November 30, 2020, certain operating costs, including overhead and common support function costs (such as human resources, legal, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs were charged by Altice USA to the Company generally based upon revenue of the Company in relation

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to the consolidated revenue of Altice USA or square footage. Subsequent to the closing of the Lightpath Transaction (see Note 1), charges for these services were based on an estimated level of effort and actual costs incurred by Altice USA as outlined in the ("TSA") entered into with Altice USA.

*Network Support Services*

The Company was charged for network support services for the years ended December 31, 2020 and 2019 which were based on the percentage of the Company's usage of the affiliate's network. Subsequent to the closing of the Lightpath Transaction (see Note 1), the Company was charged a fixed fee per fiber route mile as outlined in the TSA.

*Health and Welfare Plans*

Employees of the Company participate in health and welfare plans sponsored by Altice USA. Health and welfare benefit costs have generally been charged by Altice USA to the Company based upon the proportionate number of participants in the plans.

*401(k) Savings Plan*

Altice USA sponsors a qualified defined contribution 401(k) savings plan and a nonqualified excess savings plan in which certain employees of the Company participate. The Company makes matching contributions for a portion of employee voluntary contributions. Amounts in the table above reflect total expense related to these plans.

*Share-based Compensation*

For the years ended December 31, 2020 and 2019, Altice USA charged the Company for its proportionate share of expenses related to Altice USA's employee share-based incentive plan. In addition, certain employees of the Company received awards of units in a Carry Unit Plan of an entity which has an ownership interest in Altice USA. The awards generally vested as follows: 50% on the second anniversary of June 21, 2016 ("Base Date"), 25% on the third anniversary of the Base Date, and 25% on the fourth anniversary of the Base Date. Prior to the fourth anniversary, Altice USA had the right to repurchase vested awards held by employees upon their termination. Beginning on the fourth anniversary of the Base Date, the holders of carry units had an annual opportunity (a sixty day period determined by the administrator of the plan) to sell their units back to Altice USA. Accordingly, the carry units are presented as temporary equity on the consolidated balance sheets at fair value. Adjustments to fair value at each reporting period are recorded in paid in capital.

For the years ended December 31, 2020 and 2019, the Company recognized an expense of \$6,581 and \$5,553, respectively, related to the push down of share-based compensation. These charges include costs related to the Company's employees of \$1,931 and \$1,387, respectively, and an allocation of costs related to Altice USA corporate employees of \$4,650 and \$4,166, respectively for the years ended December 31, 2020 and 2019. The allocated costs were based upon revenue of the Company in relation to the consolidated revenue of Altice USA. As of the date of the Lightpath Transaction, the Company no longer receives an allocation of costs related to Altice USA corporate employees.

*Capitalized Costs*

Amounts in the table above reflect the portion of the costs allocated to the Company that were capitalized and reflected as property, plant and equipment.

*Marketing and Sales Costs Charged to Affiliates*

Other operating expenses include an allocation of costs to affiliates for marketing and sales costs which were based on management's estimate of the level of effort to support affiliate services, through the date of the Lightpath Transaction, and for commissions paid to the Company's employees for the sale of affiliate services.

*Interest Expense*

For the years ended December 31, 2020 and 2019, the Company recognized interest expense related to a promissory note payable to an indirect subsidiary of Altice USA (see discussion below).

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*Other Expense*

Altice USA sponsors a non-contributory qualified defined benefit cash balance pension plan and a noncontributory non-qualified defined benefit excess cash balance plan in which the benefits earned by the Company's participants are "frozen", although these participants continue to earn interest credits on benefits earned prior to being frozen. Amounts in the table above reflect total expense related to these plans allocated to the Company. The Company does not provide post-retirement benefits for any of its employees.

*Capital Expenditures*

Certain Altice USA employees perform network construction activities for the Company. For the years ended December 31, 2020 and 2019, \$14,578 and \$15,704, respectively, of these costs allocated to the Company were capitalized and reflected as property, plant and equipment. Additionally, the Company recorded capital expenditures (credits) of \$(1,065) and \$582 for the years ended December 31, 2020 and 2019, respectively, primarily related to fiber assets acquired from Altice USA.

Aggregate amounts that were due from and due to related parties are summarized below:

	December 31,	
	2020	2019
Due from affiliates, current .....	\$ 8,323	\$ —
Due to affiliates, current .....	\$ (18,574)	\$ —
Note payable to affiliate, long-term .....	\$ —	\$ (870,615)

In December 2007, the Company entered into a promissory note agreement with an indirect subsidiary of Altice USA. The principal value of the note was \$468,000 and was due to mature on December 11, 2022. Interest was calculated based on the weighted cost of capital of Altice USA or its predecessor. The cumulative balance of the note payable to affiliate, long term, was \$870,615 at December 31, 2019, which included accrued interest of \$402,615. In June 2020, the amount payable pursuant to this promissory note of \$881,243 was forgiven and recorded as a capital contribution.

*Dividends and Distributions*

The Company made cash distributions of \$1,547,013 and \$109,215 to Altice USA, during the years ended December 31, 2020 and 2019, respectively. The distributions in 2020 were funded from proceeds from the issuance of long-term debt (see Note 8) and cash generated from operations. The distributions in 2019 were funded with cash generated from operations.

*Contributions*

During 2020, the Company received cash contributions of \$25,000 from its parent entity.

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**NOTE 12. COMMITMENTS AND CONTINGENCIES**

**Commitments**

Future cash payments and commitments required under arrangements pursuant to contracts entered into by the Company in the normal course of business as of December 31, 2020 are as follows:

	Payments Due by Period				
	Total	Year 1	Years 2-3	Years 4-5	More than 5 years
Off balance sheet arrangements:					
Purchase obligations (a).....	\$ 34,070	\$ 18,000	\$ 11,085	\$ 4,782	\$ 203
Guarantees (b).....	2,465	2,465	—	—	—
	<u>\$ 36,535</u>	<u>\$ 20,465</u>	<u>\$ 11,085</u>	<u>\$ 4,782</u>	<u>\$ 203</u>

(a) Purchase obligations primarily include minimum purchase obligations to purchase goods or services.

(b) Includes franchise and performance surety bonds. Payments due by period for these arrangements represent the year in which the commitment expires.

Many of the Company's franchise agreements and utility pole leases require the Company to remove its cable wires and other equipment upon termination of the respective agreements. The Company has concluded that the fair value of these asset retirement obligations cannot be reasonably estimated since the range of potential settlement dates is not determinable.

The table above does not include obligations for rent related to utility poles used in its operations. The Company's pole rental agreements are for varying terms, and management anticipates renewals as they expire. Rent expense incurred for pole rental attachments for the years ended December 31, 2020 and 2019 was \$1,717 and \$1,761, respectively.

**Legal Matters**

On November 6, 2018, Sprint Communications Company L.P ("Sprint") filed a complaint in the U.S. District Court for the District of Delaware alleging that Altice USA's and the Company's products infringe Sprint's patents purportedly by providing Voice over Internet Protocol ("VoIP") services. The lawsuits are part of a pattern of litigation that was initiated as far back as 2005 by Sprint against numerous broadband and telecommunications providers, which has resulted in judgments and settlements of significant value for Sprint. Altice USA intends to vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due, but an allocation of liability from Altice USA to the Company in this matter could be material to the Company's consolidated results of operations or cash flows for any one reporting period.

In January 2019, Phone Recovery Services, LLC filed a New Jersey False Claims Act complaint against numerous telephone providers in New Jersey, including the Company, asserting knowing underpayment of 911 and Emergency Response fees. The Company, together with the other defendants, filed a motion to dismiss on March 22, 2019. The motion to dismiss was granted on September 10, 2019, and on October 15, 2020, the New Jersey Appellate Division affirmed dismissal of the claims based upon the New Jersey Tax Procedure Act, but remanded to allow for re-pleading on other grounds. On February 26, 2021, plaintiff filed a voluntary dismissal of the complaint without prejudice.. In October 2019, Phone Administrative Services Inc. filed a New York False Claims Act complaint against numerous telephone providers in New York, including the Company, asserting knowing underpayment of 911 and Emergency Response fees. Defendants filed a motion to dismiss on February 14, 2020. In response to the motion, plaintiff's counsel advised that it would amend the complaint and the parties agreed to hold the motion in abeyance until the complaint was amended. To date, plaintiff's counsel has not amended the complaint. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's

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results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

In connection with the Lightpath Transaction, an affiliate of Altice USA agreed to indemnify the Company and Lightpath Holdings for liabilities incurred by them that are related to the above listed matters, in addition to certain other matters, and that exceed \$10,000 in the aggregate.

Altice USA and the Company receive notices from third parties and, in some cases, are named as defendants in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. In the event that the Company is found to infringe on any patent rights, the Company may be subject to substantial damages liability or royalty payments (whether directly or through an allocation of liability between Altice USA and the Company, to the extent of Company's liability), or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers (or a combination of damages/royalty payments and an injunction). The Company believes that the claims are without merit, but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, Altice USA and the Company are party to various lawsuits, disputes and investigations, some of which may involve claims for substantial damages, fines or penalties. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits, or an allocation of liability from Altice USA to the Company related thereto, will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

**NOTE 13. SUBSEQUENT EVENTS**

The Company has updated its review of subsequent events as of March 29, 2021 (the date available for issuance) noting no events that require disclosure.