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**CABLEVISION LIGHTPATH LLC**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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

	September 30, 2023 (Unaudited)	December 31, 2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents .....	\$ 19,700	\$ 100,174
Accounts receivable, trade (less allowance for doubtful accounts of \$2,064 and \$2,583, respectively) .....	13,276	11,744
Prepaid expenses and other current assets (\$1,125 and \$1,591 due from affiliates, respectively) .....	25,710	16,037
Total current assets .....	58,686	127,955
Property, plant and equipment, net of accumulated depreciation of \$755,946 and \$724,552, respectively .....	840,895	714,849
Right-of-use operating lease assets .....	24,413	24,364
Other assets .....	10,854	6,170
Derivative contracts .....	19,958	12,725
Amortizable intangibles, net of accumulated amortization of \$251,578 and \$235,798, respectively .....	110,716	126,496
Indefinite-lived franchise costs .....	340,000	340,000
Goodwill .....	105,894	105,894
Total assets .....	\$ 1,511,416	\$ 1,458,453
<b>LIABILITIES AND TOTAL DEFICIENCY</b>		
Current Liabilities:		
Accounts payable .....	\$ 22,819	\$ 16,018
Interest payable .....	4,176	14,215
Accrued employee related costs .....	9,984	9,341
Amounts due to affiliates .....	38,619	31,165
Deferred revenue .....	4,263	1,869
Debt .....	6,000	6,000
Other current liabilities .....	10,614	12,065
Total current liabilities .....	96,475	90,673
Other liabilities .....	23,571	21,034
Deferred tax liability, net .....	3,564	4,575
Long-term debt, net of current maturities .....	1,419,710	1,420,614
Total liabilities .....	1,543,320	1,536,896
Commitments and contingencies (Note 11)		
Member's deficiency .....	(31,904)	(78,443)
	\$ 1,511,416	\$ 1,458,453

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenue (including revenue from affiliates of \$915, \$1,477, \$5,031 and \$5,119, respectively. See Note 10) ..	\$ 98,456	\$ 96,824	\$ 291,969	\$ 292,909
Operating expenses:				
Direct costs (including charges from affiliates of \$80, \$212, \$277 and \$615, respectively. See Note 10).....	11,232	4,460	20,481	30,466
Other operating expenses (including charges from affiliates of \$5,055, \$4,954, \$16,778 and \$17,066, respectively. See Note 10).....	30,014	31,453	91,649	94,581
Restructuring expense and other operating items.....	44	—	57	635
Depreciation and amortization.....	22,990	24,507	72,014	74,693
	<u>64,280</u>	<u>60,420</u>	<u>184,201</u>	<u>200,375</u>
Operating income.....	<u>34,176</u>	<u>36,404</u>	<u>107,768</u>	<u>92,534</u>
Other expense:				
Interest expense, net.....	(24,003)	(19,352)	(69,044)	(53,760)
Gain on interest rate swap contracts, net.....	7,011	12,079	14,222	12,376
Other expense (See Note 10).....	(60)	(42)	(182)	(63)
	<u>(17,052)</u>	<u>(7,315)</u>	<u>(55,004)</u>	<u>(41,447)</u>
Income before income taxes.....	17,124	29,089	52,764	51,087
Income tax benefit (expense).....	(63)	(172)	727	(375)
Net income.....	<u>\$ 17,061</u>	<u>\$ 28,917</u>	<u>\$ 53,491</u>	<u>\$ 50,712</u>
Comprehensive income.....	<u>\$ 17,061</u>	<u>\$ 28,917</u>	<u>\$ 53,491</u>	<u>\$ 50,712</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBER'S DEFICIENCY**  
(In thousands)  
(Unaudited)

	<u>Member's Deficiency</u>
Balance at January 1, 2023 .....	\$ (78,443)
Net income .....	9,949
Share-based compensation .....	2
Distributions to its parent entity .....	<u>(2,207)</u>
Balance at March 31, 2023 .....	(70,699)
Net income .....	26,481
Distributions to its parent entity .....	<u>(4,747)</u>
Balance at June 30, 2023 .....	(48,965)
Net income .....	<u>17,061</u>
Balance at September 30, 2023 .....	<u><u>\$ (31,904)</u></u>
Balance at January 1, 2022 .....	\$ (120,317)
Net income .....	10,384
Share-based compensation .....	<u>25</u>
Balance at March 31, 2022 .....	(109,908)
Net income .....	11,411
Share-based compensation .....	<u>24</u>
Balance at June 30, 2022 .....	(98,473)
Net income .....	28,917
Share-based compensation .....	<u>21</u>
Balance at September 30, 2022 .....	<u><u>\$ (69,535)</u></u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income .....	\$ 53,491	\$ 50,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	72,014	74,693
Share-based compensation .....	2	33
Deferred income taxes .....	(1,011)	58
Decrease in right-of-use assets .....	6,003	5,630
Amortization of deferred financing costs .....	3,596	3,464
Provision for doubtful accounts .....	16	516
Change in assets and liabilities:		
Accounts receivable, trade .....	(1,548)	896
Prepaid expenses and other assets .....	(14,807)	(4,342)
Amounts due to affiliates .....	7,920	2,518
Accounts payable .....	4,696	1,138
Accrued liabilities .....	(15,395)	(11,849)
Deferred revenue .....	3,411	3,894
Interest rate swap contracts .....	(7,233)	(13,251)
Net cash provided by operating activities .....	<u>111,155</u>	<u>114,110</u>
Cash flows from investing activities:		
Capital expenditures .....	(180,180)	(90,579)
Other .....	5	2
Net cash used in investing activities .....	<u>(180,175)</u>	<u>(90,577)</u>
Cash flows from financing activities:		
Repayment of debt .....	(4,500)	(4,500)
Distributions to its parent entity .....	(6,954)	—
Net cash used in financing activities .....	<u>(11,454)</u>	<u>(4,500)</u>
Net increase (decrease) in cash and cash equivalents .....	(80,474)	19,033
Cash and cash equivalents at beginning of year .....	100,174	73,457
Cash and cash equivalents at end of period .....	<u>\$ 19,700</u>	<u>\$ 92,490</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in thousands)**  
**(Unaudited)**

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

**The Company and Related Matters**

Cablevision Lightpath LLC (together with its subsidiaries, the "Company") provides Ethernet, data transport, IP-based virtual private networks, Internet access, telephony services, including SIP trunking and VoIP services to the business market primarily in the New York, Boston and Miami metropolitan areas. We also provide managed services to businesses, including hosted telephony services, managed WiFi, managed desktop and server backup and managed collaboration services including audio and web conferencing. Additionally, we offer fiber-to-the-tower services to wireless carriers. The direct parent of the Company, Lightpath Holdings LLC ("Lightpath Holdings") is owned 49.99% by Morgan Stanley Infrastructure Partners ("MSIP") and 50.01% by Altice USA, Inc. ("Altice USA") who also maintains control of the Company. The Company classifies its operations in one segment.

**NOTE 2. 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. Subsequent to the closing of MSIP's purchase of its 49.99% interest in the direct parent of the Company on December 1, 2020 (the "Lightpath Transaction"), charges for certain services provided by Altice USA to the Company are outlined in a services agreement entered into with Altice USA (see Note 10 for a description of the services provided). 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.

The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2022.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2023.

The financial statements presented in this report are unaudited; however, in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented.

**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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)  
(Unaudited)

**NOTE 3. REVENUE**

The following table presents the composition of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Ethernet .....	\$ 84,313	\$ 83,093	\$ 252,550	\$ 248,014
Managed services .....	6,704	7,043	20,150	20,998
Time-division multiplexing ("TDM") services .....	2,149	2,234	6,540	7,186
Other .....	5,290	4,454	12,729	16,711
<b>Total revenue</b> .....	<b>\$ 98,456</b>	<b>\$ 96,824</b>	<b>\$ 291,969</b>	<b>\$ 292,909</b>

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, unless they are paid in advance in which case, they are recognized through actual termination dates. In certain instances, upon expiration of a contract and prior to its renewal, we continue to provide services on a month to month basis. 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 customers are recorded as revenue. For the three and nine months ended September 30, 2023, the amount of these non-income related taxes and fees included as a component of revenue aggregated \$3,812 and \$12,983, respectively, and for the three and nine months ended September 30, 2022, the amount aggregated \$5,583 and \$15,299, respectively.

**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. Deferred enterprise commission costs related to customers are deferred and amortized over the average contract term. These are included in other current and noncurrent assets in the accompanying consolidated balance sheets and totaled \$13,287 and \$11,564 as of September 30, 2023 and December 31, 2022, respectively.

**NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Nine Months Ended September 30,	
	2023	2022
<u>Non-Cash Investing and Financing Activities:</u>		
Property and equipment accrued but unpaid .....	\$ 14,532	\$ 7,472
<u>Supplemental Data:</u>		
Interest paid, net .....	77,483	60,558
Income taxes paid .....	330	148



**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)  
(Unaudited)

**NOTE 5. INTANGIBLE ASSETS**

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

	As of September 30, 2023			As of December 31, 2022			Estimated Useful Lives
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships .....	\$ 302,294	\$ (191,578)	\$ 110,716	\$ 302,294	\$ (175,798)	\$ 126,496	3 to 18 years
Trade names .....	60,000	(60,000)	—	60,000	(60,000)	—	4 years
	<u>\$ 362,294</u>	<u>\$ (251,578)</u>	<u>\$ 110,716</u>	<u>\$ 362,294</u>	<u>\$ (235,798)</u>	<u>\$ 126,496</u>	

Amortization expense for the three and nine months ended September 30, 2023 aggregated \$4,920 and \$15,780, respectively, and for the three and nine months ended September 30, 2022 aggregated \$5,454 and \$17,383, respectively.

**NOTE 6. DEBT**

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

	Date Issued	Maturity Date	Interest Rate	September 30, 2023		December 31, 2022	
				Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
Senior Notes .....	September 29, 2020	September 15, 2028	5.625 %	\$ 415,000	\$ 408,867	\$ 415,000	\$ 408,090
Senior Secured Notes .....	September 29, 2020	September 15, 2027	3.875 %	450,000	444,061	450,000	443,046
Term Loan .....	November 30, 2020	November 30, 2027	8.697 %	583,500	572,782	588,000	575,478
Revolving Credit Facility	—	November 30, 2025	(b)	—	—	—	—
				<u>1,448,500</u>	<u>1,425,710</u>	<u>1,453,000</u>	<u>1,426,614</u>
Less: current portion of credit facility debt .....				<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>
Long-term debt, net of current maturities .....				<u>\$ 1,442,500</u>	<u>\$ 1,419,710</u>	<u>\$ 1,447,000</u>	<u>\$ 1,420,614</u>

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

(b) There were no borrowings outstanding under the Company's revolving credit facility which provides for commitments in an aggregate principal amount of \$100,000.

**Credit Facility**

In June 2023, the Company entered into an amendment (the "First Amendment") under its existing credit facility agreement to replace LIBOR-based benchmark rates with secured overnight financing rate ("SOFR")-based benchmark rates. The First Amendment provides for interest on borrowings under its term loan and revolving credit facility to be calculated for any (i) SOFR loan, at a rate per annum equal to the Term SOFR (plus spread adjustments of 0.11448%, 0.26161% and 0.42826% for interest periods of one, three and six months, respectively) or (ii) the alternate base rate loan, at the alternative base rate as applicable, plus the applicable margin in each case, where the applicable margin is 2.25% per annum with respect to any alternate base rate loan and 3.25% per annum with respect to any SOFR loan.

The Company's credit facility agreement contains certain customary representations and warranties, affirmative covenants, and events of default (including, among others, an event of default upon a change of control). If an event

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(Dollars in thousands)**  
**(Unaudited)**

of default occurs, the lenders under the credit facilities will be entitled to take various actions, including the acceleration of amounts due under the credit facility and all actions permitted to be taken by a secured creditor.

As of September 30, 2023, the Company was in compliance with applicable financial covenants under its credit facility and with applicable financial covenants under the indentures by which the senior secured notes and senior notes were issued.

*Summary of Debt Maturities*

The future maturities of debt payable by the Company under its various debt obligations outstanding as of September 30, 2023 are as follows:

<u>Years Ending December 31,</u>	
2023 .....	\$ 1,500
2024 .....	6,000
2025 .....	6,000
2026 .....	6,000
2027 .....	1,014,000
Thereafter .....	415,000

**NOTE 7. DERIVATIVES**

*Interest Rate Swap Contracts*

To manage interest rate risk, the Company entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are not designated as hedges for accounting purposes and are carried at their fair market values on our consolidated balance sheets, with changes in fair value reflected in the consolidated statements of operations.

In April 2023, the Company entered into an interest rate swap contract, effective June 2023, on a notional amount of \$180,000, whereby the Company pays interest of 3.523% through December 2026 and receives interest based on the one-month SOFR.

In connection with the phase-out of LIBOR as of June 30, 2023, the Company entered into an amendment to its existing \$300,000 interest rate swap contract maturing in December 2026 that transitioned the reference rates from LIBOR to SOFR. Prior to the amendment, the Company paid interest of 2.161% while receiving interest based on one month LIBOR. During the third quarter of 2023, the Company began to pay interest of 2.11% while receiving interest based on one-month SOFR.

For the three and nine months ended September 30, 2023, the Company recorded a gain on its interest rate swap contracts of \$7,011 and \$14,222, respectively. For the three and nine months ended September 30, 2022, the Company recorded a gain of \$12,079 and \$12,376, respectively.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)  
(Unaudited)

**NOTE 8. 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 Company's money market funds of \$9,500 and \$94,297 as of September 30, 2023 and December 31, 2022, respectively, are recorded as cash equivalents and classified within Level I of the fair value hierarchy because they are valued using quoted market prices.

The Company's interest rate swap contracts are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility. When appropriate, these valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit risk considerations. Such adjustments are generally based on available market evidence. Since model inputs can generally be verified and do not involve significant management judgment, the Company has concluded that these instruments should be classified within Level II of the fair value hierarchy.

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.

*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	September 30, 2023		December 31, 2022	
		Carrying Amount (a)	Estimated Fair Value	Carrying Amount (a)	Estimated Fair Value
Credit facility debt .....	Level II	572,782	\$ 583,500	\$ 575,478	\$ 588,000
Senior secured notes .....	Level II	444,061	378,563	443,046	373,500
Senior notes .....	Level II	408,867	319,550	408,090	298,800
		<u>\$ 1,425,710</u>	<u>\$ 1,281,613</u>	<u>\$ 1,426,614</u>	<u>\$ 1,260,300</u>

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

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.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)  
(Unaudited)

**NOTE 9. INCOME TAXES**

The Company is not 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 accompanying statements of operations. However, the Company is subject to New York City Unincorporated Business Tax ("NYC UBT"). The Company recorded income tax (expense) benefit of \$(63) and \$727 on pre-tax income of \$17,124 and \$52,764 for the three and nine months ended September 30, 2023, respectively, and an income tax expense of \$(172) and \$(375) on pretax income of \$29,089 and \$51,087 for the three and nine months ended September 30, 2022, respectively. The income tax benefit for the nine months ended September 30, 2023 is due to the remeasurement of the net deferred tax liability.

**NOTE 10. 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 costs related to services provided to or received from affiliates and related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue .....	\$ 915	\$ 1,477	\$ 5,031	\$ 5,119
Operating expenses:				
Direct costs .....	(80)	(212)	(277)	(615)
Other operating expenses, net:				
Technical and network support personnel .....	(295)	(290)	(905)	(1,155)
Corporate overhead and support .....	(2,249)	(3,231)	(9,021)	(9,424)
Network support services .....	(2,419)	(1,629)	(6,087)	(4,795)
Health and welfare plans .....	(1,935)	(847)	(5,120)	(4,418)
401(k) plan .....	(631)	(604)	(2,137)	(1,920)
Share-based compensation .....	—	(8)	(2)	(33)
Capitalized costs .....	2,474	1,655	6,494	4,679
	<u>(5,055)</u>	<u>(4,954)</u>	<u>(16,778)</u>	<u>(17,066)</u>
Total operating expenses .....	<u>(5,135)</u>	<u>(5,166)</u>	<u>(17,055)</u>	<u>(17,681)</u>
Other expense .....	(60)	(42)	(182)	(63)
Net charges .....	<u>\$ (4,280)</u>	<u>\$ (3,731)</u>	<u>\$ (12,206)</u>	<u>\$ (12,625)</u>
Capital expenditures .....	<u>\$ 2,474</u>	<u>\$ 4,901</u>	<u>\$ 6,494</u>	<u>\$ 8,754</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 costs charged to the Company by its affiliates.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(Dollars in thousands)**  
**(Unaudited)**

*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*

Certain operating costs are charged by Altice USA to the Company, 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 based on an estimated level of effort and actual costs incurred by Altice USA as outlined in a services agreement entered into with Altice USA. These charges are net of amounts charged to Altice USA for services provided by the Company of \$1,010 for the three and nine months ended September 30, 2023 related to certain billing software support.

*Network Support Services*

The Company was charged a fixed fee per fiber route mile as outlined in a services agreement entered into with Altice USA.

*Health and Welfare Plans*

Employees of the Company participate in health and welfare plans sponsored by Altice USA. Health and welfare benefit costs are generally 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 the total expense related to these plans for Company employees.

*Share-based Compensation*

Altice USA charged the Company for share-based compensation related to awards granted to Company employees pursuant to Altice USA's long term incentive plan.

*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.

*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". Amounts in the table above reflect total expense or benefit allocated to the Company related to these plans. The Company does not provide post-retirement benefits for any of its employees.

*Capital Expenditures*

Certain Altice USA employees performed network construction activities for the Company. For the three and nine months ended September 30, 2023, \$2,474 and \$6,494, respectively, and for the three and nine months ended September 30, 2022, \$1,655 and \$4,679, respectively, of costs allocated to the Company were capitalized and reflected as property, plant and equipment. Additionally, the Company recorded capital expenditures of \$3,245 and \$4,074 for the three and nine months ended September 30, 2022, respectively, primarily related to fiber assets acquired from Altice USA.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)  
(Unaudited)

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

	September 30, 2023	December 31, 2022
Due from affiliates, current .....	\$ 1,125	\$ 1,591
Due to affiliates, current .....	\$ (38,619)	\$ (31,165)

*Equity Contributions and Distributions*

For the nine months ended September 30, 2023, the Company recorded equity distributions to its parent amounting to \$6,954.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

In 2014, plaintiff Phone Administrative Services Inc. filed a New York False Claims Act complaint against numerous telephone providers in New York asserting knowing underpayment of 911 and Emergency Response fees. In October 2019, plaintiff filed a Second Amended Complaint that added the Company as a defendant. Defendants filed a motion to dismiss on February 14, 2020. In response to the motion, plaintiff's counsel advised that it would again amend the complaint and the parties agreed to hold the motion in abeyance until the complaint was amended. Plaintiff filed its Third Amended Complaint on or about April 29, 2021 and its Fourth Amended Complaint on May 19, 2021. Defendants moved to dismiss that complaint; the Court denied that motion with a limited exception on March 11, 2022. On September 4, 2022, plaintiff served its Fifth Amended Complaint and, on February 20, 2023, plaintiff served its Sixth Amended Complaint. 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.

In connection with 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 matter, in addition to certain other matters, and that exceed \$10,000 in the aggregate.

In addition to the matters discussed above, Altice USA and the Company are party to various other 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 operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

**NOTE 12. MANAGEMENT INCENTIVE PLAN**

In the third quarter of 2021, Lightpath Management Incentive Aggregator LLC ("LMIA") established a Management Incentive Plan (the "Lightpath Plan") for the benefit of employees of Lightpath by issuing equity interests in LMIA which holds an equivalent number of equity interests in Lightpath Holdings, the parent of Lightpath. These equity interests allow employees to participate in the long-term growth of Lightpath. The Lightpath Plan provides for an aggregate of 650,000 Class A-1 management incentive units and 350,000 Class A-2 management incentive units for issuance.

As of September 30, 2023, 493,890 Class A-1 management incentive units and 278,897 Class A-2 management incentive units ("Award Units") granted to certain employees of the Company were outstanding. Vested units will be redeemed upon a partial exit, a change in control or the completion of an initial public offering, as defined in the Lightpath Holdings LLC agreement. The grant date fair value of the Award Units granted and outstanding aggregated \$31,895 as of September 30, 2023 and will be expensed in the period in which a partial exit or a liquidity event is consummated.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(Dollars in thousands)**  
**(Unaudited)**

**NOTE 13.      SUBSEQUENT EVENTS**

The Company has updated its review of subsequent events as of November 14, 2023 (the date available for issuance) noting no events that require disclosure.

## 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 its indirect subsidiary, CSC Holdings LLC ("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;
- 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 in our Annual Report for the year ended December 31, 2022.

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 SIP trunking and VoIP services to the business market primarily in the New York, Boston and Miami metropolitan areas. We also provide managed services to businesses, including hosted telephony services, managed WiFi, managed desktop and server backup and managed collaboration services including audio and web conferencing. Additionally, we offer fiber-to-the-tower services to wireless carriers. 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 September 30, 2023, we had approximately 14,700 locations connected to our fiber network, which currently includes approximately 21,100 route miles (comprised of aerial, underground and intra-building, as well as in-process route miles). These route miles include approximately 10,700 owned route miles and approximately 10,400 route miles pursuant to an IRU from Altice Service Provider and approximately one million fiber miles (i.e., route miles multiplied by the number of fiber strands within each cable sheath; "fiber miles"). Our fiber network as of September 30, 2023 excludes an approximate 8,700 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 Inc., Lumen Technologies, Inc., Frontier Communications Corporation and Verizon Communications Inc, 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.

## **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, gain (loss) on interest rate swap contracts, interest expense, net, depreciation and

amortization, share-based compensation, restructuring expense and other operating items (such as significant legal settlements, contractual payments for terminated employees, and impairments). See reconciliation of net income to Adjusted EBITDA below.

Adjusted EBITDA eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of our business and from intangible assets recognized from acquisitions, as well as certain non-cash and other operating items that affect the period-to-period comparability of our operating performance. In addition, Adjusted EBITDA is unaffected by our capital and tax structures and by our investment activities.

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 two of several benchmarks used by investors, analysts and peers for comparison of performance in our industry, although they may not be directly comparable to similar measures reported by other companies.

## Results of Operations

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	(Unaudited)			
<b>Revenue:</b>				
Ethernet .....	\$ 84,313	\$ 83,093	\$ 252,550	\$ 248,014
Managed services .....	6,704	7,043	20,150	20,998
Time-division multiplexing ("TDM") services ..	2,149	2,234	6,540	7,186
Other .....	5,290	4,454	12,729	16,711
<b>Total revenue</b> .....	<b>98,456</b>	<b>96,824</b>	<b>291,969</b>	<b>292,909</b>
<b>Operating expenses:</b>				
Direct costs .....	11,232	4,460	20,481	30,466
Other operating expenses .....	30,014	31,453	91,649	94,581
Restructuring expense and other operating items .....	44	—	57	635
Depreciation and amortization .....	22,990	24,507	72,014	74,693
<b>Operating income</b> .....	<b>34,176</b>	<b>36,404</b>	<b>107,768</b>	<b>92,534</b>
Other expense:				
Interest expense, net .....	(24,003)	(19,352)	(69,044)	(53,760)
Gain on interest rate swap contracts, net .....	7,011	12,079	14,222	12,376
Other expense .....	(60)	(42)	(182)	(63)
<b>Income before income taxes</b> .....	<b>17,124</b>	<b>29,089</b>	<b>52,764</b>	<b>51,087</b>
Income tax benefit (expense) .....	(63)	(172)	727	(375)
<b>Net income</b> .....	<b>\$ 17,061</b>	<b>\$ 28,917</b>	<b>\$ 53,491</b>	<b>\$ 50,712</b>

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	(Unaudited)			
Net income .....	\$ 17,061	\$ 28,917	\$ 53,491	\$ 50,712
Income tax expense (benefit) .....	63	172	(727)	375
Other expense .....	60	42	182	63
Gain on interest rate swap contracts, net .....	(7,011)	(12,079)	(14,222)	(12,376)
Interest expense, net .....	24,003	19,352	69,044	53,760
Depreciation and amortization .....	22,990	24,507	72,014	74,693
Restructuring expense and other operating items ..	44	—	57	635
Share-based compensation .....	—	9	2	33
<b>Adjusted EBITDA</b> .....	<b>57,210</b>	<b>60,920</b>	<b>179,841</b>	<b>167,895</b>
Capital expenditures (cash) .....	53,515	35,817	180,180	90,579
<b>Operating Free Cash Flow (Deficit)</b> .....	<b>\$ 3,695</b>	<b>\$ 25,103</b>	<b>\$ (339)</b>	<b>\$ 77,316</b>

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	(Unaudited)			
<b>Net cash flows from operating activities</b> .....	<b>\$ 39,279</b>	<b>\$ 37,142</b>	<b>\$ 111,155</b>	<b>\$ 114,110</b>
Capital expenditures (cash) .....	53,515	35,817	180,180	90,579
<b>Free Cash Flow (Deficit)</b> .....	<b>\$ (14,236)</b>	<b>\$ 1,325</b>	<b>\$ (69,025)</b>	<b>\$ 23,531</b>

## Comparison of Results for the Three and Nine Months Ended September 30, 2023 as compared to the Three and Nine Months Ended September 30, 2022

### Revenue

Revenue for the three and nine months ended September 30, 2023 and 2022 was \$98,456 and \$291,969, while revenue for the three and nine months ended September 30, 2022 was \$96,824 and \$292,909, 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 and carrier customers. Other revenue includes contract termination fees, indefeasible right to use ("IRU") contract fees, and fees for usage, access, installation, and other ancillary services. Revenue increased \$1,632 (2%) for the three months ended and decreased \$940 for the nine months ended September 30, 2023, as compared to the same periods in the prior year. The increase for the three months ended was primarily due to an increase in Ethernet revenue and IRU contract fee revenue, partially offset by decreases in managed services, TDM revenue and contract termination fees. The decrease for the nine months ended related to decreases in contract termination fees, managed services and TDM revenue, partially offset by an increase in Ethernet revenue and IRU contract fee revenue.

### Direct Costs

Direct costs for the three and nine months ended September 30, 2023 and 2022 amounted to \$11,232 and \$20,481, compared to \$4,460 and \$30,466 for the three and nine months ended September 30, 2022, 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 (decrease) of \$6,772 (152%) and (\$9,985) (33%) for the three and nine months ended September 30, 2023, as compared to the same periods in the prior year were attributable to the following:

	<u>Three Months</u>	<u>Nine Months</u>
Increase (decrease) in taxes and surcharges. The decrease for the nine month period was primarily due to refunds.....	\$ 6,861	\$ (8,286)
Other net increases (decreases).....	(89)	(1,699)
	<u>\$ 6,772</u>	<u>\$ (9,985)</u>

### Other Operating Expenses

Other operating expenses for the three and nine months ended September 30, 2023 amounted to \$30,014 and \$91,649, compared to \$31,453 and \$94,581 for the three and nine months ended September 30, 2022, respectively. Other operating expenses include (i) 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) 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 10 to our consolidated financial statements included in this quarterly report for a discussion of services performed by affiliates of the Company and the related charges for these services.

The decreases of \$1,439 (5%) and \$2,932 (3%) in other operating expenses for the three and nine months ended September 30, 2023 as compared to the same periods in the prior year were attributable to the following:

	<u>Three Months</u>	<u>Nine Months</u>
Increase (decrease) in property taxes. The decrease for the nine month period was primarily due to a refund.....	\$ 58	\$ (2,428)
Other net decreases, including increases in capitalizable activity.....	(1,497)	(504)
	<u>\$ (1,439)</u>	<u>\$ (2,932)</u>

### ***Restructuring Expense and Other Operating Items***

Restructuring expense and other operating items amounted to \$44 and \$57 for the three and nine months ended September 30, 2023, as compared to \$635 for the nine months ended September 30, 2022. These costs relate to severance and other employee related costs and for the nine months ended September 30, 2022 they also include transaction costs related to an acquisition.

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

Depreciation and amortization for the three and nine months ended September 30, 2023 amounted to \$22,990 and \$72,014, as compared to \$24,507 and \$74,693, for the three and nine months ended September 30, 2022, respectively. The decreases in depreciation and amortization of \$1,517 (6%) and \$2,679 (4%) for the three and nine months ended September 30, 2023 as compared to the same periods in the prior year were due to certain fixed assets becoming fully depreciated, offset by an increase in depreciation as a result of asset additions.

### ***Adjusted EBITDA***

Adjusted EBITDA amounted to \$57,210 and \$179,841 for the three and nine months ended September 30, 2023, as compared to \$60,920 and \$167,895 for the three and nine months ended September 30, 2022, respectively. Adjusted EBITDA is a non-GAAP measure. See the definition of Adjusted EBITDA under "Non-GAAP Financial Measures" and the reconciliation of net income to adjusted EBITDA above.

The decrease in Adjusted EBITDA of \$3,710 (6%) for the three months ended September 30, 2023 as compared to the same period in the prior year was primarily due to an increase in operating expenses (excluding depreciation and amortization, restructuring expense and other operating items, and share-based compensation), partially offset by an increase in revenue, as discussed above. The increase in Adjusted EBITDA of \$11,946 (7%) for the nine months ended September 30, 2023 as compared to the prior year period was primarily due to a decrease in operating expenses (excluding depreciation and amortization, restructuring expense and other operating items, and share-based compensation), partially offset by a decrease in revenue, as discussed above.

### ***Operating Free Cash Flow (Deficit)***

Operating free cash flow (deficit) was \$3,695 and \$(339) for the three and nine months ended September 30, 2023, as compared to \$25,103 and \$77,316 for the three and nine months ended September 30, 2022, respectively. The decreases in operating free cash flow of \$21,408 and \$77,655 for the three and nine months ended September 30, 2023 as compared to the prior year periods were primarily due to an increase in capital expenditures for both periods.

### ***Free Cash Flow (Deficit)***

Free cash flow (deficit) was \$(14,236) and \$(69,025) for the three and nine months ended September 30, 2023, respectively, as compared to \$1,325 and \$23,531 for the three and nine months ended September 30, 2022, respectively. The decreases in free cash flow of \$15,561 and \$92,556 for the three and nine months ended September 30, 2023 as compared to the same periods in 2022 were primarily due to increases in capital expenditures.

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

Interest expense, net was \$24,003 and \$69,044 for the three and nine months ended September 30, 2023 compared to \$19,352 and \$53,760 for the three and nine months ended September 30, 2022, respectively. The increases were primarily due to an increase in interest rates, partially offset by a decrease in average debt balances.

### ***Gain on Interest Rate Swap Contracts, Net***

Gain on interest rate swap contracts, net was \$7,011 and \$14,222 for the three and nine months ended September 30, 2023, as compared to \$12,079 and \$12,376 for the three and nine months ended September 30, 2022, respectively. These amounts represent the change in the fair value on the interest rate swap contracts the Company entered into in March 2022 and April 2023. These contracts are not designated as hedges for accounting purposes.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2023, our consolidated cash and cash equivalents amounted to \$19,700. The Company has a principal amount of long term debt outstanding of \$1,442,500 as of September 30, 2023.

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 availability 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 our credit facility 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. 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 it has a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments. See Note 6 to the Consolidated Financial Statements for further details of our outstanding indebtedness.

### **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 (\$583,500 outstanding at September 30, 2023) (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 September 30, 2023, there were no borrowings outstanding under the Revolving Credit Facility. The maturity date of the (i) Term Loan Facility is November 30, 2027 and (ii) Revolving Credit Facility is November 30, 2025. 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, which began 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.

In June 2023, the Company entered into an amendment (the "First Amendment") under its existing credit facility agreement to replace LIBOR-based benchmark rates with secured overnight financing rate ("SOFR")-based benchmark rates. The First Amendment provides for interest on borrowings under its term loan and revolving credit facility to be calculated for any (i) SOFR loan, at a rate per annum equal to the Term SOFR (plus spread adjustments of 0.11448%, 0.26161% and 0.42826% for interest periods of one, three and six months, respectively) or (ii) the alternate base rate loan, at the alternative base rate as applicable, plus the applicable margin in each case, where the applicable margin is 2.25% per annum with respect to any alternate base rate loan and 3.25% per annum with respect to any SOFR loan.

See Note 6 to the Consolidated Financial Statements for further details of our outstanding indebtedness.

### Interest Rate Swap Contracts

In connection with the phase-out of LIBOR as of June 30, 2023, the Company entered into an amendment to its existing \$300,000 interest rate swap contract maturing in December 2026 that transitioned the reference rates from LIBOR to SOFR. Prior to the amendment, the Company paid interest of 2.161% while receiving interest based on one month LIBOR. During the third quarter of 2023, the Company began to pay interest of 2.11% while receiving interest based on one-month SOFR.

In April 2023, the Company entered into a new interest rate swap contract, effective June 2023, on a notional amount of \$180,000, whereby the Company pays interest of 3.523% through December 2026 and receives interest based on one-month SOFR.

These swap contracts are not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations.

For the three and nine months ended September 30, 2023, the Company recorded a gain on the interest rate swap contracts of \$7,011 and \$14,222, respectively.

### Capital Expenditures

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fiber network (a) .....	\$ 47,128	\$ 25,311	\$ 137,273	\$ 65,299
Network and customer equipment (b) .....	4,168	8,866	34,958	19,689
Support and other (c) .....	2,219	1,640	7,949	5,591
Capital purchases (cash basis) .....	53,515	35,817	180,180	90,579
Change in accrued and unpaid purchases and other .....	(7,247)	3,021	2,105	3,793
Capital purchases (including accrued but not paid) (d) .....	<u>\$ 46,268</u>	<u>\$ 38,838</u>	<u>\$ 182,285</u>	<u>\$ 94,372</u>

(a) Fiber network includes the cost of design, engineering and construction of the Company's fiber backbone and fiber connections to customer locations.

- (b) Network and customer equipment includes routing and interconnection equipment at our network locations, as well as equipment collocated in customer facilities.
- (c) Support and other includes costs associated with the replacement or enhancement of non-network assets, such as software systems, office equipment, and facilities.
- (d) Amounts are comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Success-based.....	\$ 49,732	\$ 31,344	\$ 146,382	\$ 78,788
Maintenance, support and other.....	(3,464)	7,494	35,903	15,584
Capital purchases (including accrued not paid).....	<u>\$ 46,268</u>	<u>\$ 38,838</u>	<u>\$ 182,285</u>	<u>\$ 94,372</u>

### **Cash Flow - Nine Months Ended September 30, 2023 and 2022**

#### *Operating Activities*

Net cash provided by operating activities amounted to \$111,155 for the nine months ended September 30, 2023 compared to \$114,110 for the nine months ended September 30, 2022.

The decrease in cash provided by operating activities of \$2,955 in the 2023 period as compared to the 2022 period resulted from decreases in net income before depreciation and amortization and other non-cash items of \$995 and \$1,960 due to changes in working capital (including increases in interest payments of \$16,925 and tax payments of \$182), as well as the timing of payments and collections of accounts receivable, among other items.

#### *Investing Activities*

Net cash used in investing activities for the nine months ended September 30, 2023 and 2022 was \$180,175 and \$90,577, respectively, consisting primarily of capital expenditures.

#### *Financing Activities*

Net cash used in financing activities amounted to \$11,454 for the nine months ended September 30, 2023 compared to \$4,500 for the nine months ended September 30, 2022. In 2023, the Company's financing activities consisted of distributions to the parent entity of \$6,954 and the repayment of debt of \$4,500. The 2022 financing activities represent the repayment of debt.

### **Commitments and Contingencies**

As of September 30, 2023, the Company's commitments and contingencies not reflected in the Company's balance sheet was approximately \$18,468.