



2021 Annual Report

# Fast Facts

**1,882,100**

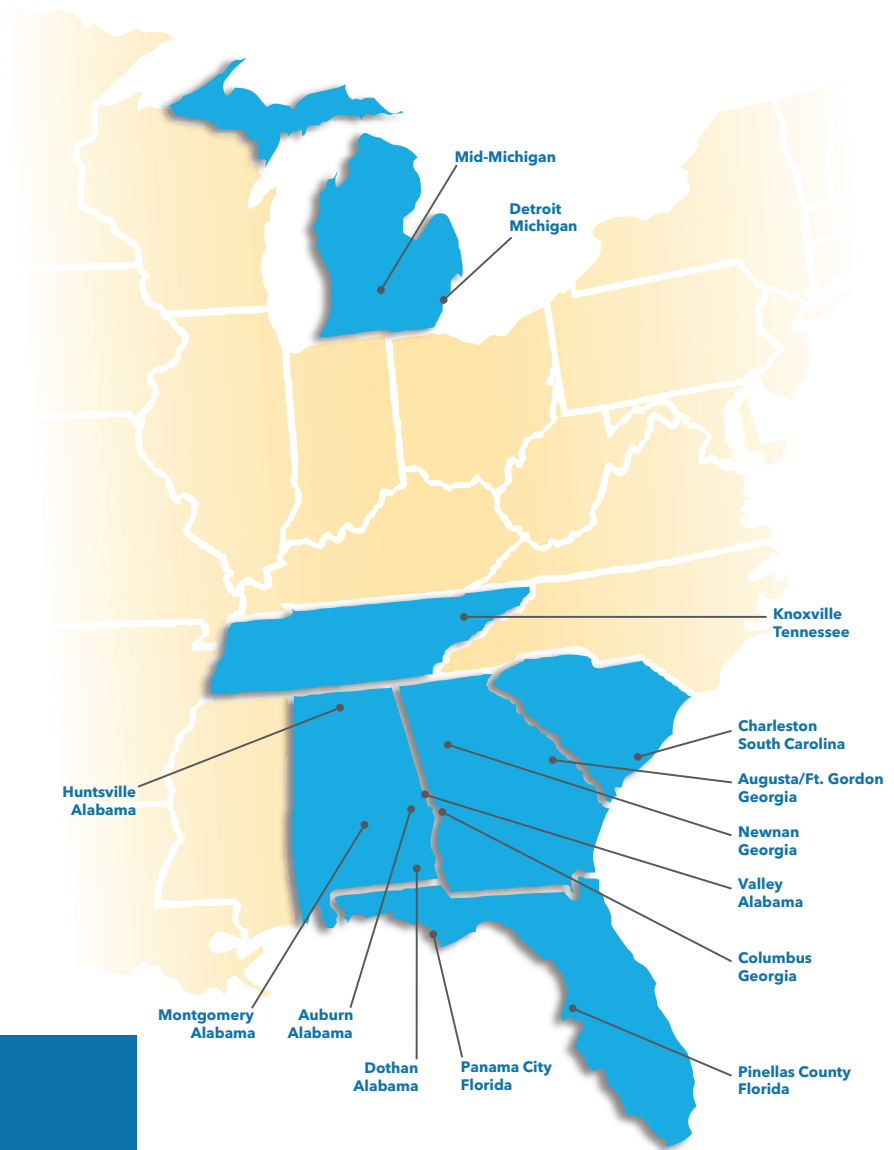
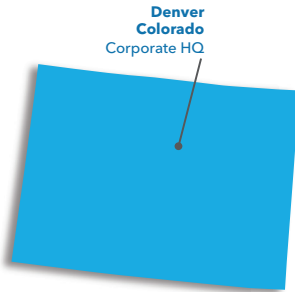
Homes Passed

**532,900**

Total Customers

**1,500**

Employees



Stats as of 12/31/2021

Dear Fellow Shareholder,

Last year was one of the most consequential in WOW!'s history.

WOW! has executed a three-part transformation of our business. We transformed our strategy to "broadband-first" to meet customer demand and grow our margins. We transformed our operations to enhance the customer experience, decrease costs and to improve speeds, reliability and agility to win in the marketplace. We transformed our financials with the completion of the sale of five service areas for \$1.8 billion, enabling us to significantly lower and refinance our debt.

Strong execution of our strategy during 2021 resulted in Pro Forma Adjusted EBITDA of \$261.6 million and HSD revenue from continuing operations of \$399.1 million, representing increases of 9% and 11% respectively over the same period in 2020. HSD revenue now represents the majority of our total revenue. We are now a low leverage, high growth company with exciting opportunities ahead of us, including expanding our footprint into greenfield markets, additional edge-outs and new products, such as our recently announced partnership with Reach Mobile.

We continued our commitment to providing fast, reliable and affordable products and services to our customers with our ongoing participation in the Emergency Broadband Benefit program, now the Affordable Connectivity Program, to help financially struggling customers stay connected during the pandemic. We also protected our network from extreme bandwidth usage by introducing usage-based billing data plans.

Once again, I was impressed with the dedication and resilience of our employees during a year of tremendous change. Our employee Net Promoter Score (eNPS) hit an all-time high and our voluntary employee turnover was held to below pre-pandemic levels as we focused on engagement, wellness and the safety of our employees. We continued to win Best & Brightest Companies to Work For® honors in multiple markets and were named a Best & Brightest Company to Work For in the Nation® winner for the fourth year in a row.

In addition to our commitment to our employees, we are committed to the communities in which our employees and our customers live, work and play. Diversity, equity and inclusion (DEI) training was introduced and employees actively participate on our online DEI forum where they can openly share their thoughts on diversity. After a tornado destroyed much of Newnan, Georgia in March of 2021, our employees organized the collection and distribution of Easter baskets for children in the community, a scholarship program for high school students was established and WOW! co-sponsored a benefit concert by hometown country singer, Alan Jackson.

Clearly, 2021 was a remarkable and very productive year, full of challenges as well as successes. In 2022, we plan to build on our successes, continue to execute on our broadband-first strategy, strengthen our network, build out our IP-based network to new communities, increase penetration and growth and continue to offer customers more choices so they can control their customer journey.

Thank you to our employees for your continued effort and dedication and thank you to our shareholders for your interest in WOW!.

Sincerely,



Teresa Elder  
Chief Executive Officer  
WOW!

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2021**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

**Commission File Number: 001-38101**

**WideOpenWest, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**7887 East Belleview Avenue, Suite 1000**

**Englewood, Colorado**

(Address of principal executive offices)

**46-0552948**

(IRS Employer Identification No.)

**80111**

(Zip Code)

**(720) 479-3500**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	WOW	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates of the Registrant was \$1,074.1 million based on the closing price of \$20.71 reported on the New York Stock Exchange.

As of February 18, 2022, the number of outstanding shares of common stock was of the registrant was 87,392,743.

**Documents Incorporated By Reference**

Information required by Part III is incorporated by reference from Registrant's proxy statement to be filed no later than 120 days after the end of the Registrant's fiscal year ended.

**WIDEPENWEST, INC. AND SUBSIDIARIES**  
**FORM 10-K**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**  
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This Annual Report on Form 10-K is for the fiscal year ended December 31, 2021. Any statement contained in a prior periodic report shall be deemed to be modified or superseded for purposes of this Annual Report to the extent that a statement contained herein modifies or supersedes such statement. The Securities and Exchange Commission allows us to “incorporate by reference” information that we file with them, which means that we can disclose important information by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. References in this Annual Report to “WOW,” “we,” “us,” or “our” are to WideOpenWest, Inc. and its direct and indirect subsidiaries, unless the context specifies or requires otherwise.

## Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical facts included in this Annual Report contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events. These statements identify prospective information and can generally be identified by the use of forward-looking terminology, including the terms “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “seek,” “will,” “may,” “might,” “should,” “could,” “would,” “project,” “predict,” “potential” or similar expressions or the negative of these terms. The foregoing is not an exclusive list of all forward-looking statements we make. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. The matters referred to in the forward-looking statements contained in this Annual Report may not in fact occur. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the ability to retain and further attract customers due to increased competition, resource abilities of competitors, and shifts in the entertainment desires of customers;
- our ability to respond to rapid technological change, including our ability to develop and deploy new products and technologies;
- increases in programming and retransmission costs and/or programming exclusivity in favor of our competitors;
- the disruption or failure of our network information systems or technologies as a result of hacking, viruses, outages or natural disasters in one or more of our geographic markets;
- the effects of new regulations or regulatory changes on our business;
- our substantial level of indebtedness and our ability to comply with all covenants in our debt agreements;
- changes in laws and government regulations that may impact the availability and cost of capital;
- effects of uncertain economic conditions, particularly in light of the current novel coronavirus (“COVID-19”) pandemic, and related factors (e.g., unemployment, decreased disposable income, etc.) which may negatively affect our customers’ demand or ability to pay for our current and future products and services,
- other risks referenced in the section of this Annual Report entitled “Risk Factors”;
- our ability to manage the risks involved in the foregoing; and

other factors described from time to time in our reports filed or furnished with the U.S. Securities and Exchange Commission (the “SEC”), and in particular those factors set forth in the section entitled “Risk Factors” and other reports subsequently filed with the SEC.

All forward-looking statements are expressly qualified in their entirety by these cautionary statements. We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the way we expect.

All forward-looking statements speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. If we do update one or more forward-looking statements, there should be no inference that we will make additional updates with respect to those or other forward-looking statements.

## PART I

### Item 1. Business

#### Overview

We are a leading broadband services provider offering high-speed data (“HSD”), cable television (“Video”), and digital telephony (“Telephony”) services to residential customers and offer a full range of products and services to business customers. Our services are delivered across 14 markets via our advanced hybrid fiber-coax network. Our footprint covers certain suburban areas within the states of Alabama, Florida, Georgia, Michigan, South Carolina and Tennessee. At December 31, 2021, our broadband networks passed 1.9 million homes and businesses and served 532,900 customers, reflecting a total customer penetration rate of approximately 28%.

Our core strategy is to provide outstanding service at affordable prices. We execute this strategy by managing our operations to focus on the customer and our network. We believe that the customer experience should be reliable, easy and pleasantly surprising, every time. To achieve this customer experience, we operate one of the most technically advanced and uniform networks in the industry with approximately 96% of our network at 750 MHz or greater capacity.

Our advanced network now offers HSD speeds up to 1 GIG (1000 Mbps) in approximately 99% of our footprint with the extension of 1 GIG to our Lansing, Michigan and Newnan, Alabama markets in late 2021. Led by our robust HSD offering, our products are available either as an individual service or a bundle to residential and business service customers. We continue to operate under a broadband first strategy. Based on our per subscriber economics, we believe that HSD represents the greatest opportunity to enhance profitability across our residential and business markets.

We manage our network bandwidth to meet the needs of our customers and expect to meet capacity demands as network traffic continues to increase. To meet this objective, we continue to invest in our network to ensure speed and reliability, and obtain a better understanding of how customers utilize our network. Through this understanding, we continue to make certain capacity improvements and network enhancements to improve the customer experience; as well as introduce more self-help and self-care options to increase flexibility and choice for our customers.

#### Our Systems and Markets

An overview of our markets as of December 31, 2021 is shown below:

Market	Homes Passed	Coaxial Miles	Fiber Miles	Total Network Miles
Detroit, MI	708,400	6,302	2,166	8,468
Pinellas, FL	304,600	3,442	595	4,037
Huntsville, AL	129,600	1,963	468	2,431
Montgomery, AL	108,700	1,305	340	1,645
Augusta, GA	97,500	1,362	493	1,855
Charleston, SC	94,700	1,212	571	1,783
Lansing, MI	92,500	2,049	736	2,785
Columbus, GA	89,100	1,037	308	1,345
Panama City, FL	89,300	962	222	1,184
Knoxville, TN	55,500	766	317	1,083
Newnan, GA	44,800	838	352	1,190
Dothan, AL	33,700	550	214	764
West Point, GA	18,200	338	340	678
Auburn, AL	15,500	191	204	395
	<u>1,882,100</u>	<u>22,317</u>	<u>7,326</u>	<u>29,643</u>

## **Corporate Information**

WOW's principal executive offices are located at 7887 East Belleview Avenue, Suite 1000, Englewood, Colorado 80111. WOW's telephone number is (720) 479-3500 and our website is accessible at [www.wowway.com](http://www.wowway.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments thereto, are available on our website free of charge as soon as reasonably practicable after they have been filed. The information posted on our website is not incorporated into this Annual Report. These reports are also available on the Securities and Exchange Commission's website, [www.sec.gov](http://www.sec.gov).

## **Our Vision and Commitment to Customer Service**

We believe our vision of "connecting people to their world through the WOW experience: reliable, easy and pleasantly surprising, every time" is central to our success. This vision influences how we are organized as a company and informs the way we acquire and retain customers. For example, we use a needs-based selling process to recommend products and services that offer the best value to our customers. We keep our customer response activities closely coordinated with all operational aspects of our business, so resources are appropriately allocated and operating efficiencies are optimized. We believe in offering a convenient customer experience by providing self-installation options for certain services and technician service appointments within a two hour window, seven days a week.

We use targeted marketing modeling to drive profitable growth and minimize risk of non-pay churn. This analysis is performed at the node level in our network so marketing and sales tactics can drive penetration in a highly targeted manner. We also believe the responsibility for winning new customers extends beyond the sales and marketing department to our entire company.

We recognize that customer preferences are continually evolving in response to rapid technological change. We have demonstrated our ability to adapt by delivering a strong customer experience and offering a competitive product portfolio that showcases our robust broadband network. As a result, approximately 90% of our new customers purchase our HSD-only offerings. We will continue to evaluate and evolve our broadband product portfolio based on consumer preferences.

## **Our Service Offerings**

We offer subscription based HSD, Video and Telephony services in all of our markets. Our service offerings are designed to address the varying needs of customers. The subscription fee is based on the type of services selected and offered to customers either as an individual service or a bundle of services.

### ***Residential Services***

#### ***High-Speed Data Services***

We offer tiered HSD services to residential customers that include high-speed connections to the Internet using cable modems. We offer a connection up to 1 GIG (1000 Mbps) in approximately 99% of our footprint. We will continue to develop features and products that allow our customers to take advantage of our high-speed data offering.

Our data packages generally include the following:

- specialized technical support 24 hours a day, seven days a week;
- a home portal page with customizable access to local content, weather, news, sports and financial reports;
- value-added features such as e-mail accounts;
- advanced wireless home networking; and
- a DOCSIS-compliant modem.



As of December 31, 2021, approximately 64% of our customer base subscribed only to our HSD service. We expect the portion of our customer base that subscribes only to our HSD service to continue to rise as broadband utilization increases across every facet of our customer's lives. In addition, we fully anticipate new and existing customers to continue to purchase higher speed tiers to support the evolution of how customers consume entertainment content, and the changing environment of where and how customers work and learn.

### ***Video Services***

We offer our customers a full array of video services and programming choices. Customers generally pay initial connection charges and fixed monthly fees for video service.

Our video service offering is comprised of the following:

- **Basic Cable Service:** All of our video customers receive a package of limited basic programming, which generally consists of local broadcast television and local community programming, including public, educational and government access channels, and various home shopping networks. The expanded basic level of programming includes approximately 75 channels of satellite-delivered or non-broadcast channels, such as ESPN, MTV, USA, CNN, The Discovery Channel and Nickelodeon.
- **Digital Cable Service, HD channels, and Premiums:** This digital level of service includes more than 275 channels of digital programming, including our expanded basic cable service, and more than 40 music channels. We enable value added features to strengthen our competitive position and generate additional revenues, including HD TV, digital video recording ("DVR"), video on demand ("VOD") and subscription VOD. VOD permits customers to order movies and other programming on demand with DVD-like functions, with thousands of hours of content available for free and on a pay-per-view basis. Subscription VOD is a similar service that has specific content available to customers who subscribe to the underlying associated channel.
- **WOW tv+:** WOW tv+ offers a traditional cable video experience plus cloud DVR functionality, voice remote with Google Assistant, and an advanced viewing experience with curated content. WOW tv+ provides Netflix integration along with quick access to dozens of streaming services and apps through the Google Play Store with no change of input required. WOW tv+ is available via rental of a set-top box and may also be accessed through Amazon's Fire TV stick and iOS and Android mobile and tablet devices.
- **Premium Channels:** These channels, such as HBO, Showtime, STARZ, STARZ ENCORE and Cinemax, provide commercial-free movies, TV shows, sports and other special event programming and are available as part of a bundle or at an additional charge above our expanded basic and digital tiers of service.

Our platform enables us to provide an attractive service offering of extensive programming as well as interactive services.

### ***Telephony Services***

We provide residential voice services using Voice over Internet Protocol ("VoIP"). Our telephony services include local and long-distance telephone services. We offer telephone packages that include different combinations of the following core services:

- local area calling plans;
- flat-rate local and long-distance plans;
- unlimited local and long-distance plans;
- popular calling features such as caller ID, call waiting, voicemail, call-blocking; and
- measured and fixed rate toll packages based on usage.

## ***Business Services***

Our broadband network also supports services to business customers and we have developed a full suite of products for small, medium and large local enterprises. We offer the traditional bundled product offering and have also developed new products to meet the more complex high-speed data and telephony needs of medium and large local enterprises. We offer fiber based services, which enable our customers to have enhanced telephony services, data speeds of up to 10 gigabit per second on our fiber network, and office-to-office metro Ethernet services that provide a secure and managed connection between customer locations. Our Hosted Voice product offering can replace customers' aging private branch exchange ("PBX") products with telephony and data service that offers more flexible features at a lower cost. In addition, we have a Session Initiated Protocol ("SIP") trunking service. This service is a direct replacement for the traditional telephone service used by large PBX customers and is delivered over our fiber network and terminated via an Ethernet connection at the customer's premise. We have a complete line of colocation infrastructure services, cloud computing, managed backup and recovery services. We serve our business customers by providing customer service and network support 24 hours a day, seven days a week.

## ***Pricing for Our Products and Services***

We employ value based pricing strategies for our subscription HSD, Video and Telephony services. We focus our pricing strategy around our HSD offering and provide the option for HSD customers to purchase Video and Telephony services as part of a bundled service with tiered features and pricing. We believe that our services are priced and featured to meet the demands of a variety of consumers.

We typically charge a one-time installation fee which is sometimes waived or discounted in certain sales or certain promotional periods. Additionally, we charge monthly fees for customer premise equipment utilized in providing the selected service.

## ***Our Interactive Broadband Network***

Our broadband network is critical to the implementation of our operating strategy, allowing us to offer HSD, Video, Telephony, metro ethernet, and other enterprise class services to our customers in an efficient manner and with a high level of quality. In addition to providing high capacity and scalability, our network has been specifically engineered to have increased reliability, including features, where available, such as:

- redundant fiber routing which enables the rapid, automatic redirection of network traffic in the event of a fiber cut;
- backup power supplies in our network which ensure continuity of our service in the event of a power outage; and
- network monitoring to the customer premise ensuring the integrity of our HSD, Video and Telephony services.

## ***Technical Overview***

Our interactive broadband network consists primarily of an advanced hybrid fiber-coaxial ("HFC") cable network. Fiber-optic cable is a communications medium that uses glass fibers to transmit signals over long distances with minimum signal loss or distortion. In most of our network, our system's owned high capacity fiber-optic cables connect to our technical facilities and multiple nodes throughout our network. These nodes are connected to individual homes and buildings by fiber and coaxial cable and are shared by a number of customers. We have sufficient fiber and cable capacity to subdivide our nodes if growth so dictates. Our HFC network has excellent broadband frequency characteristics and physical durability, which is conducive to providing HSD, Video and Telephony transmission.

Our interactive broadband network is designed using redundant fiber-optic cables. Our fiber rings are "self-healing," which means they provide for very rapid, automatic redirection of network traffic so our service will continue even if there is a single point of failure on a fiber ring.

We distribute our services from our technical facilities called head-ends, hub sites, and data centers most of which are equipped with a generator and/or battery backup power source to allow service to continue during a power outage. Additionally, most individual nodes served by the facilities are equipped with backup generators and/or batteries. Our redundant fiber-optic cables and network powering systems allow us to provide telephony services consistent with industry reliability standards for traditional telephone systems.

We monitor our network 24 hours a day, seven days a week from our network operations centers. Technicians in each of our service areas schedule and perform installations and repairs and monitor the performance of our interactive broadband network. We actively maintain the quality of our network to minimize service interruptions and extend the network's operational life.

### ***High-Speed Data Services***

We provide Internet access using high-speed cable modems or Optical Network Terminals that facilitate the connection to the customer home. We provide our customers with a high level of low latency data transfer rates through multiple peering arrangements with tier-one Internet facility providers.

### ***Video Services***

Our network is designed for digital two-way interactive transmission with fiber-optic cable carrying signals from the head-end to hubs and to distribution points (nodes) within our customers' neighborhoods, where the signals are transferred to our coaxial cable network for delivery to our customers.

### ***Telephony Services***

We offer telephony service over our broadband network. We install a network interface box outside a customer's home or an Embedded Multimedia Terminal Adapter in the home to provide dial tone service. Our network interconnects with those of other local phone companies. In addition, we serve our telephony customers using VoIP switching technology. This architecture allows for the same enhanced custom calling services as traditional time division multiplexing switching systems, as well as additional advanced business services such as SIP, hosted PBX services and other services.

### ***Business Services***

In addition to the HSD, Video and Telephony services outlined above, we also utilize our network to provide other business services, including SIP, web hosting, metro Ethernet and wireless backhaul services. We also provide advanced colocation and cloud infrastructure services including private cage or cabinet with high availability power, virtual and physical computing, high performance storage, dedicated firewall/load balancers, private virtual local area network segmentation, disaster recovery to the cloud and backup and archive as a service.

### ***Programming***

We purchase some of our programming directly from the program networks by entering into affiliation agreements with the programming suppliers. We also benefit from our membership with the National Cable Television Cooperative ("NCTC"), which enables us to take advantage of volume discounts. As of December 31, 2021, approximately 58% of our programming was sourced from the NCTC, which also handles our contracting and billing arrangements for this programming.

## **Competition**

We operate in a highly competitive and rapidly-changing environment, competing with both existing communications providers and new entrants that provide similar HSD, Video and Telephony services to subscribers within our operating footprint. We have at least one major cable competitor (typically Comcast Corporation (“Comcast”) or Charter Communications Inc. (“Charter”)) in most of our markets and our largest telecommunications competitor is AT&T, Inc. (“AT&T”). We believe the reliability of our advanced broadband network and consistent recognition for our commitment to customer service provides meaningful differentiation versus our competitors.

### ***High Speed Data Services***

We primarily face competition from multiple system operators (“MSO”), fiber-to-the-home (“FTTH”), wireless broadband offerings, incumbent local exchange carriers (“ILECs”) that provide dial-up and DSL services, and other Internet access service providers, including fixed wireless and satellite-based broadband services. We offer HSD speeds up to 1 GIG (1000 Mbps) in approximately 99% of our footprint. Several of our competitors, including AT&T and Google, have announced similar offerings in their service areas which overlaps with a portion of our footprint. We face increasing competition from mobile phone companies, such as AT&T, T-Mobile, and Verizon Communications, Inc. (“Verizon”), which offer fixed or unlimited access to the Internet as a part of mobile service packages. These same mobile phone companies have started offering fifth generation (“5G”) services. Due to rapidly changing technologies, consumers will continue to have a variety of options to obtain access to the Internet.

### ***Video Services***

Cable television systems are operated under non-exclusive franchises granted by local authorities, which may result in more than one cable operator providing video services in a particular market. Our primary competitors are other fiber and HFC providers, including Charter, Comcast and AT&T U-verse, and direct broadcast satellite systems, including DirecTV (a subsidiary of AT&T) and Dish Network.

In addition, our Video services face increasing competition from companies that deliver video content over Internet connections, referred to as “over-the-top” or “OTT”, directly to consumers on televisions, computers, tablets, gaming and mobile devices. These competitors include virtual multichannel video programming distributors (“V-MVPD”), which aggregate live and on-demand linear television, and direct content distributors, which provide and distribute content directly to customers through an internet-connected device for a subscription fee. Examples of V-MVPD providers include Sling, AT&T TV, YouTubeTV, Philo, FuboTV, and Hulu Live. Examples of direct on-demand content distributors include Netflix, Roku, Apple TV+, Amazon Prime, Disney+ and Hulu Plus. Additionally, some programmers, such as HBO (HBO Max), CBS (CBS All Access) and Discovery (Discovery +), are choosing to deliver content directly to the consumer over the Internet.

We believe the movement away from traditional video subscription services will continue to accelerate and further reduce our video subscriber base. However, we believe that we are positioned to benefit from these trends as these customers will require a robust Internet connection in order to efficiently access such OTT content, which could lead to increased demand for our HSD services and result in a reduction of programming costs and other costs required to support our Video offering.

### ***Telephony Services***

We mainly compete against wireless, VoIP, and wireline telephone providers. VoIP places and transmits telephone calls over an IP network, such as the Internet, instead of the traditional public switched telephone network. Our primary wireless and VoIP competitors include AT&T, Verizon, Charter, Comcast and Frontier. We expect Internet based technology, including video conferencing, instant messaging, smart speakers, home automation and email, to rapidly evolve to include or displace the need for telephony services. Given the continuously changing technology and various communications options, competition will continue to intensify for telephony service subscribers.

## **Human Capital Resources**

### ***Talent Management and Engagement***

We consider our relationship with our employees to be good and we structure our compensation and benefit plans in order to attract and retain high-performing employees. We will continue to recruit employees to meet the needs of our strategic plans. We recruit from several major industries for employees with skills in high-speed data, video and telephony technologies. None of our employees are subject to collective bargaining agreements.

### ***Diversity, Equity, and Inclusion***

We are committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion. Our people are the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture but our reputation and the Company's achievement. As of December 31, 2021, we had approximately 1,500 full-time employees.

Our Diversity, Equity, and Inclusion ("DEI") program reflects our culture and contributes to the Company's strategy by valuing the differences in our employees, customers, investors, and vendors to grow our customer base by further leveraging race, ethnicity, gender, nationality, ability, military status, religion, generation, sexual orientation, diversity of thought, and diversity of perspective.

In 2021, we took specific steps to enhance our DEI program by partnering with a DEI-focused organization to elevate hiring practices to broaden the diversity and inclusion of our candidates. As a result of the partnership, we (i) created an internal hiring policy and guide that act as a roadmap for our next steps which includes broadening our sourcing to ensure diversity of candidates, (ii) trained our Talent Acquisition team how to effectively engage and recruit a more diverse candidate pool, (iii) identified targeted and specific job posting websites to connect with a larger pool of diverse candidates, and (iv) launched a foundational DEI course to all employees.

### ***Response to COVID-19***

We place employee health and safety at the top of our priority list. In 2021, we continued to have more than 60% of our workforce work from home through flexible work arrangements as a response to the global health crisis, or COVID-19 pandemic. For those employees not able to work from home, we introduced enhanced hygiene protocols in offices and warehouses and ensured access to proper personal protective equipment.

We continue to offer an employee funded hardship-relief program and additional paid time off for any employee diagnosed with COVID-19. We are staying updated on various federal and local regulations regarding preventing the spread of COVID-19 and will implement all required mandates and requirements per final decisions.

### ***Employee Learning & Development***

We believe building a learning culture is key to employee retention and in cultivating productive and engaged employees focused on continuous improvement. Our utmost goal is to prepare our employees for the future. To achieve this goal, we identify the types of skills and competencies needed to develop our new hires, and to re-skill and up-skill all of our employees on a continual basis to best meet the demands of the Company and the industry.

We offer ongoing instructor-led and self-led training for new hires and all current active employees. Training focus areas include: (i) on-the-job, (ii) business readiness, (iii) skill building or upskilling in a specific functional area, (iv) personal and professional development, and (v) leadership development and management skills. For the year ending December 31, 2021, we provided approximately 19,000 total training hours, or 12.6 hours of training per employee.

## **Legislation and Regulation**

We operate in highly regulated industries and both our cable television and telecommunications services are subject to broad regulation at the federal, state and local levels. Our Internet services have historically been subject to more limited regulation by the Federal Communications Commission (“FCC”). The following is a summary of laws and regulations affecting the business we operate. It does not purport to be a complete summary of all present and proposed legislation and regulations pertaining to our operations.

### *Regulation of Cable Services*

The FCC is the principal federal regulatory agency with jurisdiction over cable television operators and services, and has promulgated regulations covering many aspects of cable television operations. The FCC has modified some regulations applicable to our business and is considering further changes, but the full impact of these changes on our business is not yet known. The FCC enforces its regulations through the imposition of monetary fines, the issuance of cease-and-desist orders and/or the imposition of other administrative sanctions. Cable franchises, the principal instrument of governmental authority for our cable television operations, are not issued by the FCC but by states, cities, counties or political subdivisions. A brief summary of certain key federal regulations follows.

### *Rate Regulation*

The Cable Television Consumer Protection and Competition Act of 1992 (“1992 Cable Act”) authorized rate regulation for certain cable services and equipment in certain markets. It also eliminated direct oversight of rates by the FCC and local franchising authorities of all but the basic service tier of cable service. Rate regulation of the basic tier does not apply except when a cable operator is subject to effective competition in the relevant community. Under an order issued by the FCC in 2015, cable operators are presumed to be subject to effective competition. That order was appealed to the D.C. Circuit Court, which denied the petition for review. Moreover, some local franchising authorities that could otherwise regulate basic rates for broadband networks that are not subject to effective competition choose not to do so. We are not currently subject to cable service rate regulation in any of our markets.

### *Program Access*

To promote competition between incumbent cable operators and independent cable programmers, the 1992 Cable Act placed restrictions on dealings between certain cable programmers and cable operators. Satellite video programmers affiliated with cable operators are prohibited in most cases from favoring those cable operators over competing distributors of multi-channel video programming, such as satellite television operators and unaffiliated competitive cable operators such as us. Specifically, the program access regulations generally prohibit exclusive contracts for satellite cable programming or satellite broadcast programming between any cable operator and any cable-affiliated programming vendor. On October 5, 2012, the FCC adopted and released a Further Notice of Proposed Rulemaking in the Matter of Revision of the Commission’s Program Access Rules (“Program Access FNPRM”). The FCC declined to extend the exclusive contract prohibition section of the program access rules beyond its October 5, 2012 sunset date. The prohibition applies only to programming that is delivered via satellite; it does not apply to programming delivered via terrestrial facilities. The FCC determined that a preemptive prohibition on exclusive contracts is no longer “necessary to preserve and protect competition and diversity in the distribution of video programming” considering that a case-by-case process will remain in place after the prohibition expires to assess the impact of individual exclusive contracts. In the Program Access FNPRM, the FCC also requested comment on revisions to the program access rules pertaining to buying groups and rebuttable presumptions in program access complaint proceedings challenging certain exclusive contracts. The Program Access FNPRM is still pending.

### *Commercial Leased Access*

The Communications Act requires that cable operators make a portion of their channel capacity available for commercial leased access by third parties to facilitate competitive programming efforts. The amount of capacity to be provided depends on the cable system's total activated capacity. We have not been subject to many requests for carriage under the leased access rules. In 2019 and 2020, the FCC streamlined aspects of its cable leased access regime, including its calculation of rates. We cannot predict how these rule changes or possible future rule changes might impact our business or the nature of any leased access requests we may receive.

### *Carriage of Broadcast Television Signals*

The 1992 Cable Act established broadcast signal carriage (so-called "must carry") requirements that allow local commercial television broadcast stations to elect every three years whether to require the cable systems in the relevant area to carry the station's signal or whether to require the cable system to negotiate for consent to carry the station. The most recent election deadline was October 1, 2020, with elections then taking effect on January 1, 2021. Cable systems are also subject to must-carry obligations for local, non-commercial stations. We now carry most commercial stations pursuant to retransmission consent agreements and pay fees for such consents. The FCC and/or Congress have introduced or are considering certain rules governing the election process and the negotiations of retransmission consent agreements, but we cannot yet assess the impact of these rules on our ability to obtain programming or on our business more generally.

### *Franchise Authority*

Cable television systems operate pursuant to non-exclusive franchises issued by franchising authorities, which, depending on the specific jurisdiction, can be the states, cities, counties or political subdivisions in which a cable operator provides cable service. Franchising authority is premised upon the cable operator crossing and using public rights-of-way to construct and maintain its system. The terms of franchises, while variable, often include requirements concerning services, franchise fees, service areas, customer service standards, technical requirements, public, educational and government ("PEG") access channels and support, and channel capacity. Franchise authorities may terminate a franchise or assess penalties if the franchised cable operator fails to adhere to the conditions of the franchise. Although largely discretionary, the exercise of state and local franchise authority is limited by federal statutes and regulations adopted pursuant thereto. We believe that the requirements imposed by our franchise agreements are fairly typical for the industry. Although they do vary, our franchises generally provide for the payment of fees to the applicable franchise authority of up to 5% of our gross cable service revenues, which is the current maximum authorized by federal law. Many of our franchises also require that we pay a percentage of our gross revenue in support of PEG channels. These so-called PEG fees vary, but generally do not exceed 2% of our gross cable services revenues.

On December 20, 2006, the FCC established rules and provided guidance ("2006 Order") pursuant to the Communications Act that prohibit local franchising authorities from unreasonably refusing to award competitive franchises for the provision of cable services. In order to eliminate certain barriers to entry into the cable market, and to encourage investment in broadband facilities, the FCC preempted local laws, regulations, and requirements, including local level-playing-field provisions, to the extent they impose greater restrictions on market entry than those adopted under the order. This order has the potential to benefit us by facilitating our ability to obtain and renew cable service franchises. On January 21, 2015, the FCC issued an Order on Reconsideration of the Second Report and Order. The FCC clarified that the franchising rules and findings it extended to incumbent cable operators in the 2006 Order do not apply to state laws governing cable television operators, or to any state-level cable franchising process. In its Second Further Notice of Proposed Rulemaking released September 25, 2018, the FCC sought comment on this conclusion. On August 1, 2019, the FCC adopted a Third Report and Order ("2019 Order") concluding, among other things, that its franchising rules and findings fully apply to state-level franchising actions and regulations, and limiting the ability of franchising authorities to impose franchise fees and to regulate non-cable services. In May 2021, a federal appeals court largely upheld that decision, reversing only on a discrete issue pertaining to the calculation of franchise fees. We cannot predict how the FCC's rulings concerning franchising will impact our business.

Many state legislatures have enacted legislation streamlining the franchising process, including having the state, instead of local governments, issue franchises. Of particular relevance to us, states with laws streamlining the franchising process or authorizing state-wide or uniform franchises currently include Florida, Georgia, Michigan, South Carolina and Tennessee. In some cases, these laws enable us to expand our operations more rapidly by providing for a streamlined franchising process. At the same time, they enable easier entry by additional providers into our service territories.

#### *Franchise Renewal*

Franchise renewal, or approval for the sale, transfer or assignment of a franchise, may involve the imposition of additional requirements not present in the initial franchise agreement. Franchise renewal is not guaranteed, but federal law imposes certain standards to prohibit the arbitrary denial of franchise renewal. Our franchises are typically issued for 10 to 15 year initial terms, but the terms vary depending upon whether we are operating under a local or state franchise. Many of our existing franchise terms will expire over the course of the next several years, and we operate under some expired franchises. Still, we expect our franchises to be renewed by the relevant franchising authorities. The 2006 Order and 2019 Order discussed under *Franchise Authority* above, as well as some state laws that regulate the issuance of state video franchises, reduce the potential for unreasonable conditions being imposed upon renewal.

#### *Pole Attachments*

The Communications Act requires all local telephone companies and electric utilities, except those owned by municipalities and co-operatives, to provide cable operators and telecommunications carriers with nondiscriminatory access to poles, ducts, conduit and rights-of-way at just and reasonable rates, except where states have certified to the FCC that they regulate pole access and pole attachment rates. The right to access poles, ducts, conduits and rights-of-way pursuant to regulated rates and set timeframes is highly beneficial to facilities-based providers such as us. Federal law also establishes principles to govern the pricing and terms of such access. Currently, 22 states and the District of Columbia have made certifications to the FCC, which leaves pole attachment matters to be regulated by those states. Of the states in which we operate, Michigan has made certifications to the FCC. The FCC has clarified that the provision of Internet services by a cable operator does not affect the agency's jurisdiction over pole attachments by that cable operator, nor does the provision of such non-cable services affect the rate formula otherwise applicable to the cable operator.

In April 2011, the FCC adopted an order that examined a number of issues involving access to pole attachments by telecommunications carriers, including the rights of ILECs to demand nondiscriminatory access in certain situations, and which attempted to bring the rates that cable operators and telecommunications carriers charge closer to parity. In November 2015, the FCC released another order taking further steps to balance the rates paid by cable operators and telecommunications carriers. The 2015 order was appealed to the U.S. Court of Appeals for the 8th Circuit, which rejected the petition. In August 2018, the FCC adopted an order allowing a party adding new attachments to poles in most circumstances to elect "one-touch make-ready," meaning the new attacher may move others' existing attachments to make room for its new attachment. The 2018 order also established a presumption that for newly negotiated or renewed pole attachment agreements, ILECs must receive comparable rates, terms, and conditions to other telecommunications attachers. The presumption established by the 2018 order was appealed to the U.S. Court of Appeals for the 9th Circuit, which rejected the petition.

#### *Internet Service*

In January 2018, the FCC released a decision rescinding various "net neutrality" requirements governing how broadband Internet access providers were permitted to offer broadband service (the "Internet Freedom Order"). As a result, under the current approach, broadband Internet access providers must publicly disclose detailed information regarding their service offerings, Internet traffic management processes, and other practices affecting broadband customers, but are not otherwise limited by federal law in their ability to block, throttle, or prioritize specific types of Internet traffic. The FCC also held that states are preempted (prohibited) from enacting their own versions of these or similar requirements. On October 1, 2019, a federal appeals court upheld most of the FCC's decision, but it directed the agency to give further consideration to several issues and reversed the FCC's blanket preemption of state rules, holding that such state laws could only be prohibited on a case-by-case basis, and only when they conflict with state or federal policy. No party appealed that decision.



On October 27, 2020, the FCC adopted a decision reaffirming other aspects of its earlier decision. That decision has been appealed, both in court and before the FCC. We cannot predict how a future FCC will address internet service regulation.

In the meantime, several states have adopted, or are considering, net neutrality requirements of their own. Some of these are currently subject to legal challenge by broadband providers' trade associations in federal court. We cannot predict with any certainty the likely timing or outcome of these or future challenges, or how state efforts to adopt net neutrality requirements will continue to evolve.

#### *Tier Buy-through*

The tier buy-through prohibition contained in the 1992 Cable Act generally prohibits cable operators from requiring subscribers to purchase a particular service tier, other than the basic service tier, in order to obtain access to video programming offered on a per-channel or per-program basis. In general, a cable television operator has the right to select the channels and services that are available on its cable system. With the exception of certain channels that are required to be carried by federal law as part of the basic tier, such as certain local broadcast television channels, the cable operator has broad discretion in choosing the channels that will be available and how those channels will be packaged and marketed to subscribers. In order to maximize the number of subscribers, the cable operator selects channels that are likely to appeal to a broad spectrum of viewers. If Congress or the FCC were to place more stringent requirements on how we package our services, such requirements could have an adverse effect on our profitability.

#### *Potential Regulatory Changes*

The regulation of cable television systems at the federal, state and local levels has substantially changed over the past three decades since enactment of the 1992 Cable Act. Material additional changes in the law and implementing regulatory requirements, both those described above and others, cannot be ascertained with any certainty at this time. Our business could be adversely affected by future changes in regulations.

#### *Regulation of Telecommunication Services*

Our telecommunications services are subject to varying degrees of federal, state and local regulation. Pursuant to the Communications Act, as amended by the 1996 Act, the FCC generally exercises jurisdiction over the facilities of, and the services offered by, telecommunications carriers that provide interstate or international communications services. The FCC has extended many of its regulations that apply to traditional telecommunications service to Internet based, or interconnected VoIP phone services. Barring federal preemption, state regulatory authorities retain jurisdiction over the same facilities to the extent that they are used to provide intrastate telecommunications services, as well as facilities solely used to provide intrastate services. Local regulation is largely limited to the management of the occupation and use of county or municipal public rights-of-way. Various international authorities may also seek to regulate the provision of certain services that originate or terminate outside the U.S. As addressed in more detail above, in the Internet Freedom Order, the FCC reversed its earlier Open Internet Order and re-characterized broadband Internet access services as information services no longer subject to various Title II requirements.

#### *Regulation of Local Exchange Operations*

Our ILEC subsidiaries are regulated by both federal and state agencies. Our interstate products and services and the regulated telecommunications earnings of all of our subsidiaries are subject to federal regulation by the FCC, and our local and intrastate products and services and the regulated earnings are subject to regulation by state public service commissions ("PSC"). The FCC has principal jurisdiction over matters including, but not limited to, interstate switched and special access rates. The FCC also regulates the rates that ILECs and CLECs may charge for the use of their local networks in originating or terminating interstate and international transmissions. PSCs have jurisdiction over matters including local service rates, intrastate access rates and the quality of service.

The Communications Act places certain obligations, including those described below, on ILECs to open their networks to competitive providers, as well as heightened interconnection obligations and a duty to make their services available to resellers at a wholesale discount rate. The following are certain obligations that the Communications Act and the 1996 Act, as implemented by the FCC, place on ILECs, which gives us important rights in the areas where we operate as competitors, and actual or potential obligations where our ILEC subsidiaries operate:

- **Interconnection.** Establishes requirements and standards applicable to ILECs that receive requests from other carriers for network interconnection, unbundling of network elements, colocation of equipment and resale, and requires all local exchange carriers (“LECs”) to enter into mutual compensation arrangements with other for transport and termination of local calls on each other’s networks.
- **Reciprocal Compensation.** Requires all ILECs and CLECs to complete calls originated by competing local exchange carriers under reciprocal arrangements.
- **Colocation of Equipment.** Allows CLECs to install and maintain their own network equipment in ILEC central offices.
- **Local Number Portability.** Requires all providers of telecommunications services, as well as providers of interconnected VoIP services, to permit users of telecommunications services to retain their existing telephone numbers without impairment of quality, reliability or convenience when switching from one telecommunications provider to another local provider.
- **Access to Rights-of-Way.** Requires telecommunications carriers to permit other carriers access to poles, ducts, conduits and rights-of-way at regulated prices and set time frames.
- **Unbundled Network Elements.** Requires ILECs to offer certain parts of their telecommunications networks on an unbundled basis to competitors in certain geographic markets at cost-based rates set by the states.

We have entered into PSC approved local interconnection agreements with a variety of telecommunications providers for, among other things, the transport and termination of our local and toll telephone traffic. Some of these agreements have expired; however, we continue to operate on the same rates, terms, and conditions in the interim as we seek to enter into successor agreements. These agreements are subject to changes as a result of changes in laws, regulations and technology, and there is no guarantee that the rates and terms concerning our interconnection agreements with ILECs under which we operate today will be available in the future.

#### *Inter-Carrier Compensation*

Our ILEC subsidiaries currently receive compensation from other telecommunications providers, including long distance companies, for origination of interexchange traffic through network access charges that are established in accordance with state and federal laws.

Several of our subsidiaries are classified by the FCC as non-dominant carriers with respect to both interstate and international long-distance services and competitive local exchange services. As non-dominant carriers, these subsidiaries’ rates presently are not generally regulated by the FCC, although the rates are still subject to general statutory requirements applicable to all carriers that the rates be just, reasonable and nondiscriminatory. We may file tariffs for certain interstate access charges for these carriers on a permissive basis, but otherwise our interstate services are mandatorily de-tariffed and subject to our ability to enter into relationships with our customers through contracts. Our interstate access services are tariffed and fall within FCC-established benchmarks for such services.

Certain of our subsidiaries are regulated by the FCC as dominant carriers in the provision of interstate switched access services. These subsidiaries must file tariffs with the FCC and must provide the FCC with notice prior to changing their rates, terms or conditions of their interstate access services. Each such subsidiary has filed its own tariff or concurred in the tariffs filed by the National Exchange Carrier Association.

### *Regulatory Treatment of VoIP Services*

A significant part of our telephony line of business is classified by the FCC as VoIP. At this time, the FCC and state regulators have not classified most IP-enabled services as regulated telecommunications services. The FCC, for example, has applied to providers of “interconnected VoIP” services some of its rules applicable to traditional circuit switched telephone providers, but has yet to issue a ruling determining whether interconnected VoIP services are to be classified as information services (which are subject to little or no regulation) or telecommunications services. The FCC initiated a rulemaking proceeding in 2004 to examine issues relating to the appropriate regulatory classification of IP-enabled services, including VoIP services. We cannot predict when or if the FCC will issue a final decision in this proceeding, although it has issued several decisions in the interim applying certain regulatory requirements to providers of interconnected VoIP services. These requirements include, among others, regulations relating to federal universal service contributions, the confidentiality of customer data and communications, cooperation with law enforcement, discontinuation of service, numbering and number portability, outage reporting, 911 emergency access, 988 National Suicide Prevention Lifeline access, caller ID authentication, and disability access. The FCC has also established certain other requirements that impact our interconnected VoIP services. For example, the FCC requires that we provide certain notices to our VoIP customers concerning the limitations of the services, particularly in connection with the ability of the service (including access to E911) to function in the event of a power outage. Limited regulations also apply to non-interconnected VoIP services. We are also required to offer our customers a back-up power solution to enable the services to continue to function in the event of a power outage. Within our VoIP line of business, we currently comply with all applicable regulations that have been issued by the FCC or state regulatory agencies. Decisions and regulations from similar proceedings in the future could lead to an increase in the costs associated with providing VoIP services. At this time, we are unable to predict the impact, if any, that additional regulatory action on these issues will have on our business.

### *Telemarketing, Robocalls, and Call Blocking*

Over the last few decades, the FCC has taken various steps to curb unwanted and illegal telephone calls, including restricting the use of automatic telephone dialing systems and artificial or prerecorded voice messages under the Telephone Consumer Protection Act, establishing the Do-Not-Call registry in coordination with the Federal Trade Commission, and permitting voice service providers to block calls in certain circumstances. In 2019, Congress passed the Pallone-Thune Telephone Robocall Abuse Criminal Enforcement and Deterrence Act (“TRACED Act”) giving the FCC additional tools to combat robocalls. Since the enactment of the TRACED Act, the FCC has issued various rules and policies with respect to caller ID authentication and call blocking. Significantly, voice service providers were required to implement by June 30, 2021 the STIR/SHAKEN caller ID authentication framework in the Internet Protocol portions of their voice networks, subject to certain extensions. The STIR/SHAKEN framework allows service providers to verify that the caller ID information transmitted with a particular call is accurate, which deters illegally spoofing caller ID information. Among other things, voice providers also were required to file a certification in the FCC’s Robocall Mitigation Database (“RMD”) certifying whether they had implemented STIR/SHAKEN. Voice service providers and intermediate providers are prohibited from accepting calls directly from a voice service provider that is not listed in the RMD, and must respond to FCC, law enforcement, and industry efforts to “traceback” unlawful traffic. We have implemented STIR/SHAKEN and certified to our compliance in the RMD. The FCC has several ongoing proceedings that consider additional measures to combat unwanted and illegal telephone calls. At this time, we are unable to predict the impact, if any, that additional regulatory action on these issues will have on our business.

### *Universal Service*

The Federal Universal Service Fund (“USF”) is the support mechanism established by the FCC to ensure that high quality, affordable telecommunications service is available to all Americans. Pursuant to the FCC’s universal service rules, all telecommunications providers and interconnected VoIP providers, including us, must contribute a percentage of their interstate and international end-user telecommunications and interconnected VoIP revenues to the USF. The FCC establishes an industry-wide quarterly contribution factor, which sets the exact percentage that applies for the given quarter. The contribution factor for the first quarter of 2022 is 25.2% of gross assessable interstate and international telecommunications and interconnected VoIP revenues. The contribution rate is reviewed quarterly and may increase or decrease, which would either increase or decrease our contributions to the USF.

This is not materially adverse to our business as we currently choose to recover the cost of the contributions from our end user customers, as allowed by FCC rules. However, climbing USF contributions may negatively impact our end users because they effectively make our products more expensive.

#### *Broadband Benefit Programs*

The Consolidated Appropriations Act of 2021 established an Emergency Broadband Connectivity Fund of \$3.2 billion to help Americans afford internet service during the COVID-19 pandemic. The Act directed the FCC to use the fund to establish an Emergency Broadband Benefit (“EBB”) Program, under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices, and participating providers can receive a reimbursement for such discounts. The EBB Program was set to conclude when the fund was expended or six months after the end of the public health emergency. The FCC adopted rules and policies in February 2021 creating and governing the (“EBB”) Program. The Infrastructure Investment and Jobs Act, which became law on November 15, 2021, the Affordable Connectivity Program (“ACP”), a long-term, \$14 billion program, to modify and replace the EBB Program. The FCC officially launched the ACP on December 31, 2021, and the FCC adopted final FCC program rules in January 2022. A 60-day period to transition from the EBB Program to the ACP ends on March 1, 2022. We elected to participate in the EBB, and will continue to participate in the ACP, so that eligible customers could receive discounted broadband services and devices. At this time, we are unable to predict whether the FCC’s final ACP rules, or any other program changes made by the FCC, will impact our decision to continue to participate in the program or have an impact on our business.

#### *Forbearance and Other Relief to Dominant Carriers*

The Communications Act permits the FCC to forbear from requiring telecommunications carriers to comply with certain of its regulations and provisions of the Communications Act if certain conditions are present that make enforcement of the regulations or statutory provisions unnecessary. Future reduction or elimination of federal regulatory and statutory requirements could free us from regulatory burdens, but might also increase the relative flexibility of our major competitors. As a result of grants of forbearance, for example, our costs (and those of our competitors) of purchasing broadband services from carriers could increase significantly, as the rates, terms and conditions offered in non-tariffed “commercial agreements” may become less favorable and we may not be able to purchase services from alternative vendors.

#### *Multiple Tenant Properties*

The FCC has prohibited telecommunications carriers from entering into exclusive access agreements (or enforcing pre-existing exclusive arrangements) with building owners or managers in both commercial and residential multi-tenant environments. The FCC has also adopted rules requiring utilities (including ILEC’s) to provide telecommunications carriers (and cable operators) with reasonable and non-discriminatory access to utility-owned or -controlled conduits and rights-of-way in all multiple tenant environments (e.g., apartment buildings, office buildings and campuses) in those states where the state government has not certified to the FCC that it regulates utility pole attachments and rights-of-way matters. These requirements may facilitate our access (as well as the access of competitors) to customers in multi-tenant environments, at least with regard to our provision of telecommunications services.

In an order released November 13, 2007, the FCC found that contractual agreements between multiple dwelling unit (“MDU”) owners and cable operators that grant exclusive access to the cable operator are proscribed as “unfair methods of competition.” Under the rule, the Commission prohibits the enforcement of existing exclusivity clauses and the execution of new ones by cable operators and others subject to the relevant statutory provisions. MDUs include a multiple dwelling unit building and any other centrally managed residential real estate development (such as a gated community, mobile home park, or garden apartment complex). These requirements facilitate our access (as well as the access of competitors) to customers in MDU environments, at least with regard to our provision of cable services. They also, however, invalidate any of our existing exclusive access agreements covered by the rules. In 2019, the FCC issued a rulemaking proposal to explore additional actions the FCC could take to facilitate deployment and consumer choice in MDU environments. In 2021, the FCC’s Wireline Competition Bureau issued a Public Notice inviting parties to update the record with additional comments. That rulemaking remains pending.

### *Customer Proprietary Network Information and Personally Identifiable Information*

We are subject to specific customer privacy obligations with respect to our telecommunications, interconnected VoIP and video services. FCC rules protect the privacy of certain information about customers that telecommunications providers, including us, acquire in the course of providing telecommunications and interconnected VoIP services. Such protected information, known as Customer Proprietary Network Information (“CPNI”), includes information related to the quantity, technological configuration, type, destination and the amount of use of a telecommunications offering. Certain states have also adopted state-specific CPNI rules. The FCC’s rules require affected providers to implement policies to notify customers of their rights, take reasonable precautions to protect CPNI and notify law enforcement agencies if a breach of CPNI occurs. If a federal or state regulatory body determines that we have breached the applicable regulations or implemented the FCC’s requirements incorrectly, we could be subject to fines or penalties.

Section 631 of the Communications Act requires that we protect the privacy of our video customers. In general, that section: (i) requires that cable operators, such as us, notify customers of our obligations and their privacy rights; and (ii) prohibits cable operators from: (a) disclosing cable customer personally identifiable information (“PII”) without customer consent, or a court order, except in limited situations; and (b) using the cable system to collect PII without customer consent, unless necessary to provide service or prevent theft of service. Section 631 specifically provides our customers with the right to bring legal action against us if we fail to comply with the statutory requirements.

In addition, statutory protections in Section 222 of the Communications Act apply to our telecommunications services. In addition, FCC regulations apply to our use, disclosure, and protection of CPNI associated with our telecommunications and VoIP telephone service. In the Internet Freedom Order, the FCC returned jurisdiction to regulate broadband privacy and data security to the Federal Trade Commission.

Privacy continues to be a major focus of Congress, the Federal Trade Commission, the FCC, the U.S. Department of Commerce and the states. Additional laws, regulations or advisory guidelines could affect our ability to use and share customer information under various additional circumstances.

### *Taxes and Regulatory Fees*

We are subject to numerous local, state and federal taxes and regulatory fees, including, but not limited to, local sales taxes, franchise fees and PEG fees, FCC regulatory fees and PSC regulatory fees. We have procedures in place to ensure that we properly collect taxes and fees from our customers and remit such taxes and fees to the appropriate entity pursuant to applicable law and/or regulation. If our collection procedures prove to be insufficient or if a taxing, franchise or regulatory authority determines that our remittances were inadequate, we could be required to make additional payments, which could have a material adverse effect on our business.

### *Environmental Regulation*

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, treatment, handling, remediation, use, disposal and transportation 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, and health and safety. We also may be subject to laws requiring the investigation and cleanup of contamination at sites we own or operate or at third-party waste disposal sites. Such laws often impose joint and strict liability even if the owner or operator did not know of, or was not responsible for, the contamination. We operate several sites in connection with our operations. Our switch sites and some customer premise locations are equipped with backup power sources in the event of an electrical failure. Each of our switch site locations has battery and diesel fuel powered backup generators, and we use batteries to back up some of our customer premise equipment. In addition, some of our sites may have potential contamination risks from historical and surrounding activities. We are not aware of any liability or alleged liability at any owned or operated sites or third-party waste disposal sites that would be expected to have a material adverse effect on us.

## Franchises

As described above, cable television systems generally are constructed and operated under the authority of nonexclusive franchises, granted by local and/or state governmental authorities. Cable system franchises typically contain many conditions, such as time limitations on commencement and completion of system construction, customer service standards including number of channels, the provision of free service to schools and certain other public institutions, the maintenance of insurance and indemnity bonds, the payment of franchise fees and the support of PEG channels. We are currently in the process of seeking renewal of some expired franchises. We anticipate that those franchises will be renewed. Local regulation of cable television operations and franchising matters is limited in part by federal parameters set forth in the Communications Act and the corresponding regulations of the FCC. The FCC has taken steps in recent years toward streamlining the franchising process. See *Legislation and Regulation—Regulation of Cable Services* above.

Prior to the scheduled expiration of franchises, we may initiate renewal proceedings with the relevant franchising authorities. The Cable Communications Policy Act of 1984 provides for an orderly franchise renewal process in which the franchising authorities may not unreasonably deny renewals. If a renewal is withheld and the franchising authority takes over operation of the affected cable system or awards the franchise to another party, the franchising authority must pay the cable operator the “fair market value” of the system. The Cable Communications Policy Act of 1984 also established comprehensive renewal procedures requiring that the renewal application be evaluated on its own merit and not as part of a comparative process with other proposals.

## Item 1A. Risk Factors

### RISK FACTORS

*The most significant risks and uncertainties that we believe affect our business are described below. These risks and uncertainties may not be the only ones we face. Additional risks and uncertainties that we are not aware of or focused on, or risks currently deemed less significant, may also impair business operations. You should consider carefully the risks and uncertainties described below together with all of the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. If any of the risks and uncertainties described below actually occurs, our business, financial condition, operating results or liquidity could be materially adversely affected.*

### Risks Relating to Our Business and Industry

***We face a wide range of competition, which could negatively affect our business and financial results.***

Our industry is, and will continue to be, highly competitive. Our principal residential services competitors, including other cable and telecommunications companies, offer services that provide features and functions comparable to the residential high-speed data, video, and/or telephony services that we offer. In most markets, our direct competitors are larger and possess greater resources than we do. In some instances, we compete against companies with fewer regulatory burdens, better access to financing, greater personnel resources, greater resources for marketing, greater brand name recognition, and long-established relationships with regulatory authorities and customers. Increasing consolidation in the cable industry and the repeal of certain ownership rules have provided additional benefits to certain of our competitors, either through access to financing, resources or efficiencies of scale.

In some of our operating areas, AT&T, Verizon or other incumbent telephone providers have upgraded their networks to carry two-way video, fifth generation (“5G”) high-speed data technology with substantial bandwidth and IP-based telephony services, which they market and sell in bundles, in some cases, along with their wireless services. These telephone incumbents may also offer satellite video as a part of their bundle, either in partnership with a satellite provider or directly as is the case with AT&T/DirecTV. Consequently, there are more than two providers of “triple-play” services in some of our markets.

In addition, each of our residential services faces competition from other companies that provide such services on a stand-alone basis. Our residential video service faces competition from other cable and direct broadcast satellite providers that seek to distinguish their services from ours by offering aggressive promotional pricing, exclusive programming, and/or assertions of superior service or offerings. Increasingly, our residential video service also faces competition from

companies that deliver content to consumers over the Internet and on mobile devices. This trend could negatively impact customer demand for our residential video service, especially premium channels and VOD services, and could encourage content owners to seek higher license fees from us in order to subsidize their free distribution of content. Our residential high-speed data and telephony services also face competition from wireless Internet and voice providers, and our residential voice service faces competition from other cable providers, “over-the-top” (“OTT”) phone service and other communication alternatives, including texting, social networking and email. Furthermore, due to consumer electronics innovations, consumers are more readily able to watch such Internet-delivered content on television sets and mobile devices, which could lead to additional “cord-cutting”. We expect these trends to continue in the future.

Any inability to compete effectively or an increase in competition could have an adverse effect on our financial results and return on capital expenditures due to possible increases in the cost of acquiring and retaining subscribers and lower per subscriber revenue, could slow or cause a decline in our growth rates and could reduce our revenue. As we expand and introduce new and enhanced services, we may be subject to competition from other providers offering the same services. We cannot predict the extent to which this competition will affect our future business and financial results or return on capital expenditures.

Future advances in technology, as well as changes in the marketplace, the economy and in the regulatory and legislative environments, may also result in changes to the competitive landscape.

***Our business is characterized by rapid technological change, and if we do not respond appropriately to technological changes, our competitive position may be harmed.***

We operate in a highly competitive, consumer-driven, rapidly changing environment and our success is, to a large extent, dependent on our ability to acquire, develop, adopt and exploit new and existing technologies to distinguish our services from those of our competitors. We have invested in advanced technology platforms that support advanced communications services and multiple emerging interactive services, such as VOD, DVR, interactive television, VoIP and pure fiber network services. If we choose technologies or equipment that are less effective, cost-efficient or attractive to our customers than those chosen by our competitors, or if we offer services that fail to appeal to consumers, are not available at competitive prices or that do not function as expected, our competitive position could deteriorate, and our business and financial results could suffer. In addition, we may be required to select one technology over another and may not choose the technology that is the most economic, efficient or attractive to customers. We may also encounter difficulties in implementing new technologies, products and services and may encounter disruptions in service as a result.

The ability of our competitors to acquire or develop and introduce new technologies, products and services more quickly than us may adversely affect our competitive position. Furthermore, advances in technology, decreases in the cost of existing technologies or changes in competitors’ product and service offerings also may require us to make additional future research and development expenditures or to offer at no additional charge, or at a lower price, certain products and services that we currently offer to customers separately or at a premium. In addition, the uncertainty of the costs for obtaining intellectual property rights from third parties could impact our ability to respond to technological advances in a timely manner.

***Increases in programming and retransmission costs or the inability to obtain popular programming could adversely affect our operations, business, financial condition or results of operations.***

Programming has been and is expected to continue to be, our largest single operating expense. In recent years, the cable industry has experienced rapid increases in the cost of cable programming, retransmission consent charges for local commercial television broadcast stations and regional sports programming. We expect these trends to continue. As compared to large national providers, our relatively modest base of subscribers limits our ability to negotiate lower programming costs. In addition, as we increase the channel capacity of our systems and add programming to our expanded basic and digital programming tiers, we may face additional market constraints on our ability to pass programming cost increases on to our customers. Furthermore, content providers may be unwilling to enter into distribution arrangements on acceptable terms and owners of non-broadcast video programming content may enter into exclusive distribution arrangements with our competitors. Any inability to pass programming cost increases on to our customers would have an adverse impact on our results of operations and a failure to carry programming that is attractive to our subscribers could adversely impact subscription and advertising revenues.

***Programming exclusivity in favor of our competitors could adversely affect the demand for our video services.***

We obtain our programming by entering into contracts or arrangements with programming suppliers. Federal rules restrict cable operators and other multichannel video programming distributors from entering into certain exclusive programming arrangements. A programming supplier, however, could enter into some types of exclusive arrangements with certain of our video competitors, consistent with these rules, that could create a competitive advantage for that competitor by restricting our access to this programming. If our ability to offer popular programming on our cable television systems is restricted by exclusive arrangements between our competitors and programming suppliers, the demand for our video services may be adversely affected and our cost to obtain programming may increase.

***We may encounter substantially increased pole attachment costs.***

Under federal law, we have the right to attach cables carrying video and other services to telephone and similar poles of privately-owned utilities at regulated rates. However, because these cables may carry services other than video services, such as high-speed data services or new forms of telephony services, some utility pole owners have sought to impose additional fees for pole attachment. If these rates were to increase significantly or unexpectedly, it would cause our network to be more expensive to operate. It could also place us at a competitive disadvantage with respect to video and telecommunications service providers who do not require or who are less dependent upon pole attachments, such as satellite providers and wireless telephony service providers.

In April 2011, the FCC enacted revised pole attachment rules to improve the efficiency and reduce the costs of deploying telecommunications, cable and broadband networks in order to accelerate broadband deployment. The formula for calculating the telecommunications attachment rate was revised, lowering the rate and bringing it in-line to the video rate. Many utilities seek to impose the telecommunications rate on us when they carry our services, other than video services, over their attachments. In November 2015, the FCC released another order taking further steps to balance the rates paid by cable operators and telecommunications carriers. Moreover, the appropriate method for calculating pole attachment rates for cable operators that provide VoIP services may continue to be challenged.

Some states in which we operate have assumed jurisdiction over the regulation of pole attachment rates, and so the federal regulations and the protections provided in those regulations may not apply in those states. In addition, some of the poles we use are exempt from federal regulation because they are owned by utility cooperatives and/or municipal entities or are otherwise exempt from the pole attachment regulations.

Subject to applicable pole attachment access and rate regulations, the entities that own the poles that we attach to and conduits that we access may not renew our existing agreements when they expire, and they may require us to pay substantially increased fees. Some of these pole and conduit owners have recently imposed or are currently seeking to impose substantial rate increases. Any increase in our pole attachment or conduit access rates or inability to secure continued pole attachment and access agreements on commercially reasonable terms could adversely affect our operations, business, financial condition or results of operations.

***A phase-out of the compulsory copyright license for broadcast programming could adversely affect our ability to carry the programming transmitted by broadcast stations or could increase our programming costs.***

In exchange for filing reports and contributing a percentage of revenue to a federal copyright royalty pool, we obtain a compulsory copyright license allowing us to retransmit copyrighted material contained in broadcast television signals. The U.S. Copyright Office, the U.S. Government Accountability Office and the FCC all issued reports to Congress in 2011 that generally supported an eventual phase-out of the compulsory licenses. Such a change, if made, could adversely affect the ability of our cable television systems to obtain programming carried by broadcast television stations, and could increase the cost of such programming.



## **Risks related to Our Legal and Regulatory Environment**

### ***We operate our network under some franchises that may be subject to non-renewal or termination.***

Our network generally operates pursuant to franchises, permits or licenses typically granted by a municipality or state agency with the authority to grant franchises. Additionally, other state or local governmental entities may exercise control over the use of public rights-of-way. Often, franchises are terminable if the franchisee fails to comply with material terms of the franchise agreement or the local franchise authority's regulations. Although none of our existing franchise or license agreements have been terminated, and we have received no threat of such a termination, one or more local authorities may attempt to take such action. We may not prevail in any judicial or regulatory proceeding to resolve such a dispute.

Further, franchises generally have fixed terms and must be renewed periodically. Our franchises are typically issued for 10 to 15 year initial terms, but the terms vary depending upon whether we are operating under a local or state franchise. Many of our existing franchise terms will expire over the course of the next several years, and we operate under some expired franchises. Local franchising authorities may resist granting a renewal if they consider either past performance or the prospective operating proposal to be inadequate. In a number of jurisdictions, local authorities have attempted to impose rights-of-way fees on providers that have been challenged as violating federal law. A number of FCC and judicial decisions have addressed the issues posed by the imposition of rights-of-way fees on CLECs and on video distributors. On August 1, 2019, the FCC adopted an order concluding, among other things, that its franchising rules and findings fully apply to state-level franchising actions and regulations, and limiting the ability of franchising authorities to impose franchise fees and to regulate non-cable services. In May 2021, a federal appeals court largely upheld that decision, reversing only a discrete issue pertaining to the calculation of franchise fees. We cannot predict how the FCC's rulings concerning franchising will impact our business.

The local franchising authorities can grant franchises to competitors who may build networks in our market areas. Recent FCC decisions facilitate competitive video entry by limiting the actions that local franchising authorities may take when reviewing applications by new competitors and lessen some of the burdens that can be imposed upon incumbent cable operators with which we ourselves compete. Local franchise authorities have the ability to impose regulatory constraints or requirements on our business, including those that could materially increase our expenses. In the past, local franchise authorities have imposed regulatory constraints on the construction of our network either by local ordinance or as part of the process of granting or renewing a franchise. They have also imposed requirements on the level of customer service that we provide, as well as other requirements. The local franchise authorities in our markets may also impose regulatory constraints or requirements that may be found to be consistent with applicable law, but which could increase the cost of operating our business.

### ***Changes in broadcast carriage regulations could impose significant additional costs on us.***

Federal "must carry" rules require us to carry some local broadcast television signals on our broadband network that we might not otherwise carry. If the FCC seeks to revise or expand the "must carry" rules, for example by requiring carriage of multicast signals, we would be forced to carry video programming that we would not otherwise carry, potentially drop more popular programming in order to free capacity for the required programming, decrease our ability to manage our bandwidth efficiently and/or increase our costs, which could make us less competitive. As a result, cable operators, including us, could be placed at a disadvantage versus other multichannel video providers. Potential federal legislation regarding programming packaging, bundling or à la carte delivery of programming could fundamentally change the way in which we package and price our services. We cannot predict the outcome of any current or future FCC proceedings or legislation in this area, or the impact of such proceedings on our business at this time.

### ***Loss of interconnection arrangements could impair our telephone service.***

We rely on other companies to connect the calls made by our local telephone customers to the customers of other local telephone providers. These calls are completed because our network is interconnected with the networks of other telecommunications carriers. These interconnection arrangements are mandated by the Communications Act of 1934, as amended (the "Communications Act"), and the FCC's implementing regulations. It is generally expected that the Communications Act will continue to undergo considerable interpretation and modification, including the FCC's potential forbearance from continuing to enforce carriers' statutory and regulatory interconnection obligations, which could have a negative impact on our interconnection agreements.

It is also possible that further amendments to the Communications Act may be enacted, which could have a negative impact on our interconnection agreements. The contractual arrangements for interconnection generally contain provisions for incorporation of changes in governing law. Thus, future FCC, state PSC and/or court decisions may negatively impact the rates, terms and conditions of the interconnection services that we have obtained and may seek to obtain under these agreements, which could adversely affect our operations, business, financial condition or results of operations. Our ability to compete successfully in the provision of services will depend on the nature and timing of any such legislative changes, regulations and interpretations and whether they are favorable to us or to our competitors.

***Applicable laws and regulations pertaining to our industry are subject to change.***

We are subject to a variety of laws and regulations at the federal, state, and local jurisdictions in which we operate. Specifically, we are subject to regulation of our video services relating to rates, equipment, technologies, programming, levels and types of services, taxes and other charges. The current telecommunications and cable legislation and regulations are complex and in many areas set forth policy objectives to be implemented by regulation at the federal, state and local levels.

Additionally, we are subject to 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. Some of our sites have battery and diesel fuel powered backup generators or sources, or 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.

The exact requirements of applicable law are not always clear, and the rules affecting our businesses are always subject to change. For example, the FCC may interpret its rules and regulations in enforcement proceedings in a manner that is inconsistent with the judgments we have made. Likewise, regulators and legislators at all levels of government may sometimes change existing rules or establish new rules. Congress, for example, considers new legislative requirements for cable operators virtually every year, and there is always a risk that such proposals (if unfavorable to us) will ultimately be enacted. In addition, federal, state or local governments and/or tax authorities may change tax laws, regulations or administrative practices that could adversely affect our operations, business, financial condition or results of operations.

***“Net neutrality” legislation or regulation could limit our ability to operate our high-speed data service business profitably and manage our broadband facilities efficiently.***

In January 2018, the FCC released a decision rescinding various “net neutrality” requirements governing how broadband Internet access providers were permitted to offer broadband service. As a result, under the current approach, broadband Internet access providers must publicly disclose detailed information regarding their service offerings, Internet traffic management processes, and other practices affecting broadband customers, but are not otherwise limited by federal law in their ability to block, throttle, or prioritize specific types of Internet traffic. The FCC also held that states are preempted (prohibited) from enacting their own versions of these or similar requirements.

On October 1, 2019, a federal appeals court upheld most of the FCC’s decision, but it directed the agency to give further consideration to several issues and reversed the FCC’s blanket preemption of state rules, holding that such state laws could only be prohibited on a case-by-case basis, and only when they conflict with state or federal policy. No party appealed that decision. On October 27, 2020, the FCC adopted a decision reaffirming other aspects of its earlier decision. That decision has been appealed, both in court and before the FCC. We cannot predict how a future FCC will address internet service regulation. In the meantime, several states have adopted, or are considering, net neutrality requirements of their own. Some of these are currently subject to legal challenge by broadband providers’ trade associations in federal court. We cannot predict with any certainty the likely timing or outcome of these or future challenges, or how state efforts to adopt net neutrality requirements will continue to evolve.

***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 service. Examples of such services include the delivery of content via streaming technology and by download, peer-to-peer file sharing services and gaming services. We need flexibility to develop pricing and business models that will allow us to respond to changing consumer 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.

***Rate regulation could materially adversely impact our operations, business, financial results or financial condition.***

Under current FCC rules, rates for basic service tier (“BST”) video service and associated equipment may be regulated where there is no effective competition. Under current FCC rules, cable operators are presumed to be subject to effective competition. In all of the communities we serve, we are not subject to BST video rate regulation, either because the local franchising authority has not asked the FCC for permission to regulate rates due to the lack of effective competition or because of the presumed presence of effective competition. Except for telephony services provided by our operating companies that are ILECs (which are subject to certain rate regulations), there is currently no rate regulation for our other services, including high-speed data and non-ILEC telephony services. It is possible, however, that the FCC or Congress will adopt more extensive rate regulation for our video services or regulate the rates of other services, such as high-speed data, business data (or special access) services and telephony services, which could impede our ability to raise rates, or require rate reductions, and therefore could adversely affect our operations, business, financial condition or results of operations.

***Our business may be adversely affected by the application of certain regulatory obligations governing the intellectual property rights of third parties or if we cannot continue to license or enforce the intellectual property rights on which our business depends.***

We rely on patent, copyright, trademark and trade secret laws and licenses that are proprietary to our business, as well as our key vendors, along with other agreements with our employees, customers, suppliers and other parties, to establish and maintain our intellectual property rights in technology and the products and services used in our operations. However, any of our intellectual property rights could be challenged or invalidated, or such intellectual property rights may not be sufficient to permit us to take advantage of current industry trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm. Claims of intellectual property infringement by third parties under applicable agreements, laws and regulations (including the Digital Millennium Copyright Act of 1998) could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question, which could require us to change our business practices or offerings and limit our ability to compete effectively. Even claims without merit can be time-consuming and costly to defend and may divert management’s attention and resources away from our business. Also, because of the rapid pace of technological change, we rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms, if at all.

***Our business is subject to numerous federal and state laws and regulations regarding privacy and data protection. Existing laws and regulations are evolving and subject to uncertain interpretation, and new laws and regulations affecting our business have been proposed. These laws and regulations could result in legal claims, changes to our business practices, increased cost of operations, or could otherwise impact our business.***

As a provider of high-speed data, video and telephony services, we are subject to an array of privacy-related laws and regulations that are constantly evolving and can be subject to significant change. In the course of providing service, we collect certain information about our subscribers and their use of our services. Our collection and use of personally identifiable information about our subscribers is subject to a variety of federal and state privacy requirements, including those imposed specifically on cable operators by Section 631 of the Communications Act. That section generally restricts the nonconsensual collection and disclosure to third parties of cable customers’ personally identifiable information by cable operators, subject to certain specified exceptions. Several states and numerous local jurisdictions have enacted privacy laws or franchise privacy provisions that apply to cable services.

Section 222 of the Communications Act also governs our use of customer proprietary network information related to our telecommunications services. In addition, FCC regulations apply to our use, disclosure, and protection of CPNI associated with our telecommunications and VoIP telephone service. In the Internet Freedom Order, the FCC returned jurisdiction to regulate broadband privacy and data security to the Federal Trade Commission. As we continue to provide interactive and other advanced services, additional privacy considerations may arise. Privacy continues to be a major focus of Congress, the Federal Trade Commission, the FCC, the U.S. Department of Commerce, and the states. Additional laws, regulations, or advisory guidelines could affect our ability to use and share customer information under various additional circumstances or generally increase our operating expenses.

We are also subject to state and federal regulations and laws regarding information security. Most of these regulations and laws apply to customer information that could be used to commit identity theft. Nearly all U.S. states and the District of Columbia have enacted some form of security breach notification laws. These laws generally require that we give notice to customers whose personal account information has been disclosed because of a security breach. The Communications Act and FCC rules also impose breach notification and information security requirements, which may require that we give notice to customers of breaches in some circumstances where notice would not be required by state law. Our efforts to protect customer information may be unsuccessful due to the actions of third parties, technical malfunctions, employee error, employee malfeasance, cyber-criminals, state-sponsored espionage or cyberwarfare, or other factors. If any of these events occur, the confidentiality, integrity, or accessibility of our customers' information could be compromised, and could subsequently be used, accessed or disclosed improperly.

Claims resulting from actual or purported violations of these or other federal or state privacy laws could impact our business. Adverse rulings in privacy-related litigation or regulatory proceedings could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Moreover, because many of these privacy and data security and data security laws are relatively new, there is not a robust body of case law to suggest how courts may interpret compliance or assess fines. Finally, any actual or purported incidents involving unauthorized access to or improper use of the information of our customers could damage our reputation and our brand and diminish our competitive position.

***Regulation of the set-top box market could materially and adversely impact our operations and impose additional costs on us.***

The FCC has adopted regulations to permit consumers to connect televisions and other consumer electronics equipment through a separate security device directly to digital cable television systems to enable receipt of one-way digital programming without requiring a set-top box. Additional FCC regulations promote the manufacture of plug-and-play TV sets and other equipment that can connect directly to a cable system through these separate security devices, although in September 2020, the FCC eliminated some of these rules. Although we generally require less up-front capital when our customers buy and self-install their own set-top boxes, these regulations could impose substantial costs on us and impair our ability to innovate.

***If our trade names are not adequately protected, then we may not be able to build name recognition in our markets and our business may be adversely affected.***

We own some trademarks in connection with the operation of our business. We cannot, however, assure you that we have obtained or can obtain all necessary trademarks to adequately protect our intellectual property. It is possible that a third party could bring suit against us claiming infringement of registered trademarks, and if it did so and if there were a court determination against us, we might then be obligated to pay monetary damages, enter into a license agreement, or cease use of any such marks, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Tax matters, including the changes in corporate tax rates, disagreements with taxing authorities and imposition of new taxes, including new tax legislation, could impact our results of operations and financial condition.***

We operate in locations throughout the United States and, as a result, are subject to the tax laws and regulations of federal, state and local governments. From time to time, various legislative and/or administrative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these initiatives. As a result of state and local budget shortfalls, certain states and localities have imposed or are considering imposing new or additional taxes or fees on our services or changing the methodologies or base on which certain fees and taxes are computed. Such potential changes include additional taxes or fees on our services which could impact our customers, and combined reporting and other changes to general business taxes, central/unit-level assessment of property taxes and other matters, which could increase our income, franchise, sales, use and/or property tax liabilities.

In addition, federal, state and local tax laws and regulations are extremely complex and subject to varying interpretations. Changes to income tax laws and regulations, or the interpretation of such laws, in any of the jurisdictions in which we operate could impact our effective tax rate and our tax positions. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge. In addition, we have significant NOL carryforwards that are available to offset future operating results, but the availability and value of the NOLs may be impacted by future changes in federal or state law.

***The FCC and local franchising authorities exercise authority over cable television systems and the FCC and state PSCs exercise authority over telecommunications and VoIP services.***

The FCC has promulgated regulations covering many aspects of cable television operations. Failure to comply with those regulations could lead the FCC to impose on us monetary fines, cease-and-desist orders and/or other administrative sanctions. The cable franchises that our systems operate under, which are issued by states, cities, counties or other political subdivisions, may contain similar enforcement mechanisms in the event of any failure to comply with the terms of those franchises.

The FCC also has promulgated regulations covering the interstate aspects and the regulated telecommunications earnings and VoIP services of our ILEC and CLEC operations. Our local and intrastate products and services and the regulated earnings are subject to regulation by state PSCs. Failure to comply with these regulations could lead the FCC or state PSCs to impose on us monetary fines, cease-and-desist orders and/or other administrative sanctions. These fines, cease-and-desist order and/or other administrative sanctions may adversely affect our operations, business, financial condition or results of operations.

## **Risks Relating to Our Outstanding Indebtedness**

***We have substantial indebtedness, which may increase our vulnerability to general adverse economic and industry conditions and may limit our ability to pursue strategic alternatives and react to changes in our business and industry.***

We have substantial indebtedness. This amount of indebtedness may:

- subject us to sensitivity to increases in prevailing interest rates;
- place us at a disadvantage to competitors with relatively less debt in economic downturns, adverse industry conditions or catastrophic external events;
- limit our flexibility as a result of our debt service requirements or financial and operational covenants;
- limit our access to additional capital and other investments in our business;
- require us to dedicate a significant portion of our cash flow from operating activities to make payments on our debt, reducing our funds available for working capital, capital expenditures, and other general corporate expenses;
- limit our ability to pursue strategic alternatives, including merger or acquisition transactions; and
- limit our ability to plan for or react to changes in our business and industry.

Our ability to comply with the financial and other covenants contained in our debt instruments may be affected by changes in economic or business conditions or other events beyond our control. If we do not comply with these covenants and restrictions, we may be required to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of our existing debt, or seeking additional equity capital. Failure to comply could also cause a default, which may result in our substantial indebtedness becoming immediately due and payable and could permit the lenders to foreclose on our assets securing such debt. If this were to occur, we would be unable to adequately finance our operations.

***We may not be able to generate sufficient cash to service our indebtedness and 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 our anticipated debt obligations will depend on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. We expect that the agreements governing our indebtedness will restrict our ability to dispose of assets and use the proceeds from those dispositions and will also restrict our ability to raise debt capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could have a material adverse effect on our operations, business, financial condition or results of operations.

#### **Risks Relating to Our Common Stock**

***A significant portion of our common stock will continue to be held by Crestview, whose interests may differ from yours.***

Crestview owns approximately 36% of our outstanding shares of common stock. Crestview may have interests that are different from or adverse to our other stockholders. For example, Crestview may support proposals and actions with which you may disagree or which are not in your interests or which adversely impact the value of our common stock. Crestview will be able to strongly influence or effectively control our decisions requiring stockholder approval, including the election of directors, amendment of our amended and restated certificate of incorporation and approval of significant corporate transactions and, through our Board of Directors, the ability to control decision-making with respect to our business direction and policies. This control could have the effect of delaying or preventing a change of control in us or changes in management and could also make the approval of certain transactions difficult or impossible without the support of these stockholders, which in turn could reduce the price of our common stock.

Under our amended and restated certificate of incorporation, Crestview and its affiliates will not have any obligation to present to us, and they may separately pursue, corporate opportunities of which they become aware, even if those opportunities are ones that we would have pursued if granted the opportunity.

***Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.***

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. We have approximately 87.4 million shares of common stock outstanding as of December 31, 2021. Of these shares, all common stock sold in our initial public offering, except for any shares held by our affiliates, are eligible for sale in the public.

All of our shares of common stock currently outstanding may be sold in the public market by existing stockholders subject to applicable volume and other limitations imposed under federal securities laws. Further, holders of approximately 36% of our outstanding common stock have demand and/or piggyback registration rights to require us to register our common stock with the SEC. If we register these shares, the stockholders would be able to sell those shares freely in the public market. In addition, we filed a registration statement registering under the Securities Act the common stock reserved for issuance in respect of incentive awards to our directors, officers and employees. If any of these holders cause a large number of securities to be sold in the public market, the sales could reduce the trading price of our common stock. These sales also could impede our ability to raise capital in the future.

#### **Other Risks**

***A prolonged economic downturn, especially any downturn in the housing market, may negatively impact our ability to attract new subscribers and generate increased revenues.***

We are exposed to risks associated with prevailing economic conditions, which could adversely impact demand for our products and services and have a negative impact on our financial results. In addition, the global financial markets have displayed uncertainty, and at times the equity and credit markets have experienced unexpected volatility, which could cause economic conditions to worsen. A continuation or further weakening of these economic conditions could lead to reductions in consumer demand for our services, especially premium video services and enhanced features, such as DVRs, and a continued increase in the number of homes that replace their wireline telephone service with wireless service or OTT phone service and their video service with Internet-delivered and/or over-air content, which would negatively impact our ability to attract customers, maintain or increase rates and maintain or increase revenue. The expanded availability of free or lower cost competitive services, such as video streaming over the Internet, or substitute services, such as wireless phones, may further reduce consumer demand for our services during periods of weak economic conditions. In addition, providing video services is an established and highly penetrated business. Our ability to gain new video subscribers is partially dependent on growth in occupied housing in our service areas, which is influenced by both national and local economic conditions. If the number of occupied homes in our operating areas declines and/or the number of home foreclosures significantly increases, we may be unable to maintain or increase the number of our video subscribers.

***The demand for our broadband communications services may be lower than we expect.***

The demand for high-speed data, video and telephony services, either alone or as part of a bundle, cannot readily be determined. Our business could be adversely affected if demand for broadband communications services is materially lower than we expect. Our ability to generate revenue will suffer if the markets for the services we offer, including telephony and high-speed data services, fail to develop, grow more slowly than anticipated or become saturated with competitors.

***We may not be able to access the credit and capital markets at the times and in the amounts needed and on acceptable terms.***

From time to time we may need to access the long-term and short-term capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including our financial performance, our credit ratings or absence of a credit rating, the liquidity of the overall capital markets and the state of the economy. There can be no assurance that we will have access to the capital markets on terms acceptable to us.

***Our reliance on third parties could adversely affect our operations, business, financial condition and results of operations.***

We are susceptible to risks associated with the potential financial instability of the vendors and third parties on which we rely to provide products and services, or to which we delegate certain functions. Specifically, we depend on third-party suppliers and licensors to supply some of the hardware, software and operational support necessary to provide our services. Some of these vendors represent our sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. If demand exceeds these vendors' capacity, they experience operating or financial difficulties, they significantly increase the amount we pay for necessary products or services, or they cease production of any necessary product due to lack of demand, our ability to provide some services may be materially adversely affected.

In addition, a general economic downturn, as well as volatility and disruption in the capital and credit markets, could adversely affect vendors and third parties and lead to significant increases in prices, reduction in output or the bankruptcy of our vendors or third parties upon which we rely. Any interruption in the services provided by our vendors or by third parties could adversely affect our operations, business, financial condition or results of operations.

***Since our business is concentrated in specific geographic locations, our business could be adversely impacted by natural disasters in these areas.***

We provide our services to areas in Alabama, Florida, Georgia, Michigan, South Carolina and Tennessee, which are in the Southeastern and Midwestern regions of the United States. 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, hurricane, flood, mudslide, earthquake or other natural catastrophe in one of these areas could damage our network, interrupt our service and harm our business in the affected area. In addition, many of our markets are close together, and a single natural catastrophe could damage our network in more than one market.

***We rely on network and information systems and other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, "cyber-attacks," misappropriation of data or other malfeasance, as well as outages, accidental releases of information or similar events, may disrupt our business.***

As network and information systems and other technologies are critical to our operating activities, network or information system shutdowns caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, "cyber-attacks," denial of service attacks and other malicious activity pose increasing risks. Our network and information systems are also vulnerable to damage or interruption from power outages, terrorist attacks and other similar events which could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers and damage to our network, equipment, data and reputation. The occurrence of such an event also could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future. Significant incidents could result in a disruption of our operations, customer dissatisfaction or a loss of customers or revenues.

Furthermore, our operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in our information technology systems and networks, including customer, personnel and vendor data. We could be exposed to significant costs if such risks were to materialize, and such events could damage the reputation and credibility of our business and have a negative impact on our revenue. We also could be required to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, information-related risks are increasing, particularly for businesses like ours that handle a large amount of personal customer data.



***Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.***

In general, under Section 382 (“Section 382”) of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its existing federal and state net operating losses and capital losses. Future changes in our stock ownership, some of which are outside of our control, could result in an additional ownership change under Section 382. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities, including for state tax purposes. The generation of NOLs subsequent to December 31, 2017 are subject to the Tax Cut and Jobs Act, which removes NOL expirations, but limits utilization against taxable income to 80%. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we continue to remain profitable.

***We have experienced net losses and may generate net losses in the future.***

We experienced net losses in the past and may report net losses in the future. In general, these prior net losses have principally resulted from interest expense related to our indebtedness, acquisitions and depreciation and amortization expenses associated with capital expenditures related to expanding and upgrading of our broadband network, as well as impairment charges to certain intangible assets. If we report net losses in the future, these losses may limit our ability to attract needed financing, and to do so on favorable terms, as such losses may prevent some investors from investing in our securities.

***Public health threats or outbreaks of communicable diseases could have a material adverse effect on the Company’s operations and overall financial performance.***

We may face risks related to public health threats or outbreaks of communicable diseases. A global health crisis, such as coronavirus or COVID-19, could adversely affect the United States and global economies and limit the ability of enterprises to conduct business for an indefinite period of time. A public health crisis may negatively impact the global economy, disrupt financial markets and international trade, and result in increased unemployment levels and impact global supply chains, all of which could have the potential to impact our business.

In the event of a public health crisis, government authorities may, from time to time, implement various mitigation measures, including travel restrictions, limitations on business operations, stay-at-home orders and social distancing protocols. The economic impact of the aforementioned actions may impair our ability to sustain sufficient financial liquidity and impact our financial results. Impacts of a public health crisis could: (i) result in an increase in costs related to delayed payments from customers and uncollectable accounts, (ii) cause a reduction in revenue related to waiving late fees and other charges related to governmental regulations, (iii) cause delays and disruptions in the supply chain related to obtaining necessary materials for our network infrastructure or customer premise equipment, (iv) cause workforce disruptions, including the availability of qualified personnel; and (v) cause other unpredictable events.

As we cannot predict the probability, duration, or scope of any global health crisis, the anticipated negative financial impact to our operating results cannot be reasonably estimated, but could be material and last for an extended period of time.

**Item 1B. Unresolved Staff Comments**

Not Applicable.

**Item 2. Properties**

We lease our executive corporate offices in Englewood, Colorado. All of our other real or personal property is owned or leased by our subsidiaries.

Our subsidiaries own or lease the fixed assets necessary for the operation of their respective businesses, including office space, headend facilities, cable television and telecommunications distribution equipment, telecommunications switches and customer premise equipment and other property necessary for our subsidiaries' operations. The physical components of our broadband networks require maintenance and periodic upgrades to support the new services and products we introduce. Our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

**Item 3. Legal Proceedings**

Refer to Note 17 – Commitments and Contingencies for a discussion of the Company's legal proceedings.

**Item 4. Mine Safety Disclosures**

Not Applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Our common stock has traded on the New York Stock Exchange (“NYSE”) under the symbol “WOW” since May 25, 2017. Prior to that date, there was no public trading for our common stock. Our IPO was priced at \$17.00 per share on May 25, 2017.

#### Holders of our Common Stock

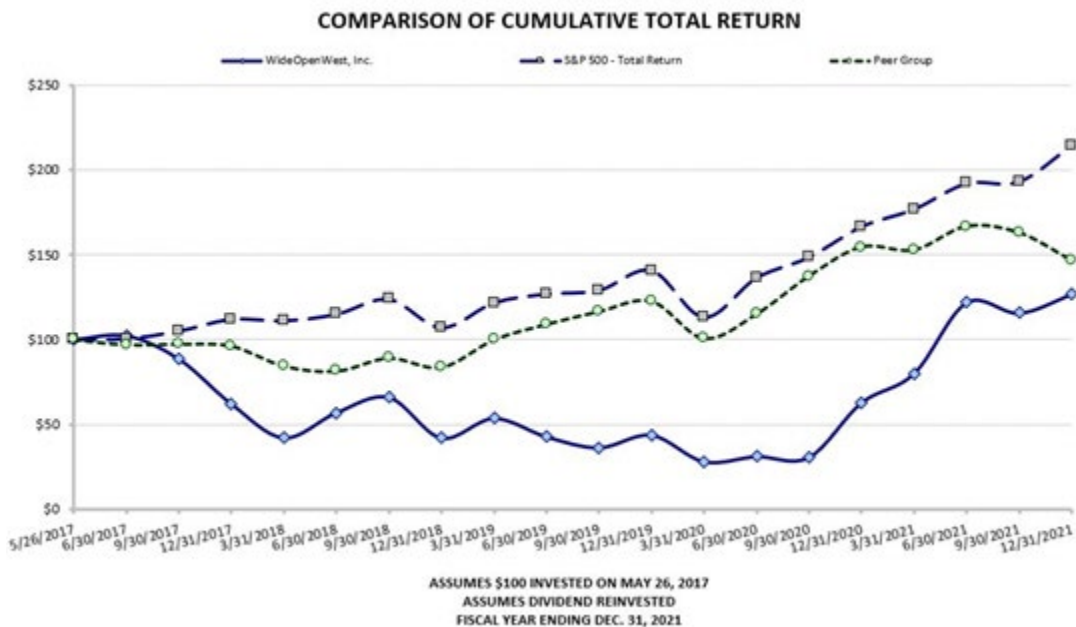
As of December 31, 2021, there were 31 holders of record of WOW’s common stock. A substantially greater number of holders are beneficial owners whose shares are held of record by banks, brokers and other nominees. The transfer agent and registrar for our common stock is American Stock Transfer and Trust.

#### Dividend Policy

No dividends have been declared or paid on our shares of common stock. We currently intend to retain all available funds and any future earnings for use in operations of our business, and therefore we do not anticipate paying any cash dividend in the foreseeable future.

#### Performance Graph

The graph below shows the cumulative total return on WOW’s common stock for the period of May 26, 2017 through December 31, 2021, in comparison to the cumulative total return on Standard & Poor’s 500 Index and a peer group consisting of the national cable operators that are most comparable to us in terms of size and nature of operations. The Company’s 2021 peer group consists of Comcast, Charter, Cable One, Inc. and Altice USA, Inc. The results shown assume that \$100 was invested on May 26, 2017. These indices are included for comparative purposes only and do not reflect whether it is management’s opinion that such indices are an appropriate measure of the relative performance of the stock involved, nor are they intended to forecast or be indicative of future performance of WOW’s common stock.



## Recent Sales of Unregistered Securities

During 2021, there were no unregistered sales of securities of the registrant.

## Purchases of Equity Securities by Issuer

The following table presents WOW's purchases of equity securities completed during the fourth quarter of 2021 (dollars in millions, except per share data).

Period	Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 - 31, 2021	2,933	\$ 19.05	—	\$ —
November 1 - 30, 2021	6,338	\$ 19.15	—	\$ —
December 1 - 31, 2021	20,845	\$ 20.05	—	\$ —

(1) Represents shares withheld from employees for the payment of taxes upon the vesting of restricted stock awards.

## Item 6. Reserved

Not applicable.

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion is provided to assist in understanding our Company, operations and current business environment and should be considered a supplement to, and read in conjunction with, the accompanying consolidated financial statements and notes included within Part II – Item 8 Financial Statements and Supplementary Data, as well as the discussion of our business and related risk factors in Part I – Item 1 Business and Part I – Item 1A Risk Factors, respectively.

### ***Overview***

We are a leading broadband services provider offering high-speed data (“HSD”), cable television (“Video”), and digital telephony (“Telephony”) services to residential customers and offer a full range of products and services to business customers. Our services are delivered across 14 markets via our advanced hybrid fiber-coax (“HFC”) network. Our footprint covers certain suburban areas within the states of Alabama, Florida, Georgia, Michigan, South Carolina and Tennessee. At December 31, 2021, our broadband networks passed 1.9 million homes and businesses and served 532,900 customers.

During 2021, we continued to experience strong demand for our HSD service. For the year ended December 31, 2021, the average percentage of HSD only new connections was approximately 87% compared to an average percentage of approximately 80% for the year ended December 31, 2020. Customers also connected at higher speeds with approximately 88% of HSD only new connections purchasing 200MB or higher speeds during the year ended December 31, 2021, representing a 13% increase compared to the year ended December 31, 2020.

We continue to focus on enhancing our network to meet changing customer preferences. In 2021, we extended 1 GIG capabilities to our Lansing, Michigan and Dothan, Alabama markets and now offer HSD speeds up to 1 GIG in approximately 99% of our footprint. Additionally, we extended the availability of WOWtv+, which is now offered in all of our markets.

On June 30, 2021, we announced two separate asset sales to two different buyers. On September 1, 2021, we completed the sale of our Cleveland and Columbus, Ohio markets and on November 1, 2021, we completed the sale of our Chicago, Illinois, Evansville, Indiana and Baltimore, Maryland markets. We utilized the majority of the total net proceeds of \$1.8 billion to pay down outstanding debt in the third and fourth quarter of 2021 and to refinance our credit agreement in December of 2021. The divestitures strengthened our financial position and will help accelerate our broadband first strategy, which includes additional investments in edge-outs, greenfield strategies and commercial services.

We continue to monitor the impact of the global health crisis related to the outbreak of coronavirus, or COVID-19, on our business. The primary impact to the Company was its election to participate in several initiatives focused on keeping customers impacted by COVID-19 connected to services. These initiatives include the Federal Communications Commission (“FCC”) Keep Americans Connected Pledge, which expired on June 30, 2020, and the America’s Communications Association (“ACA”) Connects “K-12 Bridge to Broadband” program to help school districts and states provide internet access for students in low-income households.

Additionally, the Company participated in the FCC’s Emergency Broadband Benefit (“EBB”) program as outlined under the Consolidated Appropriations Act of 2021. Under this program, eligible households could apply for a discount of up to \$50 per month towards broadband service. As of December 31, 2021, the Company had approximately 14,700 customers enrolled under the EBB program. The Affordable Connectivity Program replaced the EBB program on December 31, 2021. Under the Affordable Connectivity Program, eligible households may receive a discount of up to \$30 per month toward internet service. The Affordable Connectivity Program is limited to one monthly service discount.

We have identified other potential impacts to the business as the potential for increases in delinquent customer payments and/or adverse effects on our ability to procure materials and equipment. Thus far, we have not experienced either of these adverse effects throughout the duration of the global health crisis. However, we are not able to fully predict the overall impact of the global health crisis on our business if these events or other events occur in the future.

## **Key Transactions Impacting Operating Results and Financial Condition**

### ***Sale of Service Areas***

On June 30, 2021, we entered into an Asset Purchase Agreement with Atlantic Broadband (OH), LLC, (“Atlantic”), a U.S. cable operator and subsidiary of Cogeco Communications, Inc. and Atlantic Broadband Finance, LLC, a Delaware limited liability company (the “Atlantic Purchase Agreement”), whereby Atlantic agreed to acquire the Company’s Cleveland and Columbus, Ohio service areas for approximately \$1.125 billion, subject to adjustments, including customary working capital adjustments, as specified in the Atlantic Purchase Agreement.

On September 1, 2021, we completed the sale for the Ohio service areas receiving approximately \$1.1 billion in net proceeds and recorded a gain on sale of \$689.8 million. We utilized the net proceeds from the sale to repay a significant portion of our Term B loans and certain finance lease agreements. In conjunction with the closing of the Atlantic Purchase Agreement, we entered into a Transition Services Agreement with Atlantic to support post-transaction continuity of service during the transition period.

Additionally, on June 30, 2021, we entered into an Asset Purchase Agreement with Radiate HoldCo, LLC, a telecommunications holding company affiliated with RCN Telecom Services LLC, Grande Communications Networks, LLC and WaveDivision Holdings, LLC (collectively, “Astound Broadband”) (the “Astound Purchase Agreement”), whereby Radiate HoldCo, LLC agreed to acquire the Company’s Chicago, Illinois, Evansville, Indiana and Baltimore, Maryland markets for approximately \$661.0 million, subject to adjustments, including customary working capital adjustments, as specified in the Astound Purchase Agreement.

On November 1, 2021, we completed the sale for the Chicago, Illinois, Evansville, Indiana and Baltimore, Maryland service areas receiving approximately \$653.2 million in net proceeds and recorded a gain on sale of \$311.5 million. We utilized the net proceeds from the sale to further repay our outstanding Term B loans. In conjunction with the closing of the Astound Purchase Agreement, we entered into a Transition Services Agreement with Astound to support post-transaction continuity of service during the transition period.

### ***Refinancing of the Term B Loans and Revolving Credit Facility***

On December 20, 2021, the Company entered into a new secured credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent, collateral agent and issuing bank (the “Credit Agreement”). The Credit Agreement consists of (i) a new Term Loan B in an aggregate principal amount of \$730.0 million and (ii) a \$250.0 million revolving credit commitment. The Term Loan B matures in December 2028 and bears interest at a rate equal to SOFR plus 3.00%, subject to a 50 basis point floor, and the revolving credit commitment bears interest at a rate equal to SOFR plus 2.75% and matures in December 2026. The Senior Secured Term B loans and Revolving Credit Facility are secured on a first-priority basis by a lien on substantially all of the Company’s assets, subject to certain exceptions and permitted liens.

### ***Sale of Chicago Fiber Network***

In December 2017, we finalized the sale of a portion of our fiber network in the Chicago market to a subsidiary of Verizon for \$225.0 million in cash. In addition, we and a subsidiary of Verizon entered into a construction agreement pursuant to which we agreed to complete the build-out of the network in exchange for \$50.0 million (which approximated our estimate to complete the network build-out), recognized over time as the remaining network elements were completed and accepted. We completed the network build-out during the third quarter of 2019. From project inception through completion, the Company has recorded a total loss on the Construction Services Agreement of \$0.9 million.

### ***Hurricane Michael***

On October 10, 2018, Hurricane Michael made landfall in the Florida Panhandle, resulting in significant damage to our network infrastructure and widespread power outages and service disruptions for the majority of our customers in this service area. During the year ended December 31, 2019, we finalized the insurance claim related to the damages incurred from Hurricane Michael, receiving \$9.6 million of business interruption insurance recoveries.

### ***Crestview Investment***

A significant block of the Company's outstanding shares are held by affiliates of Crestview Partners, LLC ("Crestview"), a private equity firm based in New York. As of December 31, 2021, approximately 36% of our outstanding common shares were held by Crestview.

### **Critical Accounting Policies and Estimates**

In the preparation of our consolidated financial statements, we are required to make estimates, judgments and assumptions that we believe are reasonable based upon the information available, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The 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. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are the most critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change.

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

*Carrying Value.* The net carrying value of our property, plant and equipment was \$722.3 million and \$720.9 million, representing approximately 38% and 29% of our total assets, at December 31, 2021 and 2020, respectively.

Property, plant and equipment are recorded at cost and include costs associated with the construction of cable transmission and distribution facilities and new service installations at customer locations. Capitalized costs include materials, labor and certain indirect costs attributable to the capitalization activity. Maintenance and repairs are expensed as incurred. Upon sale or retirement of an asset, the cost and related depreciation are removed from the related accounts and resulting gains or losses are reflected in operating results. We make judgments regarding the installation and construction activities to be capitalized. We capitalize direct labor associated with capitalizable activities and indirect cost using standards developed from operational data, including the proportionate time to perform a new installation relative to the total technical operations activities and an evaluation of the nature of the indirect costs incurred to support capitalizable activities. Judgment is required to determine the extent to which indirect costs that have been incurred are related to capitalizable activities and, as a result, should be capitalized. Indirect costs include (i) employee benefits and payroll taxes associated with capitalized direct labor, (ii) direct variable costs of installation and construction vehicle costs, (iii) the direct variable costs of support personnel directly involved in assisting with installation activities, such as dispatchers and (iv) other indirect costs directly attributable to capitalizable activities.

*Impairment of Property, Plant and Equipment.* Long-lived assets, including property, plant and equipment, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. No impairments of long-lived assets were recorded for the years ended December 31, 2021, 2020 and 2019.

#### ***Intangible Assets***

Intangible assets consist primarily of acquired franchise operating rights, franchise related customer relationships and goodwill. Franchise operating rights represent the value attributable to agreements with local franchising authorities, which allows access to homes in the public right of way. Our franchise operating rights were acquired through business combinations. We do not amortize cable franchise operating rights as we have determined that they have an indefinite life. Costs incurred in negotiating and renewing cable franchise agreements are expensed as incurred. Franchise related customer relationships represent the value of the benefit to us of acquiring the existing cable subscriber base and are amortized over the estimated life of the subscriber base, generally four years, on a straight-line basis. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets we acquired in business combinations.

We conduct our cable operations under the authority of state cable television franchises, except in Alabama and parts of Michigan where we continue to operate under local franchises. Our franchises have service terms that vary, but generally last from five to 15 years. All of our term-limited franchise agreements are subject to renewal. The renewal process for our state franchises is specified by state law and tends to be a simple process, requiring the filing of a renewal application with information no more burdensome than that contained in our original application.

Although renewal is not assured, there are provisions in the law that protect the Company from arbitrary or unreasonable denial. In most areas in which we operate, we are a “competitive” operator, meaning that we compete directly in the service area with at least one other franchised cable operator. The Cable Television Consumer Protection and Competition Act of 1992 (“1992 Cable Act”) says that “a franchising authority may not...unreasonably refuse to award an additional competitive franchise.” The 1992 Cable Act also provides a formal renewal process that protects cable operators that elect the process against arbitrary or unreasonable refusals to renew a franchise. In addition, on December 20, 2006, the FCC established rules and provided guidance that prohibit local franchising authorities from unreasonably refusing to award competitive franchises for the provision of cable services. In order to eliminate certain barriers to entry into the cable market, and to encourage investment in broadband facilities, the FCC preempted local laws, regulations, and requirements, including local level-playing-field provisions, to the extent they impose greater restrictions on market entry than those adopted under the order. On August 1, 2019, the FCC adopted a Third Report and Order concluding that its franchising rules and findings fully apply to state-level franchising actions and regulations. These orders have the potential to benefit us by facilitating our ability to obtain and renew cable service franchises.

In our experience, state and local franchising authorities encourage our entry into the market, as our competitive presence often leads to overall better service, more service options and lower prices. In our and our expert advisors’ experience, it has not been the practice for a franchising authority to deny a cable franchise renewal. We have never had a renewal denied.

*Franchise Operating Rights.* The net carrying value of our franchise operating rights was \$620.1 million for both years ended December 31, 2021 and 2020, representing approximately 33% and 25% of total assets, respectively. See Note 7 to the accompanying consolidated financial statements contained in “Part II. Item 8. Financial Statements and Supplementary Data” for further discussion of how we value and evaluate franchise operating rights for impairment.

The estimates and assumptions made in our impairment analysis are inherently subject to significant uncertainties, many of which are beyond our control, and there is no assurance that these results can be achieved. The primary assumptions for which there is a reasonable possibility of the occurrence of a variation that would significantly affect the measurement value include the assumptions regarding revenue growth, programming expense growth rates, the amount and timing of capital expenditures and the discount rate utilized.

We evaluate the recoverability of our franchise operating rights at least annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that the assets might be impaired. As a result of the 2021 analysis, we did not identify any franchise operating rights assets in which the fair value was less than the carrying value, therefore we did not recognize any impairment charges for the year ended December 31, 2021. For the years ended December 31, 2020 and 2019 we recognized impairment charges of \$14.0 million and \$9.7 million, respectively.

*Goodwill.* The net carrying value of goodwill was \$225.1 million for both years ended December 31, 2021 and 2020, representing approximately 12% and 9% of total assets, respectively. See Note 7 to the accompanying consolidated financial statements contained in “Part II. Item 8. Financial Statements and Supplementary Data” for further discussion of how we value and evaluate goodwill for impairment.

Similar to franchise operating rights, we evaluate the recoverability of our goodwill annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that the assets might be impaired. No such impairment charges were recognized for the years ended December 31, 2021, 2020 and 2019 as the result of the annual impairment test indicated the fair value of our goodwill exceeded the carrying value.



## Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. Additionally, the impact of changes in the tax rates and laws on deferred taxes, if any, is reflected in the financial statements in the period of enactment. Valuation allowances are established to reduce deferred tax assets to the amount that will more likely than not be realized. To the extent that a determination was made to establish or adjust a valuation allowance, the expense or benefit is recorded in the period in which the determination is made.

From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Examples of such transactions include business acquisitions and dispositions, including dispositions designed to be tax free, issues related to consideration paid or received, investments and certain financing transactions. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We prepare and file tax returns based on interpretation of tax laws and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities. In determining our income tax provision for financial reporting purposes, we establish a reserve for uncertain income tax positions unless such positions are determined to be more likely than not of being sustained upon examination, based on their technical merits. That is, for financial reporting purposes, we only recognize tax benefits taken on the tax return that we believe are more likely than not of being sustained. There is considerable judgment involved in determining whether positions taken on the tax return are more likely than not of being sustained.

We adjust our tax reserve estimates periodically because of ongoing examinations by, and settlements with, the various taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated income tax provision of any given year includes adjustments to prior year income tax accruals that are considered appropriate and any related estimated interest. Our policy is to recognize, when applicable, interest and penalties on uncertain income tax positions as part of income tax provision.

## Homes Passed and Customers

We report homes passed as the number of serviceable addresses, such as single residence homes, apartments and condominium units, and businesses passed by our broadband network and listed in our database. We report total subscribers as the number of subscribers who receive at least one of our HSD, Video or Telephony services, without regard to which or how many services they subscribe. We define each of the individual HSD subscribers, Video subscribers and Telephony subscribers as a revenue generating unit (“RGU”). The following table summarizes homes passed, total subscribers and total RGUs for our services as of each respective date and for comparability purposes, presents subscribers associated with the Company’s continuing operations as of each specified date prior to December 31, 2021:

	<b>Dec. 31, 2020 (1)</b>	<b>Mar. 31, 2021</b>	<b>Jun. 30, 2021</b>	<b>Sep. 30, 2021</b>	<b>Dec. 31, 2021</b>
Homes passed	1,871,800	1,873,900	1,877,300	1,880,900	1,882,100
Total subscribers	522,900	528,000	530,500	531,600	532,900
HSD RGUs	498,800	504,900	507,900	509,500	511,700
Video RGUs	189,400	178,800	169,300	158,600	150,600
Telephony RGUs	110,400	108,000	105,600	102,400	100,000
Total RGUs	<u>798,600</u>	<u>791,700</u>	<u>782,800</u>	<u>770,500</u>	<u>762,300</u>

- (1) The Company combined certain billing systems during the second quarter of 2021, which standardized the statistical reporting of key metrics. The standardized reporting led to the following increases (decreases) at December 31, 2020: Homes passed 15,400, Total subscribers (4,200), HSD RGUs (700), Video RGUs (1,800), Telephony RGUs (600), and Total RGUs (3,100).

The following table displays the homes passed and subscribers related to the Company's edge-out activities:

	<u>Dec. 31,</u> <u>2020</u>	<u>Mar. 31,</u> <u>2021</u>	<u>Jun. 30,</u> <u>2021</u>	<u>Sep. 30,</u> <u>2021</u>	<u>Dec. 31,</u> <u>2021</u>
Homes passed	76,100	76,500	77,400	78,000	78,200
Total subscribers	18,000	18,400	18,600	19,000	19,300
HSD RGUs	17,900	18,300	18,500	18,900	19,200
Video RGUs	7,200	7,100	6,900	6,900	6,900
Telephony RGUs	2,900	2,900	2,800	2,800	2,800
Total RGUs	<u>28,000</u>	<u>28,300</u>	<u>28,200</u>	<u>28,600</u>	<u>28,900</u>

While we take appropriate steps to ensure subscriber information is presented on a consistent and accurate basis at any given balance sheet date, we periodically review our policies in light of the variability we may encounter across our different markets due to the nature and pricing of products, services and billing systems. Accordingly, we may from time to time make appropriate adjustments to our subscriber information based on such reviews.

## **Financial Statement Presentation**

### ***Revenue***

Our operating revenue is primarily derived from monthly recurring charges for HSD, Video, Telephony and other business services to residential and business customers, in addition to other revenues.

- HSD revenue consists primarily of fixed monthly fees for data service and rental of modems.
- Video revenue consists primarily of fixed monthly fees for basic, premium and digital cable television services and rental of video converter equipment, as well as charges from optional services, such as pay-per-view, video-on-demand and other events available to the customer. The Company is required to pay certain cable franchising authorities an amount based on the percentage of gross revenue derived from video services. The Company generally passes these fees on to the customer, which is included in video revenue.
- Telephony revenue consists primarily of fixed monthly fees for local service and enhanced services, such as call waiting, voice mail and measured and flat rate long-distance service.
- Other business service revenue consists primarily of monthly recurring charges for session initiated protocol, web hosting, metro Ethernet, wireless backhaul, broadband carrier services and cloud infrastructure services provided to business customers.
- Other revenue consists primarily of revenue from line assurance warranty services provided to residential and business customers and revenue from late fees and advertising placement.

Revenues attributable to monthly subscription fees charged to customers for our HSD, Video and Telephony services provided by our broadband networks were 93% and 92% of total revenue for the years ended December 31, 2021 and 2020. The remaining percentage of total revenue represents non-subscription revenue primarily from other business services, line assurance warranty services and advertising placement.

## Costs and Expenses

Our expenses primarily consist of operating, selling, general and administrative expenses, depreciation and amortization expense, and interest expense.

*Operating expenses* primarily include programming costs, data costs, transport costs and network access fees related to our HSD, Video and Telephony services, hardware/software expenses, network operations and maintenance services, customer service and call center expenses, bad debt, billing and collection expenses and franchise and other regulatory fees.

*Selling, general and administrative expenses* primarily include salaries and benefits of corporate and field management, sales and marketing personnel, human resources and related administrative costs.

*Depreciation and amortization* includes depreciation of our network infrastructure, including associated equipment, hardware and software, buildings and leasehold improvements, and finance lease obligations. Amortization is recognized on other intangible assets with definite lives primarily related to acquisitions. Depreciation and amortization expense is presented separately from operating and selling, general and administrative expenses in the accompanying consolidated statements of operations.

We control our costs of operations by maintaining strict controls on expenditures. More specifically, we are focused on managing our cost structure by improving workforce productivity, increasing the effectiveness of our purchasing activities and maintaining discipline in customer acquisition. We expect programming expenses to continue to increase per Video subscriber due to a variety of factors, including increased demands by owners of some broadcast stations for carriage of other services or payments to those broadcasters for retransmission consent and annual increases imposed by programmers with additional selling power as a result of media consolidation. We have not been able to fully pass these increases on to our customers without the loss of customers, nor do we expect to be able to do so in the future.

## Results of Operations

### Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	(in millions)					
Revenue	\$ 725.7	\$ 308.3	\$ 1,034.0	\$ 730.2	\$ 418.2	\$ 1,148.4
Costs and expenses:						
Operating (excluding depreciation and amortization)	376.4	112.0	488.4	405.2	165.0	570.2
Selling, general and administrative	175.2	11.8	187.0	170.2	12.3	182.5
Depreciation and amortization	169.3	41.0	210.3	151.0	79.6	230.6
Impairment losses on intangibles and goodwill	—	—	—	14.0	—	14.0
	<u>720.9</u>	<u>164.8</u>	<u>885.7</u>	<u>740.4</u>	<u>256.9</u>	<u>997.3</u>
Income (loss) from operations	4.8	143.5	148.3	(10.2)	161.3	151.1
Other income (expense):						
Interest (expense) income	(93.5)	0.4	(93.1)	(130.0)	(0.7)	(130.7)
Gain on sale of assets, net	—	1,001.8	1,001.8	—	—	—
Loss on early extinguishment of debt	(3.2)	—	(3.2)	—	—	—
Other income, net	9.5	0.1	9.6	1.3	0.5	1.8
(Loss) income before provision for income tax	(82.4)	1,145.8	1,063.4	(138.9)	161.1	22.2
Income tax benefit (expense)	13.8	(306.7)	(292.9)	30.6	(38.4)	(7.8)
Net (loss) income	<u>\$ (68.6)</u>	<u>\$ 839.1</u>	<u>\$ 770.5</u>	<u>\$ (108.3)</u>	<u>\$ 122.7</u>	<u>\$ 14.4</u>

## Revenue

Total revenue for the year ended December 31, 2021 decreased \$114.4 million, or 10%, as compared to revenue for the year ended December 31, 2020, as follows:

	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	(in millions)					
Residential subscription	\$ 561.6	\$ 264.8	\$ 826.4	\$ 566.5	\$ 359.9	\$ 926.4
Business services subscription	110.4	28.9	139.3	105.6	38.1	143.7
Total subscription	672.0	293.7	965.7	672.1	398.0	1,070.1
Other business services	22.3	1.6	23.9	23.4	1.9	25.3
Other	31.4	13.0	44.4	34.7	18.3	53.0
	<u>\$ 725.7</u>	<u>\$ 308.3</u>	<u>\$ 1,034.0</u>	<u>\$ 730.2</u>	<u>\$ 418.2</u>	<u>\$ 1,148.4</u>

## Continuing Operations

Total revenue from continuing operations decreased \$4.5 million, or 1%, during the year ended December 31, 2021, compared to the year ended December 31, 2020.

### Subscription Revenue

Total subscription revenue from continuing operations decreased \$0.1 million during the year ended December 31, 2021 compared to the year ended December 31, 2020. The slight decrease was driven by a \$63.1 million shift in service offering mix, as we continue to experience a reduction in Video and Telephony RGUs. This decrease was offset almost entirely by a \$52.5 million increase in average revenue per unit (“ARPU”), as HSD customers continue to purchase higher speed tiers; coupled with HSD and Video rate increases issued in 2021 and an increase of \$10.5 million in volume attributable exclusively to the addition of HSD subscribers. ARPU is calculated as subscription revenue for each of the HSD, Video and Telephony services divided by the average total RGUs for each service category for the respective period.

### Other Business Services

Other business services revenue from continuing operations decreased \$1.1 million, or 5%, during the year ended December 31, 2021 compared to year ended December 31, 2020. The decrease was primarily due to decreases in data center revenue.

### Other

Other revenue from continuing operations decreased \$3.3 million, or 10%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease was primarily due to decreases in advertising, service call fee, and line assurance revenue.

## Operating Expenses (Excluding Depreciation and Amortization)

Operating expenses (excluding depreciation and amortization) from continuing operations decreased \$28.8 million, or 7%, during the year ended December 31, 2021 as compared to the year ended December 31, 2020. The decrease was primarily driven by decreases in direct operating expenses.

Additionally we recorded additional bad debt expense of \$2.0 million from continuing operations during the year ended December 31, 2020, related to trade accounts receivable as a result of uncertainties around the economic positions of our customers impacted by the global health crisis. We did not incur such expense for the year ended December 31, 2021.

### ***Incremental Contribution***

Incremental contribution is defined as subscription services revenue less costs directly incurred from third parties in connection with the provision of such services to our customers (service direct expense). Incremental contribution from continuing operations increased \$31.6 million during the year ended December 31, 2021 compared to the year ended December 31, 2020.

The increase is primarily related to the decrease in programming expense. Programming expense from continuing operations decreased from \$205.5 million for the year ended December 31, 2020 to \$177.4 million for the year ended December 31, 2021, which is attributable to the decline in Video RGU's.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses from continuing operations increased \$5.0 million, or 3%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase is primarily attributable to increases in marketing, compensation (including stock compensation), professional service and legal expenses associated with the sale of five of our markets and the refinancing of our long-term debt, partially offset by decreases in costs associated with digital transformation initiatives.

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

Depreciation and amortization expenses from continuing operations increased \$18.3 million, or 12%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase is primarily attributable to the timing of assets placed in service and increases in equipment and vehicle finance lease activity.

### ***Impairment Losses on Intangibles and Goodwill***

The Company recognized non-cash impairment charges of nil and \$14.0 million for the years ended December 31, 2021 and 2020, respectively. The primary driver of the impairment charge in 2020 was a decline in the estimated fair market value of certain indefinite-lived intangible assets, as indicated by the decline in the Company's common stock and revisions to market-level forecasts. See Note 7 – Franchise Operating Rights & Goodwill for discussion of non-cash impairment charges for the year ended December 31, 2020.

### ***Interest Expense***

Interest expense from continuing operations decreased \$36.5 million, or 28%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease is primarily due to lower interest rates on a lower outstanding principal balance, the significant repayment of debt in the third and fourth quarters of 2021, and the expiration of the interest rate swap agreement in May 2021.

### ***Other Income***

Other income from continuing operations increased \$8.2 million during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase is primarily related to the Transition Services Agreements with Atlantic and Astound, which began on September 1, 2021 and November 1, 2021, respectively, to support post-transaction continuity of service during the transition periods.

## **Discontinued Operations**

On September 1, 2021, we sold our Cleveland and Columbus, Ohio markets to Atlantic for approximately \$1.125 billion, subject to adjustments, including customary working capital adjustments, as specified in the Atlantic Purchase Agreement. As a result of the sale, we recognized a gain on sale of \$689.8 million for the year ended December 31, 2021.

Additionally on November 1, 2021, we completed the sale of our Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets to Astound Broadband for \$661.0 million, subject to adjustments, including customary working capital adjustments, as specified in the Astound Purchase Agreement. As a result of the sale, we recognized a gain on sale of \$311.5 million for the year ended December 31, 2021.

Revenue from discontinued operations decreased \$109.9 million, or 26%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. The decreases are primarily due to the divestitures of the Cleveland and Columbus, Ohio markets on September 1, 2021 and the Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets on November 1, 2021.

Operating expenses from discontinued operations (excluding depreciation and amortization) decreased \$53.0 million, or 32%, during the year ended December 31, 2021 compared to the year ended December 31, 2020. Additionally, programming expense decreased \$46.8 million over the corresponding periods. These decreases are primarily due to the divestitures mentioned above.

Discontinued operating expenses do not include general corporate overhead or continuing costs related to providing service per the transition service agreements. Certain costs of providing the transition service agreements will continue during the term of the agreements as services are provided; however, upon termination of the agreements, these costs are expected to be reduced. In addition, general corporate overhead costs are expected to be reduced over a three year period.

## ***Income Tax Expense***

We reported total income tax expense of \$292.9 million and \$7.8 million for the years ended December 31, 2021 and 2020, respectively. The increase in income tax expense is primarily related to an increase in income before tax resulting from the asset sales when compared to the corresponding periods in 2020.

## **Use of Incremental Contribution**

Incremental contribution is included herein because we believe that it is a key metric used by our management to assess the financial performance of the business by showing how the relative relationship of the various components of subscription services contributes to our overall consolidated historical results. Our management further believes that it provides useful information to investors in evaluating our financial condition and results of operations because the additional detail illustrates how an incremental dollar of revenue generates cash, before any unallocated costs are considered, which we believe is a key component of our overall strategy and important for understanding what drives our cash flow position relative to our historical results. Incremental contribution is defined by us as the components of subscription revenue, less costs directly incurred from third parties in connection with the provision of such services to our customers.

Incremental contribution is not made in accordance with GAAP and our use of the term incremental contribution varies from others in our industry. Incremental contribution should be considered in addition to, not as a substitute for, consolidated net income (loss) and operating income (loss) or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows, or as measures of liquidity. Incremental contribution has important limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP as it does not identify or allocate any other operating costs and expenses that are components of our income from operations to specific subscription revenues as we do not measure or record such costs and expenses in a manner that would allow attribution to a specific component of subscription revenue. Accordingly, incremental contribution should not be considered as an alternative to operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows, or as a measure of liquidity.

The following table provides a reconciliation of incremental contribution to income from operations, which is the most directly comparable GAAP measure, for the periods presented:

	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	(in millions)					
Income (loss) from operations	\$ 4.8	\$ 143.5	\$ 148.3	\$ (10.2)	\$ 161.3	\$ 151.1
Revenue (excluding subscription revenue)	(53.7)	(14.6)	(68.3)	(58.1)	(20.2)	(78.3)
Other non-allocated operating expense (excluding depreciation and amortization)	176.6	24.0	200.6	173.7	29.9	203.6
Selling, general and administrative	175.2	11.8	187.0	170.2	12.3	182.5
Depreciation and amortization	169.3	41.0	210.3	151.0	79.6	230.6
Impairment losses on intangibles and goodwill	—	—	—	14.0	—	14.0
Incremental contribution	<u>\$ 472.2</u>	<u>\$ 205.7</u>	<u>\$ 677.9</u>	<u>\$ 440.6</u>	<u>\$ 262.9</u>	<u>\$ 703.5</u>

### ***Previously Disclosed Results of Operations***

For a complete narrative of our results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2020.

### **Liquidity and Capital Resources**

#### ***Overview***

We completed the sale of five of our markets during the second half of 2021, utilizing the majority of the net proceeds to repay and refinance our long-term debt. At December 31, 2021, the principal amount of our outstanding consolidated debt aggregated to \$741.4 million, of which \$17.9 million is classified as current in our consolidated balance sheet as of such date. As of December 31, 2021, we had borrowing capacity of \$250.0 million under our new Revolving Credit Facility. We are required to prepay principal amounts if we generate excess cash flow, as defined in the Credit Agreement.

Our primary funding requirements are for our ongoing operations, capital expenditures, outstanding debt obligations, including lease agreements, and strategic investments. As of December 31, 2021, we had \$193.2 million of cash and cash equivalents. We believe that our existing cash balances, available borrowing capacity under our Revolving Credit Facility, and operating cash flows will provide sufficient resources to fund our obligations and anticipated liquidity requirements over the next 12 months.

Our ability to fund operations, make capital expenditures, repay debt obligations and make future acquisitions and strategic investments depends on future operating performance and cash flows, which are subject to prevailing economic conditions and to financial, business and other factors, including the impact of COVID-19, some of which are beyond our control.

#### ***Contractual Obligations***

We have obligations to make future payments for goods and services under certain contractual arrangements. These contractual obligations secure the future rights to various assets and services to be used in the normal course of our operations. In accordance with GAAP, the future rights and obligations pertaining to firm commitments, such as operating lease obligations and certain contractual purchase obligations, are not reflected as assets or liabilities in the accompanying consolidated balance sheets. The long term debt obligations are our principal payments on cash debt service obligations. Finance lease obligations are future lease payments on certain equipment and vehicles. Operating lease obligations are the future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2021.

The following table summarizes certain of our obligations as of December 31, 2021 and the estimated timing and effect that such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

	<b>Payment due by period</b>				
	<b>Total</b>	<b>2022</b>	<b>2023 - 2024</b>	<b>2025 - 2026</b>	<b>Thereafter</b>
	(in millions)				
Long term debt obligations(1)	\$ 730.0	\$ 7.3	\$ 14.6	\$ 14.6	\$ 693.5
Finance lease obligations	23.4	10.9	11.5	1.0	—
Operating lease obligations(2)	21.6	6.0	9.0	4.5	2.1
<b>Total</b>	<b>\$ 775.0</b>	<b>\$ 24.2</b>	<b>\$ 35.1</b>	<b>\$ 20.1</b>	<b>\$ 695.6</b>

- (1) Interest payments associated with our variable-rate debt have not been included in the table. Assuming that our \$730.0 million of variable-rate Senior Secured Credit Facilities as of December 31, 2021 is held to maturity, and utilizing interest rates in effect at December 31, 2021, our annual interest payments (including commitment fees and letter of credit fees) on variable rate Senior Secured Credit Facilities as of December 31, 2021 is anticipated to be approximately \$27.1 million for fiscal year 2022, \$53.4 million for fiscal years 2023-2024, \$52.3 million for the fiscal years 2025-2026 and \$48.1 thereafter. The debt matures in December 2028. The future annual interest obligations noted herein are estimated only in relation to debt outstanding as of December 31, 2021.
- (2) In addition to the above operating lease obligations, we also rent utility poles used in our operations. Generally, pole rentals are cancellable on short notice, but we anticipate that such rentals will recur. Rent expense for pole rental attachments was approximately \$6.1 million, \$5.2 million and \$5.1 million for the years ended December 31, 2021, 2020 and 2019, respectively.

### ***Operating, Investing, and Financing Activities***

#### *Operating Activities*

Net cash provided by operating activities decreased \$103.4 million from \$277.4 million for the year ended December 31, 2020 to \$174.0 million for the year ended December 31, 2021. The decrease is primarily due to the increase in income taxes paid as a result of the sale of five of our service areas in the second half of 2021, the reduction in operating income, including the impact from the aforementioned sale, and timing differences of our receivables and payables, partially offset by the decrease in interest paid.

#### *Investing Activities*

Net cash used in investing activities was \$234.3 million for the year ended December 31, 2020 compared to net cash provided by investing activities of \$1,559.3 million for the year ended December 31, 2021. The change is primarily attributable to proceeds received from the sale of our Cleveland and Columbus, Ohio, Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets, as well as a decrease in capital expenditures.

We have ongoing capital expenditure requirements related to the maintenance, expansion and technological upgrades of our network infrastructure. Capital expenditures are funded primarily through a combination of cash on hand and cash flow from operations. Our capital expenditures were \$207.7 million and \$234.1 million for years ended December 31, 2021 and December 31, 2020, respectively. The \$26.4 million decrease from the year ended December 31, 2020 to the year ended December 31, 2021 is primarily related to decreased expenditures related to customer premise equipment (“CPE”) partially offset by network enhancements focused on increasing bandwidth capacity, standardization and reliability to meet the needs of our customers.



The following table sets forth additional information regarding our capital expenditures for the periods presented:

	Year ended December 31, 2021			Year ended December 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	(in millions)					
<i>Capital Expenditures</i>						
Customer premise equipment(1)	\$ 68.1	\$ 29.8	\$ 97.9	\$ 87.9	\$ 48.4	\$ 136.3
Scalable infrastructure(2)	40.3	3.2	43.5	32.2	2.0	34.2
Line extensions(3)	13.6	4.2	17.8	13.9	1.9	15.8
Support capital and other(4)	40.3	8.2	48.5	37.4	10.4	47.8
<b>Total</b>	<b>\$ 162.3</b>	<b>\$ 45.4</b>	<b>\$ 207.7</b>	<b>\$ 171.4</b>	<b>\$ 62.7</b>	<b>\$ 234.1</b>
Capital expenditures included in total related to:						
Edge-outs(5)	\$ 4.5	\$ 1.4	\$ 5.9	\$ 6.5	\$ 2.1	\$ 8.6
Business services(6)	\$ 13.8	\$ 2.7	\$ 16.5	\$ 13.7	\$ 2.0	\$ 15.7

- (1) Customer premise equipment (“CPE”) includes equipment and installation costs incurred to deliver services to residential and business services customers. CPE includes the costs of acquiring and installing our set-top boxes and modems, as well as the cost of customer connections to our network.
- (2) Scalable infrastructure includes costs, not directly related to customer acquisition activity, to support new customer growth and provide service enhancements (e.g., headend equipment).
- (3) Line extensions include costs associated with new home development within our footprint and edge-outs (e.g., fiber / coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
- (4) Support capital and other includes costs to modify or replace existing HFC network, including enhancements, and all other costs to support day-to-day operations, including land, buildings, vehicles, office equipment, tools and test equipment.
- (5) Edge-outs represent costs to extend our network into new adjacent service areas, including the associated CPE.
- (6) Business services represent costs associated with the build-out of our network to support business services customers, including the associated CPE.

#### *Financing Activities*

Net cash used in financing activities increased \$1,500.8 million from \$51.7 million for the year ended December 31, 2020 to \$1,552.5 million for the year ended December 31, 2021. The increase is primarily attributable to an increase in net repayments of \$1,490.7 million during the year ended December 31, 2021 compared to the year ended December 31, 2020.

#### **New Accounting Pronouncements**

See Part II-Item 8 Financial Statements and Supplementary Data, Note 2 – Summary of Significant Accounting Policies, “Recent Accounting Pronouncements” for a description of new accounting pronouncements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk is limited and primarily related to fluctuating interest rates associated with our variable rate indebtedness under our Senior Secured Credit Facility. As of December 31, 2021, borrowings under our Term B Loans and Revolving Credit Facility bear interest at SOFR plus 3.00% and SOFR plus 2.75%, respectively. As of December 31, 2021, our Senior Secured Credit Facility is variable rate debt. A hypothetical 100 basis point (1%) change in SOFR interest rates (based on the interest rates in effect under our Senior Secured Credit Facility as of December 31, 2021) would result in an annual interest expense charge of up to approximately \$7.3 million under our Senior Secured Credit Facility.

## **Item 8. Financial Statements and Supplementary Data**

Our consolidated financial statements, the related notes thereto and the report of our independent registered public accounting firm are included in this Annual Report beginning on page F-1.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### ***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (together, the “Certifying Officers”), as appropriate, to allow for timely decisions regarding required disclosure.

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of disclosure controls and procedures with respect to the information generated for use in this Annual Report. The evaluation was based upon reports and certifications provided by a number of executives. Based on, and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the year ended December 31, 2021.

### ***Management’s Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) for the Company. Our management, under the supervision and with the participation of the Certifying Officers, assessed the effectiveness of the design and operation of our internal controls over financial reporting as of December 31, 2021, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based on this assessment, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021.

BDO USA, LLP, the Company’s independent registered public accounting firm, provides an independent audit of the consolidated financial statements and internal control over financial reporting. Their accompanying audit report on the Company’s internal controls over financial reporting is set forth in this Annual Report.

### ***Report of Independent Registered Public Accounting Firm***

Shareholders and Board of Directors  
WideOpenWest, Inc.  
Englewood, Colorado

### **Opinion on Internal Control over Financial Reporting**

We have audited WideOpenWest, Inc.’s (the “Company’s”) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 24, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Atlanta, Georgia  
February 24, 2022

### **Item 9B. Other Information**

Not applicable.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is incorporated by reference to the Proxy Statement.

#### **Item 11. Executive Compensation**

The information required by Item 11 is incorporated by reference to the Proxy Statement.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 is incorporated by reference to the Proxy Statement.

#### **Item 13. Certain Relationships and Related Transactions, and Manager Independence**

The information required by Item 13 is incorporated by reference to the Proxy Statement.

#### **Item 14. Principal Accounting Fees and Services**

The information required by Item 14 is incorporated by reference to the Proxy Statement.

## PART IV

### **Item 15. Exhibits and Financial Statement Schedules**

(a) Financial Statements/Schedule

All schedules have been omitted because they are not applicable or not required or the required information is included in the financial statements or notes thereto, which are incorporated herein by reference.

(b) Exhibits

A list of exhibits required to be filed as part of this report is set forth in the Exhibit Index which immediately precedes such exhibits and is incorporated herein by reference.

### **Item 16. Form 10-K Summary**

None.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

### **Audited Consolidated Financial Statements**

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## **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
WideOpenWest, Inc.  
Englewood, Colorado

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of WideOpenWest, Inc. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 24, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



## Determining the Fair Value of Certain Franchise Operating Rights

As described in Notes 2 and 7 to the consolidated financial statements, the carrying amount of the Company's franchise operating rights was \$620.1 million as of December 31, 2021. The Company evaluates the recoverability of its franchise operating rights annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that it is more likely than not that the franchise operating rights' carrying value exceeds its estimated fair value. The Company estimates the fair value of each franchise operating right using the multi-period excess earnings method, an income approach. No impairment charges were recorded as a result of the Company's annual impairment test.

We identified the estimate of the fair value of certain franchise operating rights as part of the annual impairment assessment to be a critical audit matter. The principal considerations that led to this determination were: (i) these franchise operating rights did not pass the quantitative annual impairment assessment by a significant margin and, therefore, the fair value estimates were sensitive to changes in the significant assumptions which were considered to be forecasted revenue growth rates, forecasted margins, forecasted customer attrition (churn) rates and the discount rate and (ii) the audit effort involved the use of professionals with specialized skills and knowledge. These assumptions were especially challenging to test and required significant auditor judgment because they were affected by expected future market conditions.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's calculation of the fair value of franchise operating rights, including controls over management's review of the significant assumptions described above.
- Evaluating the reasonableness of management's forecasts by (i) understanding management's process for developing the forecasted revenue growth rates, forecasted margins, and forecasted customer attrition (churn) rates, and (ii) comparing these assumptions to historical results and to forecasted information included in industry reports.
- Utilizing our valuation professionals to assist in (i) assessing the appropriateness of the valuation model method, and (ii) evaluating the reasonableness of the Company's discount rate.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2012.

Atlanta, Georgia  
February 24, 2022

**WideOpenWest, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(in millions, except share data)</b>	
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 193.2	\$ 12.4
Accounts receivable—trade, net of allowance for doubtful accounts of \$4.3 and \$6.7, respectively	40.9	44.4
Accounts receivable—other, net	17.2	2.8
Prepaid expenses and other	30.7	16.0
Current assets held for sale	—	39.2
Total current assets	<u>282.0</u>	<u>114.8</u>
Right-of-use lease assets—operating	17.2	22.1
Property, plant and equipment, net	722.3	720.9
Franchise operating rights	620.1	620.1
Goodwill	225.1	225.1
Intangible assets subject to amortization, net	1.7	1.9
Other non-current assets	38.3	42.1
Non-current assets held for sale	—	740.0
Total assets	<u>\$ 1,906.7</u>	<u>\$ 2,487.0</u>
<b>Liabilities and stockholders' equity (deficit)</b>		
<b>Current liabilities</b>		
Accounts payable—trade	\$ 50.3	\$ 32.4
Accrued interest	0.8	4.0
Current portion of long-term lease liability—operating	5.1	5.8
Accrued liabilities and other	218.7	79.7
Current portion of long-term debt and finance lease obligations	17.9	37.5
Current portion of unearned service revenue	28.1	28.6
Current liabilities held for sale	—	47.9
Total current liabilities	<u>320.9</u>	<u>235.9</u>
Long-term debt and finance lease obligations, net of debt issuance costs —less current portion	723.5	2,228.5
Long-term lease liability—operating	13.8	19.0
Deferred income taxes, net	257.6	200.6
Other non-current liabilities	20.1	13.1
Non-current liabilities held for sale	—	2.3
Total liabilities	<u>1,335.9</u>	<u>2,699.4</u>
<b>Commitments and contingencies (Note 17)</b>		
<b>Stockholders' equity (deficit):</b>		
Preferred stock, \$0.01 par value, 100,000,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$0.01 par value, 700,000,000 shares authorized; 96,225,910 and 95,187,161 issued as of December 31, 2021 and December 31, 2020, respectively; 87,392,088 and 86,847,797 outstanding as of December 31, 2021 and December 31, 2020, respectively	1.0	1.0
Additional paid-in capital	348.5	333.8
Accumulated other comprehensive income (loss)	—	(6.5)
Accumulated income (deficit)	310.5	(460.0)
Treasury stock at cost, 8,833,822 and 8,339,364 shares as of December 31, 2021 and December 31, 2020, respectively	(89.2)	(80.7)
Total stockholders' equity (deficit)	<u>570.8</u>	<u>(212.4)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 1,906.7</u>	<u>\$ 2,487.0</u>

The accompanying notes are an integral part of these consolidated financial statements.

**WideOpenWest, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

	Year ended December 31,		
	2021	2020	2019
	(in millions, except per share and share data)		
Revenue	\$ 725.7	\$ 730.2	\$ 727.0
Costs and expenses:			
Operating (excluding depreciation and amortization)	376.4	405.2	397.4
Selling, general and administrative	175.2	170.2	159.3
Depreciation and amortization	169.3	151.0	133.4
Impairment losses on intangibles and goodwill	—	14.0	9.7
Loss (gain) on sale of operating assets, net	—	—	5.4
	<u>720.9</u>	<u>740.4</u>	<u>705.2</u>
Income (loss) from operations	4.8	(10.2)	21.8
Other income (expense):			
Interest expense	(93.5)	(130.0)	(141.9)
Loss on early extinguishment of debt	(3.2)	—	—
Other income, net	9.5	1.3	3.8
Loss from continuing operations before provision for income tax	(82.4)	(138.9)	(116.3)
Income tax benefit	13.8	30.6	33.9
Loss from continuing operations	(68.6)	(108.3)	(82.4)
Discontinued Operations (Note 1)			
Income from discontinued operations, net of tax	839.1	122.7	118.8
Net income	<u>\$ 770.5</u>	<u>\$ 14.4</u>	<u>\$ 36.4</u>
Basic and diluted (loss) per common share - continuing operations			
Basic	\$ (0.83)	\$ (1.33)	\$ (1.02)
Diluted	\$ (0.83)	\$ (1.33)	\$ (1.02)
Basic and diluted earnings per common share - discontinued operations			
Basic	\$ 10.14	\$ 1.51	\$ 1.47
Diluted	\$ 10.14	\$ 1.51	\$ 1.47
Basic and diluted earnings per common share			
Basic	\$ 9.31	\$ 0.18	\$ 0.45
Diluted	\$ 9.31	\$ 0.18	\$ 0.45
Weighted-average common shares outstanding			
Basic	82,720,934	81,561,707	80,713,926
Diluted	82,720,934	81,561,707	80,713,926

The accompanying notes are an integral part of these consolidated financial statements.

**WideOpenWest, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

	Year ended December 31,		
	2021	2020	2019
	(in millions)		
Net income	\$ 770.5	\$ 14.4	\$ 36.4
Unrealized gain (loss) on derivative instrument, net of tax	6.5	9.0	(9.0)
Comprehensive income	\$ 777.0	\$ 23.4	\$ 27.4

The accompanying notes are an integral part of these consolidated financial statements.

**WideOpenWest, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**

	Common Stock	Common Stock Par Value	Treasury Stock at Cost	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Income (Deficit)	Total Stockholders' Equity (Deficit)
(in millions, except share data)							
Balances at January 1, 2019	82,680,380	\$ 0.9	\$ (78.1)	\$ 312.7	\$ (6.5)	\$ (510.8)	\$ (281.8)
Changes in accumulated other comprehensive loss, net	—	—	—	—	(9.0)	—	(9.0)
Stock-based compensation	—	—	—	10.1	—	—	10.1
Issuance of restricted stock, net	1,609,514	—	—	—	—	—	—
Purchase of shares	(186,786)	—	(1.6)	—	—	—	(1.6)
Net income	—	—	—	—	—	36.4	36.4
Balances at December 31, 2019(1)	<u>84,103,108</u>	<u>\$ 0.9</u>	<u>\$ (79.7)</u>	<u>\$ 322.8</u>	<u>\$ (15.5)</u>	<u>\$ (474.4)</u>	<u>\$ (245.9)</u>
Changes in accumulated other comprehensive loss, net	—	—	—	—	9.0	—	9.0
Stock-based compensation	—	0.1	—	11.0	—	—	11.1
Issuance of restricted stock, net	3,004,954	—	—	—	—	—	—
Purchase of shares	(260,265)	—	(1.0)	—	—	—	(1.0)
Net income	—	—	—	—	—	14.4	14.4
Balances at December 31, 2020(1)	<u>86,847,797</u>	<u>\$ 1.0</u>	<u>\$ (80.7)</u>	<u>\$ 333.8</u>	<u>\$ (6.5)</u>	<u>\$ (460.0)</u>	<u>\$ (212.4)</u>
Changes in accumulated other comprehensive loss, net	—	—	—	—	6.5	—	6.5
Stock-based compensation	—	—	—	14.7	—	—	14.7
Issuance of restricted stock, net	1,038,749	—	—	—	—	—	—
Purchase of shares	(494,458)	—	(8.5)	—	—	—	(8.5)
Net income	—	—	—	—	—	770.5	770.5
Balances at December 31, 2021(1)	<u>87,392,088</u>	<u>\$ 1.0</u>	<u>\$ (89.2)</u>	<u>\$ 348.5</u>	<u>\$ —</u>	<u>\$ 310.5</u>	<u>\$ 570.8</u>

(1) Included in outstanding shares as of December 31, 2021, 2020 and 2019 are 4,325,124, 4,990,971 and 3,140,168, respectively, of non-vested shares of restricted stock awards granted to employees and directors.

The accompanying notes are an integral part of these consolidated financial statements.

**WideOpenWest, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(in millions)</b>		
<b>Cash flows from operating activities:</b>			
Net income	\$ 770.5	\$ 14.4	\$ 36.4
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	210.3	230.6	206.2
Deferred income taxes	54.9	5.3	4.3
Provision for doubtful accounts	11.2	16.8	16.9
Gain on sale of markets	(1,001.3)	—	—
(Gain) loss on sale of assets, net	(0.5)	—	5.4
Amortization of debt issuance costs and discount	4.7	4.7	4.7
Loss on debt extinguishment	3.2	—	—
Impairment losses on intangibles and goodwill	—	14.0	9.7
Non-cash compensation	15.3	11.1	10.1
Other non-cash items	(0.2)	(0.2)	0.6
<b>Changes in operating assets and liabilities:</b>			
Receivables and other operating assets	(27.9)	(28.1)	(25.2)
Payables and accruals	133.8	8.8	(2.8)
<b>Net cash provided by operating activities</b>	<b>\$ 174.0</b>	<b>\$ 277.4</b>	<b>\$ 266.3</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	\$ (207.7)	\$ (234.1)	\$ (247.5)
Proceeds from sale of markets, net	1,765.7	—	24.7
Other investing activities	1.3	(0.2)	(1.3)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 1,559.3</b>	<b>\$ (234.3)</b>	<b>\$ (224.1)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt, net	\$ 762.1	\$ 91.0	\$ 80.0
Payments on long-term debt and finance lease obligations	(2,303.5)	(141.7)	(112.8)
Payments of debt issuance costs	(2.6)	—	—
Purchase of shares	(8.5)	(1.0)	(1.6)
<b>Net cash used in financing activities</b>	<b>\$ (1,552.5)</b>	<b>\$ (51.7)</b>	<b>\$ (34.4)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>180.8</b>	<b>(8.6)</b>	<b>7.8</b>
Cash and cash equivalents, beginning of period	12.4	21.0	13.2
<b>Cash and cash equivalents, end of period</b>	<b>\$ 193.2</b>	<b>\$ 12.4</b>	<b>\$ 21.0</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the periods for interest	\$ 93.1	\$ 124.0	\$ 139.0
Cash paid during the periods for income taxes	\$ 97.1	\$ 1.5	\$ 1.6
Cash received during the periods for refunds of income taxes	\$ —	\$ 4.6	\$ 4.4
Insurance proceeds received for business interruption	\$ —	\$ —	\$ 9.6
<b>Non-cash financing activities:</b>			
Other financing arrangements	\$ —	\$ 1.1	\$ —
<b>Capital expenditure accounts payable and accruals</b>	<b>\$ 27.4</b>	<b>\$ 19.1</b>	<b>\$ 16.8</b>

The accompanying notes are an integral part of these consolidated financial statements.

**WideOpenWest, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

**1. Organization and Basis of Presentation**

***Organization***

WideOpenWest, Inc. ("WOW" or the "Company") is a leading broadband services provider offering high-speed data ("HSD"), cable television ("Video"), and digital telephony ("Telephony") services to residential and business customers. The Company serves customers in 14 markets in the United States which consist of Detroit and Lansing, Michigan; Augusta, Columbus, Newnan and West Point, Georgia; Charleston, South Carolina; Dothan, Auburn, Huntsville and Montgomery, Alabama; Knoxville, Tennessee; and Panama City and Pinellas County, Florida.

***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC").

These accounting principles require management to make assumptions and estimates that affect the reported amounts and disclosures of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and disclosures of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances. However, due to the inherent uncertainties in making estimates, actual results could differ from those estimates.

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation with no effect on the Company's previously reported results of operations, financial position, or cash flows.

***Discontinued Operations – Sale of Service Areas***

On June 30, 2021, WOW entered into an Asset Purchase Agreement with Atlantic Broadband (OH), LLC, ("Atlantic"), a U.S. cable operator and subsidiary of Cogeco Communications, Inc. and Atlantic Broadband Finance, LLC, a Delaware limited liability company (the "Atlantic Purchase Agreement"), whereby Atlantic agreed to acquire the Company's Cleveland and Columbus, Ohio markets for approximately \$1.125 billion, subject to adjustments, including customary working capital adjustments, as specified in the Atlantic Purchase Agreement. The sale was completed on September 1, 2021. Refer to Note 5 – Asset Sales for additional information regarding the sale.

Additionally, on June 30, 2021, WOW entered into an Asset Purchase Agreement with Radiate HoldCo, LLC, a telecommunications holding company affiliated with RCN Telecom Services LLC, Grande Communications Networks, LLC and WaveDivision Holdings, LLC (collectively, "Astound Broadband") (the "Astound Purchase Agreement"), whereby Radiate HoldCo, LLC agreed to acquire the Company's Chicago, Illinois, Evansville, Indiana and Baltimore, Maryland markets for approximately \$661.0 million, subject to adjustments, including customary working capital adjustments, as specified in the Astound Purchase Agreement. The sale was completed on November 1, 2021. Refer to Note 5 – Asset Sales for additional information regarding the sale.

The divestiture of these markets represents a strategic shift in WOW's business as the markets represented approximately 37% of total revenue for the three and six months ended June 30, 2021 and as such were presented as discontinued operations in the Form 10-Q for the period ending June 30, 2021. The Company will continue to present these markets as discontinued operations in the consolidated statements of operations and exclude from continuing operations for all periods in which such discontinued operations are presented. Results of discontinued operations include all revenues and direct expenses of these markets. General corporate overhead is not allocated to discontinued operations.

In connection with the divestitures, the Company has entered into a transition services agreement under which WOW will continue to provide certain services to Atlantic and Astound Broadband. Under the transition services agreements, the buyers may elect a variety of services, including but not limited to: information technology, network, business support services, etc. The term of the transition services agreements are for 12 months following the closing date, with two optional three month extensions. None of the costs related to the employees, processes or systems that will be utilized to provide the services under the transition services agreements were allocated to discontinued operations.

The assets and liabilities sold under the Atlantic Purchase Agreement and the Astound Purchase Agreement were written off on September 1, 2021 and November 1, 2021, respectively. The amounts presented for the period ended December 31, 2020 include the assets and liabilities sold under the Atlantic Purchase Agreement and the Astound Purchase Agreement:

	<b>December 31, 2020</b>
	<b>(in millions)</b>
<b>Assets</b>	
<b>Current assets</b>	
Accounts receivable—trade, net of allowance for doubtful accounts of \$1.8	\$ 25.1
Accounts receivable—other, net	0.9
Prepaid expenses and other	13.2
Total current assets	39.2
Right-of-use lease assets—operating	2.8
Property, plant and equipment, net	379.4
Franchise operating rights	165.4
Goodwill	183.7
Intangible assets subject to amortization, net	0.2
Other non-current assets	8.5
Total assets	<u>\$ 779.2</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable—trade	\$ 11.4
Current portion of long-term lease liability—operating	0.7
Accrued liabilities and other	18.9
Current portion of unearned service revenue	16.9
Total current liabilities	47.9
Long-term lease liability—operating	2.3
Total liabilities	<u>\$ 50.2</u>

The following table presents information regarding certain components of income from discontinued operations:

	<b>Year ended December 31,</b>		
	<b>2021 (1)</b>	<b>2020</b>	<b>2019</b>
	<b>(in millions)</b>		
Revenue	\$ 308.3	\$ 418.2	\$ 418.8
<b>Costs and expenses:</b>			
Operating (excluding depreciation and amortization)	112.0	165.0	178.4
Selling, general and administrative	11.8	12.3	13.0
Depreciation and amortization	41.0	79.6	72.8
	<u>164.8</u>	<u>256.9</u>	<u>264.2</u>
Income from operations	143.5	161.3	154.6
<b>Other income (expense):</b>			
Interest income (expense)	0.4	(0.7)	(0.2)
Gain on sale of assets, net	1,001.8	—	—
Other income, net	0.1	0.5	(0.2)
Income from discontinued operations before provision for income tax	1,145.8	161.1	154.2
Income tax expense	(306.7)	(38.4)	(35.4)
Income from discontinued operations	<u>\$ 839.1</u>	<u>\$ 122.7</u>	<u>\$ 118.8</u>



- (1) Includes the activity for the Cleveland and Columbus, Ohio markets through September 1, 2021 and the Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets through November 1, 2021.

The following table presents revenue by service offering from discontinued operations:

	<b>Year ended December 31,</b>		
	<b>2021(1)</b>	<b>2020</b>	<b>2019</b>
	<b>(in millions)</b>		
<b>Residential subscription</b>			
HSD	\$ 150.1	\$ 185.6	\$ 170.4
Video	103.2	157.4	166.2
Telephony	11.5	16.9	18.9
<b>Total Residential subscription</b>	<b>\$ 264.8</b>	<b>\$ 359.9</b>	<b>\$ 355.5</b>
<b>Business subscription</b>			
HSD	\$ 17.8	\$ 22.6	\$ 21.3
Video	2.7	3.6	3.6
Telephony	8.4	11.9	12.1
<b>Total business subscription</b>	<b>\$ 28.9</b>	<b>\$ 38.1</b>	<b>\$ 37.0</b>
<b>Total subscription services revenue</b>	<b>293.7</b>	<b>398.0</b>	<b>392.5</b>
Other business services revenue	1.6	1.9	2.8
Other revenue	13.0	18.3	23.5
<b>Total revenue</b>	<b>\$ 308.3</b>	<b>\$ 418.2</b>	<b>\$ 418.8</b>

- (1) Includes the activity for the Cleveland and Columbus, Ohio markets through September 1, 2021 and the Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets through November 1, 2021.

The following table presents specified items of cash flow and significant non-cash items of discontinued operations:

	<b>Year ended December 31,</b>		
	<b>2021 (1)</b>	<b>2020</b>	<b>2019</b>
	<b>(in millions)</b>		
<b>Specified items of cash flow:</b>			
Capital expenditures	\$ 45.4	\$ 62.7	\$ 103.2
<b>Non-cash operating activities:</b>			
Operating lease additions	\$ 0.7	\$ 0.7	\$ —
<b>Non-cash investing activities:</b>			
Capital expenditure accounts payable and accruals	\$ —	\$ 2.1	\$ 1.0

- (1) Includes the activity for the Cleveland and Columbus, Ohio markets through September 1, 2021 and the Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets through November 1, 2021.

## **2. Summary of Significant Accounting Policies**

### ***Principles of Consolidation***

The accompanying consolidated financial statements of WOW reflect all transactions of WideOpenWest, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

### ***Cash and Cash Equivalents***

Cash equivalents represent short-term investments consisting of money market funds that are carried at cost, which approximates fair value. The Company considers all short-term investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

### ***Provision for Doubtful Accounts***

The provision for doubtful accounts and the allowance for doubtful accounts are based on historical trends. The Company's policy to reserve for potential bad debts is based on the aging of the individual receivables. The Company manages credit risk by disconnecting services to customers who are delinquent, generally after 100 days of delinquency. The individual receivables are written-off after all reasonable efforts to collect the funds have been made. Actual write-offs may differ from the amounts reserved. See Note 3 – Revenue from Contracts with Customers for a discussion of changes in the allowance for doubtful accounts for the periods presented.

### ***Prepaid Expenses and Other***

Prepaid expenses and other primarily consists of short-term deferred contract costs and prepaid software and insurance costs. Prepayments are recognized as operating expenses or selling, general, and administrative expense over the life of the underlying agreements.

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

Property, plant and equipment are stated at cost less accumulated depreciation and amortization and primarily represent costs associated with the construction of cable transmission and distribution facilities and new service installations at the customer location. Capitalized costs include materials, labor, and certain indirect costs attributable to the capitalization activity. Maintenance and repairs are expensed as incurred. Upon sale or retirement of an asset, the cost and related depreciation and amortization are removed from the related accounts and resulting gains or losses are reflected in operating results.

The Company makes judgments regarding the installation and construction activities to be capitalized. The Company capitalizes direct labor associated with capitalizable activities and indirect costs using standards developed from operational data, including the proportionate time to perform a new installation relative to the total installation activities and an evaluation of the nature of the indirect costs incurred to support capitalizable activities. Judgment is required to determine the extent to which indirect costs incurred are related to capitalizable activities. Indirect costs include (i) employee benefits and payroll taxes associated with capitalized direct labor, (ii) direct variable costs of installation and construction, (iii) the direct variable costs of support personnel directly involved in assisting with installation activities, such as dispatchers and (iv) other indirect costs directly attributable to capitalizable activities.

Property, plant and equipment are depreciated over the estimated useful life upon being placed into service. Depreciation of property, plant and equipment is calculated on a straight-line basis, over the following estimated useful lives:

<b><u>Asset Category</u></b>	<b><u>Estimated Useful Lives (Years)</u></b>
Office and technical equipment	3 - 10
Computer equipment and software	3
Customer premise equipment	5
Vehicles	5
Telephony infrastructure	5 - 7
Headend equipment	7
Distribution facilities	10
Building and leasehold improvements	5 - 20

Leasehold improvements are depreciated over the shorter of the estimated useful lives or lease terms.

### ***Intangible Assets and Goodwill***

Intangible assets consist primarily of acquired franchise operating rights and goodwill. Franchise operating rights represent the value attributable to agreements with local franchising authorities, which allow access to homes in the public right of way. The Company's franchise operating rights were acquired through business combinations. The Company does not amortize franchise operating rights as it has been determined that they have an indefinite life. Costs incurred in negotiating and renewing franchise operating agreements are expensed as incurred. Franchise related customer relationships represent the value to the Company of the benefit of acquiring the existing cable subscriber base and are amortized over the estimated life of the subscriber base (four years) on a straight-line basis, which is shorter than the economic useful life, which approximates an accelerated method. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in business combinations.

### ***Asset Impairments***

Significant judgment by management is required to determine estimates and assumptions used in the valuation of property, plant and equipment, intangible assets and goodwill.

### ***Long-lived Assets***

The Company evaluates the recoverability of its long-lived assets whenever events or substantive changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is based on the undiscounted cash flows generated by the underlying asset groups, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows was determined to be less than the carrying amount of the asset group, the Company would recognize an impairment charge to the extent the carrying amount of the asset group exceeds its estimated fair value. The Company had no triggering events or impairment of its long-lived assets in any of the periods presented.

### ***Franchise Operating Rights***

The Company evaluates the recoverability of its franchise operating rights at least annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that the assets might be impaired. The Company evaluates the franchise operating rights for impairment by comparing the carrying value of the intangible asset to its estimated fair value utilizing both quantitative and qualitative methods. Any excess of the carrying value over the fair value would be expensed as an impairment loss.

The Company calculates the fair value of franchise operating rights using the multi-period excess earnings method, an income approach, which calculates the value of an intangible asset by discounting its future cash flows. The fair value is determined based on estimated discrete discounted future cash flows attributable to each franchise operating right intangible asset using assumptions consistent with internal forecasts. Assumptions key in estimating fair value under this method include, but are not limited to, revenue and subscriber growth rates (less anticipated customer churn), operating expenditures, capital expenditures (including any build out), market share achieved, contributory asset charge rates, tax rates and discount rate. The discount rate used in the model represents a weighted average cost of capital and the perceived risk associated with an intangible asset such as franchise operating rights. See Note 7 – Franchise Operating Rights & Goodwill for discussion of impairment charges recognized for the periods presented.

### ***Goodwill***

The Company assesses the recoverability of its goodwill at least annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that the asset might be impaired. The Company may first choose to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company performs a quantitative analysis. The Company may also choose to by-pass the qualitative assessment and proceed directly to the quantitative analysis.

In the quantitative analysis, the Company utilizes a discounted cash flow analysis or a market approach to estimate the fair value of goodwill and compares such value to the carrying amount. Any excess of the carrying value of goodwill over the estimated fair value of goodwill would be expensed as an impairment loss.

The Company determined it had one reporting unit as part of its annual goodwill analysis on October 1. See Note 7 – Franchise Operating Rights & Goodwill for a discussion of impairment charges recognized for the periods presented.

#### ***Other Noncurrent Assets***

Other noncurrent assets are comprised primarily of long-term deferred contract costs and long-term software costs. These amounts are recognized as operating expenses or selling, general, and administrative expense over the period of usage.

#### ***Fair Value of Financial Instruments***

Carrying amounts reported in the consolidated balance sheets for cash and cash equivalents are carried at fair value. The carrying amounts reported in the consolidated balance sheets for accounts receivable and accounts payable approximate fair value due to their short-term maturities. The fair value of long-term debt is based on the debt's variable rate of interest and the Company's own credit risk and risk of nonperformance, as required by GAAP.

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and cash and cash equivalents. The Company places its cash and cash equivalents with high credit quality financial institutions. The Company does not enter into master netting arrangements. The Company periodically assesses the creditworthiness of the institutions with which it invests. The Company does, however, maintain invested balances in excess of federally insured limits; however, the Company has never experienced any losses related to these balances.

#### ***Debt Issuance Costs***

Debt issuance costs incurred by the Company are capitalized and amortized over the life of the related debt using the effective interest rate method and are included as a reduction in long-term debt in the accompanying consolidated balance sheets. The amortization of debt issuance costs is included in interest expense on the accompanying consolidated statements of operations.

#### ***Asset Retirement Obligations***

The Company accounts for its asset retirement obligations by recognizing a liability for the fair value of a conditional asset retirement obligation when incurred if the fair value of the liability can be reasonably estimated.

Certain of the Company's franchise agreements and leases contain provisions requiring the Company to restore facilities or remove equipment upon the maturity of the franchise or lease agreement. The Company expects to continually renew its franchise agreements. Accordingly, the Company has determined a remote possibility that the Company would be required to incur significant restoration or removal costs related to these franchise agreements in the foreseeable future. An estimated liability, which could be significant, would be recorded in the unlikely event a franchise agreement containing such a provision were no longer expected to be renewed.

An estimate of the obligations related to the removal provisions contained in the Company's lease agreements has been made and recorded in other non-current liabilities in the consolidated balance sheet; however, the amount is not material.

### ***Revenue Recognition***

Residential and business subscription services revenue consists primarily of monthly recurring charges for HSD, Video, and Telephony services, including charges for equipment rentals and other regulatory fees, and non-recurring charges for optional services, such as pay-per-view, video-on-demand, and other events provided to the customer. Monthly charges for residential and business subscription services are billed in advance and recognized as revenue over the period of time the associated services are provided to the customer.

Charges for optional services are generally billed in arrears and revenues are recognized at the point in time when the services are provided to the customer. Residential and business customers may be charged non-recurring upfront fees associated with installation and other administrative activities. Charges for upfront fees associated with installation and other administrative activities are initially recorded as unearned service revenue and recognized as revenue over the expected period of benefit for residential customers and over the contract term for business customers.

The Company is required to pay certain cable franchising authorities an amount based on the percentage of gross revenue derived from Video services. The Company generally passes these fees and other similar regulatory and ancillary fees on to the customer. Revenues from regulatory and other ancillary fees passed on to the customer are reported with the associated service revenue and the corresponding costs are reported as an operating expense.

The Company's trade receivables are subject to credit risk, as customer deposits are generally not required. The Company's credit risk is limited due to the large number of customers, individually small balances and short payment terms. The Company manages credit risk by screening applicants through the use of internal customer information, identification verification tools and credit bureau data. If a customer account is delinquent, various measures are used to collect amounts owed, including termination of the customer's service.

### ***Costs and Expenses***

The Company's expenses consist of operating, selling, general and administrative expenses, depreciation and amortization expense and interest expense. Business interruption insurance proceeds are recorded to operating expense in the statements of operations.

### ***Programming Costs***

Programming is acquired for distribution to subscribers, generally pursuant to multi-year license agreements, with rates typically based on the number of subscribers that receive the programming. These programming costs are included in operating expenses in the month the programming is distributed.

### ***Advertising Costs***

The cost of advertising is expensed as incurred and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. Advertising expense during the years ended December 31, 2021, 2020 and 2019 was \$39.5 million, \$38.0 million and \$32.3 million, respectively.

### ***Income Taxes***

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. Additionally, the impact of changes in the tax rates and laws on deferred taxes, if any, is reflected in the financial statements in the period of enactment. Valuation allowances are established to reduce deferred tax assets to the amount that will more likely than not be realized. To the extent that a determination was made to establish or adjust a valuation allowance, the expense or benefit is recorded in the period in which the determination is made.

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. The Company prepares and files tax returns based on its interpretation of tax laws and regulations. In the normal course of business, the tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities. In determining the Company's income tax provision for financial reporting purposes, the Company establishes a reserve for uncertain income tax positions unless such positions are determined to be more likely than not of being sustained upon examination, based on their technical merits. That is, for financial reporting purposes, the Company only recognizes tax benefits taken on the tax return that the Company believes are more likely than not of being sustained upon examination. There is considerable judgment involved in determining whether positions taken on the tax return are more likely than not of being sustained.

The Company adjusts its tax reserve estimates periodically because of ongoing examinations by, and settlements with, the various taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated income tax provision of any given year includes adjustments to prior year income tax accruals that are considered appropriate and any related estimated interest and penalties. The Company's policy is to recognize, when applicable, interest and penalties on uncertain income tax positions as part of income tax provision.

### ***Derivative Financial Instruments***

The Company may use derivative financial instruments to manage its exposure to fluctuations in interest rates by entering into interest rate exchange agreements such as interest rate swaps. All derivatives, whether designated as a hedge or not, are required to be recorded on the consolidated balance sheet at fair value. If the derivative is designated as a hedge and is highly effective as a hedging instrument, recognition of changes in fair value depend on whether the derivative is used in a fair value hedge, in which changes are recognized in earnings, or cash flow hedge, in which changes are recognized in other comprehensive income. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. Refer to Note 11 – Derivative Instruments and Hedging Activities for a discussion of hedging activities for the periods presented.

### ***Stock-based Compensation***

The Company's stock-based compensation consists of liability and equity based restricted stock awards with service, performance and market conditions. Restricted stock awards are measured at the grant date fair value and amortized to stock compensation expense over the requisite service period. The fair value of restricted stock awards with market conditions is measured utilizing Monte Carlo simulations. Awards with performance or market conditions will vest based on the Company's achievement level relative to specific requirements. For all restricted stock awards, the Company accounts for forfeitures as they occur. Refer to Note 13 – Stock-Based Compensation for a discussion of the Company's stock-based compensation for the periods presented.

### ***Segments***

The Company's chief operating decision maker ("CODM") regularly reviews the Company's results to assess the Company's performance and allocates resources at a consolidated level. Although the consolidated results include the Company's three products (i) HSD; (ii) Video; and (iii) Telephony and are used to assess performance by product(s), decisions to allocate resources (including capital) are made to benefit the consolidated Company. The three products are delivered through a unified network and have similar types or classes of customers. Furthermore, the decision to allocate resources to plant maintenance and to upgrade the Company's service delivery over a unified network to the customer benefits all three product offerings and is not based on any given service product. As such, management has determined that the Company has one reportable segment, broadband services.

### ***Recently Issued Accounting Pronouncements***

#### *ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). ASU 2020-04 provides optional guidance, expedients and exceptions for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update apply to all entities, subject to meeting the criteria, which participate in contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 was subsequently amended by ASU 2021-01, Reference Rate Reform (Topic 848), Scope, which refines the scope of Topic 848 and permits optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships. The amendments of these updates are available to all entities as of March 12, 2020 through December 31, 2022. The Company has not yet adopted these amendments, but has determined the impact of adopting this guidance will not have a material impact on its financial position, results of operations and cash flows.

### ***Recently Adopted Accounting Pronouncements***

#### *ASU 2019-12, Income Taxes—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes (“ASU 2019-12”). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted this guidance prospectively as of January 1, 2021. The adoption did not have a material impact on the Company’s financial position, results of operations or cash flows.

## **3. Revenue from Contracts with Customers**

### ***Residential and Business Subscription Services***

Residential and business subscription services revenue consists primarily of monthly recurring charges for HSD, Video, and Telephony services, including charges for equipment rentals and other regulatory fees, and non-recurring charges for optional services, such as pay-per-view, video-on-demand, and other events provided to the customer. Monthly charges for residential and business subscription services are billed in advance and recognized as revenue over the period of time the associated services are provided to the customer. Charges for optional services are generally billed in arrears and revenue is recognized at the point in time when the services are provided to the customer.

- HSD revenue consists primarily of fixed monthly fees for data service, including charges for rentals of modems, and revenue recognized related to non-recurring upfront fees associated with installation and other administrative activities provided to HSD customers.
- Video revenue consists of fixed monthly fees for basic, premium and digital cable television services, including charges for rentals of video converter equipment, other regulatory fees, and revenue recognized related to non-recurring upfront fees associated with installation and other administrative activities provided to video customers, as well as non-recurring charges for optional services, such as pay-per-view, video-on-demand and other events provided to the customer.
- Telephony revenue consists of fixed monthly fees for local services, including certain regulatory and ancillary customer fees, and enhanced services, such as call waiting and voice mail, revenue recognized related to non-recurring upfront fees associated with installation and other administrative activities provided to telephony customers as well as charges for measured and flat rate long-distance service.

While a portion of residential customers have entered into contracts for subscription services ranging from 12 months to 24 months in length, the Company recognizes revenue for these customers on a basis that is consistent with customers that have entered into month-to-month contracts as the early termination fees within these contracts are not considered to be material. The Company's business customers have entered into non-cancellable contracts for subscription services averaging 30 months.

The Company is required to pay certain cable franchising authorities an amount based on the percentage of gross revenue derived from video services. The Company generally passes these fees and other similar regulatory and ancillary fees on to the customer. Revenues from regulatory and other ancillary fees passed on to the customer are reported with the associated service revenue and the corresponding costs are reported as an operating expense.

#### *Bundled Subscription Services*

The Company often markets multiple subscription services as part of a bundled arrangement that may include a discount. When customers have entered into a bundled service arrangement, the total transaction price for the bundled arrangement is allocated between the separate services included in the bundle based on their relative stand-alone selling prices. The allocation of the transaction price in bundled services requires judgment, particularly in determining the stand-alone selling prices for the separate services included in the bundle. The stand-alone selling price for the majority of services are determined based on the prices at which the Company separately sells the service. For services sold on an infrequent basis and for a wide range of prices, the Company estimates stand-alone selling prices using the adjusted market assessment approach, which considers the prices of competitors for similar services.

#### *Other Business Services Revenue*

Other business services revenue consists primarily of monthly recurring charges for session initiated protocol, web hosting, metro ethernet, wireless backhaul, broadband carrier, and cloud infrastructure services provided to business customers. Other business services revenue also includes recurring charges for wholesale and colocation services. Monthly charges for other business services are generally billed in advance and recognized as revenue when the associated services are provided to the customer.

#### *Other Revenue*

Other revenue consists primarily of revenue from line assurance warranty services provided to residential and business customers and revenue from advertising placement. Monthly charges for line assurance warranty services are generally billed in advance and recognized as revenue over the period of time the warranty services are provided to the customer. Charges for advertising placement are generally billed in arrears and recognized as revenue at the point in time when the advertising is distributed.



## Revenue by Service Offering

The following table presents revenue by service offering:

	Year ended December 31,		
	2021	2020	2019
	(in millions)		
Residential subscription			
HSD	\$ 329.0	\$ 294.5	\$ 270.3
Video	204.1	236.4	251.2
Telephony	28.5	35.6	41.0
Total Residential subscription	\$ 561.6	\$ 566.5	\$ 562.5
Business subscription			
HSD	\$ 70.1	\$ 64.5	\$ 59.0
Video	11.4	11.4	11.0
Telephony	28.9	29.7	30.7
Total business subscription	\$ 110.4	\$ 105.6	\$ 100.7
Total subscription services revenue	672.0	672.1	663.2
Other business services revenue(1)	22.3	23.4	24.6
Other revenue	31.4	34.7	39.2
Total revenue	\$ 725.7	\$ 730.2	\$ 727.0

(1) Includes wholesale and colocation lease revenue of \$19.4 million for both years ended December 31, 2021 and 2020 and \$18.8 million for the year ended 2019.

## Costs of Obtaining Contracts with Customers

The Company recognizes an asset for incremental costs of obtaining contracts with customers when it expects to recover those costs. Costs which would be incurred regardless of whether a contract is obtained are expensed as they are incurred. Costs of obtaining contracts with customers are amortized over the expected period of benefit, which generally ranges from three to four years for residential customers and five to six years for business customers. The current portion and the non-current portion of costs of obtaining contracts with customers are included in prepaid expenses and other and other noncurrent assets, respectively, in the Company's consolidated balance sheets. Amortization of costs of obtaining contracts with customers is included in selling, general and administrative expense in the Company's consolidated statements of operations.

The following table summarizes the activity of costs of obtaining contracts with customers:

	2021	2020	2019
	(in millions)		
Balance at beginning of period	\$ 31.8	\$ 20.9	\$ 6.5
Deferral	15.5	17.4	18.1
Amortization	(10.0)	(6.5)	(3.7)
Balance at end of period	\$ 37.3	\$ 31.8	\$ 20.9

The following table presents the current and non-current costs of obtaining contracts with customers as of the end of the corresponding periods:

	December 31, 2021	December 31, 2020
	(in millions)	
Current costs of obtaining contracts with customers	\$ 14.1	\$ 3.6
Non-current costs of obtaining contracts with customers	23.2	28.2
Total costs of obtaining contracts with customers	\$ 37.3	\$ 31.8

### Contract Liabilities

Monthly charges for residential and business subscription services are billed in advance and recorded as unearned service revenue. Residential and business customers may be charged non-recurring upfront fees associated with installation and other administrative activities. Charges for upfront fees associated with installation and other administrative activities are initially recorded as unearned service revenue and recognized as revenue over the expected period of benefit for residential customers, which has been estimated as five months, and over the contract term for business customers, which has been estimated as 30 months. The Company has estimated the expected period of benefit for residential customers based on consideration of quantitative and qualitative factors including the average installation fee charged, the average monthly revenue per customer, and customer behavior. The current portion and the non-current portion of contract liabilities are included in current portion of unearned service revenue and other non-current liabilities, respectively, in the Company's consolidated balance sheets.

The following tables present the activity of current and non-current contract liabilities:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(in millions)		
Balance at beginning of period	\$ 2.9	\$ 2.8	\$ 2.6
Deferral	12.4	8.8	9.7
Revenue recognized	(12.0)	(8.7)	(9.5)
Balance at end of period	<u>\$ 3.3</u>	<u>\$ 2.9</u>	<u>\$ 2.8</u>

The following table presents the current and non-current portion of contract liabilities as of the end of the corresponding periods:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	(in millions)	
Current contract liabilities	\$ 2.9	\$ 2.4
Non-current contract liabilities	0.4	0.5
Total contract liabilities	<u>\$ 3.3</u>	<u>\$ 2.9</u>

### Unsatisfied Performance Obligations

Revenue from month-to-month residential subscription service contracts have historically represented a significant portion of the Company's revenue and the Company expects that this will continue to be the case in future periods. All residential subscription service performance obligations will be satisfied within one year.

A summary of expected business subscription and other business services revenue to be recognized in future periods related to performance obligations which have not been satisfied or are partially unsatisfied as of December 31, 2021 is set forth in the table below:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>	<u>Total</u>
	(in millions)				
Subscription services	\$ 39.2	\$ 20.2	\$ 8.0	\$ 2.5	\$ 69.9
Other business services	3.3	1.5	0.6	—	5.4
Total expected revenue	<u>\$ 42.5</u>	<u>\$ 21.7</u>	<u>\$ 8.6</u>	<u>\$ 2.5</u>	<u>\$ 75.3</u>

### *Provision for Doubtful Accounts*

The provision for doubtful accounts and the allowance for doubtful accounts are based on the aging of the individual receivables, historical trends and current and anticipated future economic conditions. The Company manages credit risk by disconnecting services to customers who are delinquent, generally after 100 days of delinquency. The individual receivables are written-off after all reasonable efforts to collect the funds have been made. Actual write-offs may differ from the amounts reserved.

The following table presents the change in the allowance for doubtful accounts for trade accounts receivable:

	Year ended	
	December 31,	
	2021	2020
	(in millions)	
Balance at beginning of period	\$ 6.7	\$ 6.4
Provision charged to expense	8.3	11.6
Accounts written off, net of recoveries	(10.7)	(11.3)
Balance at end of period	<u>\$ 4.3</u>	<u>\$ 6.7</u>

The Company had accounts written off, net of recoveries, of non-trade accounts receivable of \$0.2 million for the year ended December 31, 2020. The Company did not have such write-offs for the year ended December 31, 2021.

### **4. Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	December 31,	December 31,
	2021	2020
	(in millions)	
Distribution facilities	\$ 1,238.3	\$ 1,148.8
Customer premise equipment	267.7	266.2
Head-end equipment	228.5	209.5
Telephony infrastructure	52.4	52.5
Computer equipment and software	132.5	102.5
Vehicles	23.7	22.7
Buildings and leasehold improvements	32.1	31.0
Office and technical equipment	18.9	18.7
Land	4.4	4.4
Construction in progress (including material inventory and other)	34.9	32.8
Total property, plant and equipment	2,033.4	1,889.1
Less accumulated depreciation	(1,311.1)	(1,168.2)
	<u>\$ 722.3</u>	<u>\$ 720.9</u>

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$168.9 million, \$150.1 million, and \$131.6 million, respectively. For the year ended December 31, 2019, the Company wrote-off \$2.1 million of obsolete assets which is included in the loss (gain) on sale of operating assets, net. The Company recognized insignificant asset write-offs for the years ended December 31, 2021 and 2020.

## **Note 5. Asset Sales**

### *Sale of Five Service Areas*

On June 30, 2021, the Company entered into the Atlantic Purchase Agreement and the Astound Purchase Agreement for approximately \$1.125 billion and \$661.0 million, respectively. Refer to Note 1 – Organization and Basis of Presentation for a discussion of the Company’s discontinued operations.

The Atlantic Purchase Agreement closed on September 1, 2021, as a result of which the Company received net proceeds of \$1.1 billion and recorded a gain of \$689.8 million. Additionally, the Astound Purchase Agreement was completed on November 1, 2021, as a result of which the Company received net proceeds of \$653.2 million and recorded a gain of \$311.5 million. The gains are reported within discontinued operations in the consolidated statement of operations for the year ended December 31, 2021. The Company retained certain estimated construction related liabilities presented in accounts payable – trade in the Company’s consolidated balance sheet as of December 31, 2021.

As of December 31, 2021, the Company utilized the net proceeds from the sales to repay and refinance its long-term debt. Refer to Note 10 – Long-Term Debt and Finance Lease Obligations for additional information.

In connection with the closing of the Atlantic Purchase Agreement and the Astound Purchase Agreement, the Company entered into a one year Transition Services Agreement with each buyer in which the Company will provide certain transition services to both buyers. The services to be provided under each Transition Services Agreement relate primarily to information technology, network, sales and business support.

Income earned under these agreements is presented in other income, net in the consolidated statement of operations and associated receivables are presented in accounts receivable – other, net in the Company’s consolidated balance sheet as of December 31, 2021. The Company recognized \$8.5 million of income related to the Transition Services Agreements for the year ended December 31, 2021.

## **6. Leases**

The Company leases certain property, vehicles and equipment for use in its operations. The Company determines if an arrangement is or contains a lease at inception. The Company has lease agreements with lease and non-lease components and has elected to not separate these components for all classes of underlying assets. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Leases with initial terms greater than 12 months are recorded as operating or financing leases on the consolidated balance sheet. As of December 31, 2021, financing lease assets of \$22.7 million are included in property, plant and equipment on the consolidated balance sheet. Financing lease liabilities are included within the current and long-term portions of long-term debt and finance lease obligations of \$10.2 million and \$12.1 million, respectively.

Right-of-use lease assets and lease liabilities are recognized upon lease commencement based on the present value of the future minimum lease payments over the lease term. The Company utilizes a collateralized incremental borrowing rate based on information available at the lease commencement date in determining the present value of future payments, unless the rate is implicit in the lease agreement. The operating and finance leases may contain variable payments for common-area maintenance, taxes and insurance, and repairs and maintenance. Variable payments are recognized when incurred and not included in the measurement of the right-of-use asset and lease liability. In instances where customer premise equipment would qualify as a lease, the Company applies the practical expedient to combine the operating lease with the subscription revenue as a single performance obligation in accordance with revenue recognition accounting guidance as the subscription service is the predominant component.

The Company’s lease agreements may contain options to extend the lease term beyond the initial term, termination options, and options to purchase the underlying asset. The Company has not included these options in the lease term or the related payments in the measurement of the ROU asset and lease liabilities as the Company has determined the options are not reasonably certain to be exercised.

Lease components are classified as follows:

	Classification	Year ended December 31,	
		2021	2020
(in millions)			
Finance lease cost			
Amortization of leased asset	Depreciation	\$ 10.1	\$ 7.6
Interest on lease liabilities	Interest expense	1.1	1.2
Operating lease cost(1)	Operating expense	8.0	8.0
Sublease income	Other income	(0.5)	—
Net lease cost		\$ 18.7	\$ 16.8

(1) Includes short-term lease and variable costs of \$1.2 and \$1.1 million for the years ended December 31, 2021 and 2020, respectively.

The following table presents aggregate lease maturities as of December 31, 2021:

	Finance Leases	Operating Leases	Total
	(in millions)		
2022	\$ 10.9	\$ 6.0	\$ 16.9
2023	7.7	5.0	12.7
2024	3.8	4.0	7.8
2025	0.7	2.7	3.4
2026	0.3	1.8	2.1
Thereafter	—	2.1	2.1
Total lease payments	23.4	21.6	45.0
Less: interest	1.1	2.7	3.8
Present value of lease liabilities	\$ 22.3	\$ 18.9	\$ 41.2

The following table presents aggregate lease maturities as of December 31, 2020:

	Finance Leases	Operating Leases	Total
	(in millions)		
2021	\$ 15.5	\$ 7.1	\$ 22.6
2022	11.8	6.4	18.2
2023	5.8	4.9	10.7
2024	1.3	3.9	5.2
2025	0.4	2.6	3.0
Thereafter	—	3.9	3.9
Total lease payments	34.8	28.8	63.6
Less: interest	1.9	4.0	5.9
Total lease payments	\$ 32.9	\$ 24.8	\$ 57.7

The following table presents weighted average remaining lease terms and discount rates:

	Year ended December 31,	
	2021	2020
Weighted-average remaining lease term (in years)		
Finance Leases	2.5	2.6
Operating Leases	4.5	5.0
Weighted-average discount rate		
Finance Leases	4.02 %	4.49 %
Operating Leases	5.75 %	5.96 %

The following table presents other information related to operating and finance leases:

	Year ended December 31,	
	2021	2020
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6.4	\$ 6.6
Operating cash flows from finance leases	1.1	1.2
Financing cash flows from finance leases	22.2	10.7
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	11.5	20.5
Operating leases	1.0	5.8

## 7. Franchise Operating Rights & Goodwill

Changes in the carrying amounts of the Company's franchise operating rights and goodwill during 2021 and 2020 are set forth below:

	January 1, 2021	Impairment (in millions)	December 31, 2021
	Franchise operating rights	\$ 620.1	\$ —
Goodwill	225.1	—	225.1
	<u>\$ 845.2</u>	<u>\$ —</u>	<u>\$ 845.2</u>

	January 1, 2020	Impairment (in millions)	December 31, 2020
	Franchise operating rights	\$ 634.1	\$ (14.0)
Goodwill	225.1	—	225.1
	<u>\$ 859.2</u>	<u>\$ (14.0)</u>	<u>\$ 845.2</u>

### *Franchise Operating Rights*

The Company evaluates the recoverability of its franchise operating rights at least annually on October 1, or more frequently whenever events or substantive changes in circumstances indicate that the assets might be impaired. Franchise operating rights are evaluated for impairment by comparing the carrying value of the intangible asset to its estimated fair value, utilizing both quantitative and qualitative methods, at the lowest level of identifiable cash flows, which generally represent the markets in which the Company operates. Qualitative analysis is performed for franchise assets in the event the previous analysis indicates that there is a significant margin between the estimated fair value of franchise operating rights and the carrying value of those rights, and that it is more likely than not that the estimated fair value equals or exceeds its carrying value.

For franchise operating rights that were evaluated using quantitative analysis, the Company calculates the estimated fair value of franchise operating rights using the multi-period excess earnings method, an income approach, which calculates the estimated fair value of an intangible asset by discounting its future cash flows. The estimated fair value is determined based on discrete discounted future cash flows attributable to each franchise operating right intangible asset using assumptions consistent with internal forecasts. Assumptions key in estimating fair value under this method include, but are not limited to, revenue and subscriber growth rates (less anticipated customer churn), operating expenditures, capital expenditures (including any build out), market share achieved or market multiples, contributory asset charge rates, tax rates and a discount rate. The discount rate used in the model represents a weighted average cost of capital and the perceived risk associated with an intangible asset such as the Company's franchise operating rights. If the fair value of the franchise operating right asset was less than its carrying value, the Company recognizes an impairment charge for the difference between the fair value and the carrying value of the asset.

The Company recognized non-cash impairment losses of nil, \$14.0 million, and \$9.7 million for the years ended December 31, 2021, 2020, and 2019, respectively. The primary driver of the impairment charges in the years presented was a decline in estimated fair market value of indefinite-lived intangible assets in certain markets, as indicated by the decline in the Company's common stock and revisions to market-level forecasts during such periods. The impairment charges do not have an impact on the Company's intent and/or ability to renew or extend existing franchise operating rights.

### *Goodwill*

The Company evaluates goodwill for impairment at least annually on October 1, at the reporting unit level utilizing both quantitative and qualitative methods. Qualitative analysis is performed for goodwill in the event the previous analysis indicates that there is a significant margin between estimated fair value and carrying value of goodwill, and that it is more likely than not that the estimated fair value exceeds the carrying value. In the event that a quantitative analysis is performed, any excess of the carrying value of goodwill over the estimated fair value of goodwill is expensed as an impairment loss.

The Company determines the estimated fair value utilizing a market approach that incorporates the approximate market capitalization as of the annual testing date, increased by the quoted market price of the Company's debt and adjusted for a control premium.

For the current year and prior two year analysis, the estimated fair value of goodwill exceeded the carrying value, as such, no impairment charge was recognized.

The Company had accumulated impairment losses of \$193.9 million for the years ended December 31, 2021 and 2020.

## **8. Intangible Assets Subject to Amortization**

Intangible assets subject to amortization consist primarily of multiple-dwelling unit and customer relationships. Changes in the carrying amounts during 2021 and 2020 are set forth below:

	<u>January 1,</u> <u>2021</u>	<u>Acquisitions</u>	<u>Amortization</u>	<u>December 31,</u> <u>2021</u>
	(in millions)			
Other	\$ 1.9	\$ 0.2	\$ (0.4)	\$ 1.7

	<u>January 1,</u> <u>2020</u>	<u>Acquisitions</u>	<u>Amortization</u>	<u>December 31,</u> <u>2020</u>
	(in millions)			
Customer relationships	\$ 0.4	\$ 0.1	\$ (0.5)	\$ —
Other	2.3	—	(0.4)	1.9
	<u>\$ 2.7</u>	<u>\$ 0.1</u>	<u>\$ (0.9)</u>	<u>\$ 1.9</u>

Amortization expense is included in depreciation and amortization expense in the accompanying consolidated statements of operations. Amortization expense for years ended December 31, 2021, 2020 and 2019 was \$0.4 million, \$0.9 million and \$1.8 million, respectively.

Scheduled amortization of the Company's intangible assets as of December 31, 2021 for the next five years is as follows (in millions):

2022	\$ 0.4
2023	0.4
2024	0.3
2025	0.2
2026	0.2
Thereafter	0.2
	<u>\$ 1.7</u>

## 9. Accrued Liabilities and Other

Accrued liabilities and other consist of the following:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	(in millions)	
Property, income, sales and use taxes(1)	\$ 132.7	\$ 5.6
Payroll and employee benefits	29.6	28.0
Programming costs	19.3	19.7
Customer cash collections (Transition Services Agreements)	17.5	—
Other accrued liabilities	9.5	8.2
Franchise and revenue sharing fees	7.9	7.1
Utility pole costs	2.2	1.7
Interest rate swaps	—	9.4
	<u>\$ 218.7</u>	<u>\$ 79.7</u>

(1) Includes the current income tax payable associated with the sale of the Chicago, Illinois, Evansville, Indiana, and Baltimore, Maryland markets.



## 10. Long-Term Debt and Finance Lease Obligations

The following table summarizes the Company's long-term debt and finance lease obligations:

	December 31, 2021			December 31, 2020
	Available borrowing capacity	Effective interest rate(1)	Outstanding balance	Outstanding balance
	(in millions)			
Long-term debt:				
Term B Loans, net(2)	\$ —	3.50 %	\$ 724.2	\$ 2,199.9
Revolving Credit Facility	250.0	0.00 %	—	38.0
Total long-term debt	<u>\$ 250.0</u>		724.2	2,237.9
Other Financing			0.4	0.8
Finance lease obligations			22.3	32.9
Total long-term debt, finance lease obligations and other			746.9	2,271.6
Debt issuance costs, net(3)			(5.5)	(5.6)
Sub-total			741.4	2,266.0
Less current portion			(17.9)	(37.5)
Long-term portion			<u>\$ 723.5</u>	<u>\$ 2,228.5</u>

- (1) Represents the effective interest rate in effect for all borrowings outstanding as of the year ended December 31, 2021 pursuant to each debt instrument including the applicable margin.
- (2) At December 31, 2021 and 2020 includes \$5.8 million and \$6.1 million of net unamortized discounts, respectively.
- (3) At December 31, 2021 and 2020 debt issuance costs include \$4.1 million and \$4.4 million related to Term B Loans and \$1.4 million and \$1.2 million related to the Revolving Credit Facility, respectively.

### *Refinancing of the Term B Loans and Revolving Credit Facility*

On December 20, 2021, the Company entered into a new secured credit agreement with Morgan Stanley Senior Funding, Inc., as administrative agent, collateral agent and issuing bank (the "Credit Agreement"). The Credit Agreement consists of (i) a new Term Loan B in an aggregate principal amount of \$730.0 million and (ii) a \$250.0 million revolving credit commitment. The Term Loan B matures in December 2028 and bears interest at a rate equal to the Secured Overnight Financing Rate ("SOFR") plus 3.00%, subject to a 50 basis point floor, and the revolving credit commitment bears interest at a rate equal to SOFR plus 2.75%, subject to a 50 basis point commitment fee rate for unused commitments, and matures in December 2026. The Senior Secured Term B loans and Revolving Credit Facility are secured on a first-priority basis by a lien on substantially all of the Company's assets, subject to certain exceptions and permitted liens.

The Credit Agreement contains certain (a) restrictive covenants, including, but not limited to, restrictions on the entry into burdensome agreements, the prohibition of the incurrence of certain indebtedness secured by liens, restrictions on the ability to make certain payments and to enter into certain merger, consolidation, asset sale and affiliate transactions, and (b) financial maintenance covenants, including, but not limited to, a maximum leverage ratio, a minimum fixed charge ratio and a maximum secured indebtedness ratio. The Credit Agreement also contains representations and warranties, affirmative covenants and events of default customary for an agreement of its type.

The Credit Agreement allows for the issuance of letters of credit. The aggregate amount of undrawn letters of credit cannot exceed \$20.0 million and are used in the ordinary course of business and released when the respective contractual obligations have been fulfilled by the Company. The outstanding amount of cash collateralized letters of credit was \$5.3 million as of December 31, 2021.

On the date of re-financing, the Company repaid the unpaid principal balance of its Term B loans under the previous eighth amendment (“Eighth Amendment”) to its previous credit agreement dated July 17, 2017, with JPMorgan Chase Bank, N.A., as the administrative agent and revolver agent. Under the Eighth Amendment, (i) the previous Term B loans matured on August 19, 2023 and bore interest, at the Company’s option, at a rate equal to ABR plus 2.25% or LIBOR plus 3.25%, and (ii) the borrowings under the revolving credit facility matured on May 31, 2022 and bore interest, at the Company’s option, at a rate equal to ABR plus 2.00% or LIBOR plus 3.00%.

As a result of the re-financing, the Company recorded a \$3.2 million loss on early extinguishment of debt related to the write-off of unamortized debt issuance and third-party costs. As of December 31, 2021, the Company was in compliance with all debt covenants.

Amortization of debt issuance costs and debt discount, all of which are included in interest expense in the accompanying consolidated statements of operations, for the years ended December 31, 2021, 2020 and 2019 are as follows:

	December 31,		
	2021	2020	2019
	(in millions)		
Amortization of deferred issuance costs	\$ 2.4	\$ 2.4	\$ 2.4
Amortization of debt discount	2.3	2.3	2.3

Principal maturities of our long-term debt, excluding finance lease obligations, as of December 31, 2021 are as follows:

	Long-term Debt	
	(in millions)	
2022	\$	7.3
2023		7.3
2024		7.3
2025		7.3
2026		7.3
Thereafter		693.5
	\$	730.0

## 11. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks during the normal course of its business arising from adverse changes in interest rates. The Company selectively uses derivative financial instruments (“derivatives”), including interest rate swaps, to manage interest rate risk. The Company does not hold or issue derivative instruments for speculative purposes. Fluctuations in interest rates can be volatile, and the Company’s risk management activities do not totally eliminate these risks. Consequently, these fluctuations could have a significant effect on the Company’s financial results.

The Company’s exposure to interest rate risk results primarily from its variable rate borrowings. On May 9, 2018, the Company entered into variable to fixed interest rate swap agreements for a notional amount of \$1,361.2 million to hedge a portion of the outstanding principal balance of its variable rate term loan debt. The Company’s outstanding derivatives had a notional amount of \$1,323.5 million and the fair value was presented within accrued liabilities and other of \$9.4 million within the consolidated balance sheet as of December 31, 2020. The Company did not have such amounts as of December 31, 2021 as the interest rate swap contracts expired in May of 2021.

Gains (losses) on derivatives designated as cash flow hedges included in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020 are shown in the table below.

	Year ended December 31,	
	2021	2020
<b>Interest rate swap contracts(1)</b>	(in millions)	
Gain recorded in AOCL on derivatives, before tax	\$ 8.5	\$ 11.8
Tax impact	(2.0)	(2.8)
Gain recorded in AOCL on derivatives, net	<u>6.5</u>	<u>9.0</u>

(1) Gains (losses) on derivatives reclassified from AOCL into income will be included in “Interest expense” in the consolidated statements of operations, the same income statement line item as the earnings effect of the hedged item. Losses recognized in the consolidated statements of operations for the year ended December 31, 2021, 2020 and 2019 total \$9.5 million, \$21.2 million and \$6.2 million, respectively.

For the periods presented, all cash flows associated with derivatives are classified as operating cash flows in the consolidated statements of cash flows.

## 12. Fair Value Measurements

The fair values of cash and cash equivalents, receivables and trade payables approximate their carrying values due to the short-term nature of these instruments. For assets and liabilities of a long-term nature, the Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs. The Company applies the following hierarchy in determining fair value:

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3, defined as values determined using models that utilize significant unobservable inputs for which little or no market data exists, discounted cash flow methodologies or similar techniques, or other determinations requiring significant management judgment or estimation.

The Company’s derivative instrument expired in May 2021; however, prior to expiration the derivative instrument was accounted for at fair value on a recurring basis and classified within Level 2 of the valuation hierarchy and was valued at \$9.4 million at December 31, 2020. The fair value of the derivative instrument was measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curves as of the measurement date. The present value calculation utilized discount rates that were adjusted to reflect the credit quality of the Company and its counterparties.

The estimated fair value of the Company’s long-term debt is based on dealer quotes considering current market rates for the Company’s credit facility and is classified as Level 2. The ratio of the Company’s aggregate debt balance has trended from quoted market prices in active markets to quoted prices in non-active markets. The fair value of the Company’s long-term debt was valued at \$729.1 million and \$2,203.1 million as of December 31, 2021 and 2020, respectively. Long-term debt fair value does not include debt issuance costs and discounts. There were no transfers into or out of Level 1, 2 or 3 during the years ended December 31, 2021 and 2020.

The Company’s nonfinancial assets such as franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. When such impairments are recorded, fair values are generally classified within Level 3 of the valuation hierarchy.

### 13. Stock-based Compensation

The Company's stock incentive plan, the 2017 Omnibus Incentive Plan, provides for grants of stock options, restricted stock and performance awards. The Company's directors, officers and other employees and persons who engage in services for the Company are eligible for grants under the plan. The stock incentive plan has authorized 12,074,128 shares of the Company's common stock to be available for issuance, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company's corporate structure or the outstanding shares of common stock.

Restricted stock awards generally vest ratably over a four year period based on the date of grant. For restricted stock awards that contain only service conditions for vesting, the Company calculates the award fair value based on the closing stock price on the accounting grant date. Certain awards were modified during the year ended December 31, 2021 and are classified as liabilities. The non-cash compensation expense associated with these awards was \$0.6 million for the year ended December 31, 2021.

For the years ended December 31, 2021, 2020 and 2019 the Company recorded \$15.3 million, \$11.1 million and \$10.1 million of non-cash compensation expense, respectively. The non-cash compensation expense is reflected in selling, general and administrative expense and operating expenses (excluding depreciation and amortization), depending on the recipients' duties, in the Company's consolidated statements of operations. Total unrecognized non-cash compensation expense as of December 31, 2021 was \$31.9 million and is expected to be recognized over a weighted-average period of 2.2 years.

The following table summarizes the restricted stock award activity for the years ended December 31, 2021, 2020 and 2019.

	Year ended December 31,					
	2021		2020		2019	
	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding, beginning of period	4,990,971	\$ 5.71	3,140,168	\$ 8.56	2,356,418	\$ 9.23
Granted	1,422,358	17.17	3,585,929	4.44	2,075,455	8.41
Vested	(1,704,596)	6.23	(1,154,151)	8.87	(825,764)	9.84
Forfeited	(383,609)	7.71	(580,975)	7.05	(465,941)	9.01
Outstanding, end of period(1)	<u>4,325,124</u>	\$ 9.10	<u>4,990,971</u>	\$ 5.71	<u>3,140,168</u>	\$ 8.56

(1) The total outstanding non-vested shares of restricted stock awards granted to employees and directors are included in total outstanding shares as of December 31, 2021, 2020 and 2019.

Generally, the Company withholds shares to cover the income tax withholding of the employee upon vesting. These shares are reflected as treasury stock in the Company's consolidated balance sheets. The total fair value of restricted shares vested was \$28.9 million, \$5.0 million, and \$6.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

#### *Nonvested Performance Shares*

On March 3, 2021, the Company granted 209,621 performance shares which will vest based on the Company's achievement level relative to the following performance measures at December 31, 2023: 50% based upon the Company's Total Shareholder Return ("TSR") relative to the TSRs of the Company's peer group and 50% based on the Company's three-year cumulative EBITDA metric. EBITDA is defined as net income (loss) before net interest expense, income taxes, depreciation and amortization (including impairments), impairment losses on intangibles and goodwill, the write-off of any asset, loss on early extinguishment of debt, integration and restructuring expenses and all non-cash charges and expenses (including stock compensation expense) and certain other income and expenses. Upon achievement of the minimum threshold performance metric, the grantee may earn 50% to 200% of their respective target shares based on the performance goal.

The performance shares based on relative TSR performance have a market condition and are valued using a Monte Carlo simulation model on the grant date, which resulted in a grant date fair value of \$27.76 per share. The estimated fair value is amortized to expense over the requisite service period, which ends on December 31, 2023. The following assumptions were used in the Monte Carlo simulation for computing the grant date fair value of the performance shares with a market condition: risk-free interest rate of 0.26%, volatility factors in the expected market price of the Company's common shares of 59.77% and an expected life of three years.

The performance shares based on three-year cumulative EBITDA have a performance condition. The probability of achieving the performance condition is assessed at each reporting period. If it is deemed probable that the performance condition will be met, compensation cost will be recognized based on the closing price per share of the Company's common stock on the date of the grant multiplied by the number of awards expected to be earned. If it is deemed that it is not probable that the performance condition will be met, the Company will discontinue the recognition of compensation cost and any compensation cost previously recorded will be reversed.

The Company determined that it was not probable that the performance condition based on three-year cumulative EBITDA would be met for the performance shares issued in 2020 and 2021. The Company came to this conclusion based on the sale of five service areas in 2021. See Note 5 – Asset Sales for additional information regarding the sales. As a result of this conclusion, the Company reversed approximately \$1.0 million of previously recognized stock compensation expense in the fourth quarter of 2021.

#### 14. Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. Additionally, the impact on deferred tax assets and liabilities of changes in tax rates is reflected in the financial statements in the period that includes the date of enactment.

##### *Income Tax Benefit*

For the years ended December 31, 2021, 2020, and 2019, the Company recorded income tax benefit from continuing operations as shown below. The tax provision in future periods will vary based on current and future temporary differences, as well as future operating results.

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(in millions)</b>		
<b>Current tax (expense) benefit</b>			
Federal	\$ —	\$ —	\$ —
State	(1.6)	(1.9)	3.1
<b>Total current tax</b>	<b>(1.6)</b>	<b>(1.9)</b>	<b>3.1</b>
<b>Deferred tax (expense) benefit</b>			
Federal	22.2	34.2	25.5
State	(6.8)	(1.7)	5.3
<b>Total deferred tax</b>	<b>15.4</b>	<b>32.5</b>	<b>30.8</b>
<b>Income tax benefit</b>	<b>\$ 13.8</b>	<b>\$ 30.6</b>	<b>\$ 33.9</b>

The Company reported total income tax expense of \$292.9 million, \$7.8 million and \$1.5 million during the years ended December 31, 2021, 2020 and 2019, respectively.

As a result of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act enacted on March 27, 2020, companies were able to request refunds of the remaining amount of refundable Alternate Minimum Tax carryforwards. Previously, the remaining amount would have been refunded between 2020 and 2021. The Company received a full refund of approximately \$4.4 million during the second quarter of 2020. The CARES Act contains many other tax provisions, all of which have no material impact to the financial statements.

The provision for income taxes incurred is different from the amount calculated by applying the applicable federal income tax rate to the income from continuing operations before income tax benefit. The significant items causing these differences are as follows:

	Year ended December 31,		
	2021	2020	2019
	(in millions)		
Statutory federal income taxes	\$ 17.3	\$ 29.2	\$ 24.5
State income taxes	0.6	4.8	0.8
Tax status & tax rate change	0.1	0.8	0.9
Other true-ups	0.3	(2.5)	0.8
Equity compensation	3.8	(1.0)	(0.3)
Other permanent differences	(2.4)	(0.4)	(0.4)
Goodwill impairment	—	—	—
Research and development tax credits	2.5	2.2	—
Uncertain tax positions	(0.1)	(0.2)	3.7
Change in valuation allowance	(8.3)	(2.3)	3.9
Income tax (expense) benefit, net	<u>\$ 13.8</u>	<u>\$ 30.6</u>	<u>\$ 33.9</u>

The \$8.3 million change in valuation allowance as of December 31, 2021, is the result of changes in state deferred tax assets related to net operating loss carryforwards and state bonus depreciation modification. The \$2.3 million change in valuation allowance as of December 31, 2020 is similarly related to the increases in state net operating loss carryforwards and state bonus modification deferred tax assets that are not more likely than not to be realized.

#### *Deferred Income Taxes, Net*

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
	(in millions)	
<b>Deferred tax assets</b>		
Allowances and other reserves	\$ 2.2	\$ 6.3
Net operating loss carryforwards	82.1	223.1
Research and development tax credits	—	4.1
Interest hedging	—	2.0
Other	1.0	1.4
Total deferred tax assets	85.3	236.9
Less: valuation allowance	(35.5)	(30.8)
Deferred tax asset	<u>\$ 49.8</u>	<u>\$ 206.1</u>
<b>Deferred tax liabilities</b>		
Depreciation and amortization	\$ (145.8)	\$ (206.3)
Franchise operating rights	(161.5)	(198.6)
Debt issuance costs	—	(1.8)
Total deferred tax liabilities	<u>(307.3)</u>	<u>(406.7)</u>
Net deferred tax liabilities	<u>\$ (257.5)</u>	<u>\$ (200.6)</u>

### Valuation Allowance

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. In evaluating the need for a valuation allowance, management takes into account various factors, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. On the basis of this evaluation, a valuation allowance of \$35.5 million and \$30.8 million, as of December 31, 2021 and 2020, respectively, has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

### Net Operating Loss and Credit Carryforwards

As of December 31, 2021, the Company had approximately \$197.7 million of federal tax net operating loss carryforwards, which expire between the years 2026 through 2037. In addition, as of December 31, 2021, the Company had state tax net operating loss carryforwards of \$897.3 million, of which \$237.2 million are indefinite lived and \$660.1 million expire between 2022 and 2039.

As a result of the IPO (effective May 25, 2017), the Company experienced an “ownership change” as defined in Section 382 of the Internal Revenue Code resulting in limitations on the Company’s use of its existing federal and state net operating losses and capital losses. After December 31, 2021, \$197.7 million of the Company’s federal tax loss carryforwards are subject to Section 382 and other restrictions.

As of December 31, 2021, the Company had utilized the federal research and development carryforwards.

### Uncertain Tax Positions

These uncertain tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statements of operations as part of the income tax provision. A reconciliation of the beginning and ending amount of unrecognized tax benefits, exclusive of interest and penalties, included in other non-current liabilities on the accompanying consolidated balance sheets of the Company is as follows:

	Year ended December 31,		
	2021	2020	2019
		(in millions)	
Unrecognized tax benefits—January 1st	\$ 13.7	\$ 11.4	\$ 28.0
Gross increases—tax positions in prior period	—	0.7	—
Gross decreases—tax positions in prior period	(0.7)	—	(12.8)
Gross increases—tax positions in current period	1.2	1.6	—
Settlements	—	—	(3.8)
Unrecognized tax benefits—December 31st	<u>\$ 14.2</u>	<u>\$ 13.7</u>	<u>\$ 11.4</u>

As of December 31, 2021, the Company recorded gross unrecognized tax benefits of \$14.2 million, all of which, if recognized, would affect the Company’s effective tax rate. The Company recognizes interest and penalties accrued on uncertain income tax positions as part of the income tax provision. Interest and penalties included in other long-term liabilities on the accompanying consolidated balance sheets of the Company were \$1.4 million, \$1.2 million, and \$1.0 million for years ended December 31, 2021, 2020 and 2019, respectively. The Company expects \$2.7 million of unrecognized tax benefits and \$1.4 million of interest could reverse in the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. No tax years for the Company are currently under examination by the IRS or state and local tax authorities for income tax purposes. Generally, the Company’s 2018 through 2021 tax years remain open for examination and assessment. Years prior to 2018 remain open solely for purposes of examination of the Company’s loss and credit carryforwards. The Company is not currently under examination, but does have open tax controversy matters with state taxing authorities. Activity related to state and local controversy matters did not have a material impact on our consolidated financial position or results of operations during the year ended December 31, 2021, nor do we anticipate a material impact in the future.



## 15. Earnings (Loss) per Common Share

Basic earnings or loss per share attributable to the Company's common stockholders is computed by dividing net earnings or loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share attributable to common stockholders presents the dilutive effect, if any, on a per share basis of potential common shares (such as restricted stock units) as if they had been vested or converted during the periods presented. No such items were included in the computation of diluted loss or earnings per share for the periods presented because the Company incurred a net loss from continuing operations and the effect of inclusion would have been anti-dilutive.

	Year ended December 31,		
	2021	2020	2019
	(in millions, except share data)		
Loss from continuing operations	\$ (68.6)	\$ (108.3)	\$ (82.4)
Income from discontinued operations	\$ 839.1	\$ 122.7	\$ 118.8
Net income	\$ 770.5	\$ 14.4	\$ 36.4
Basic weighted-average shares	82,720,934	81,561,707	80,713,926
Effect of dilutive securities:			
Restricted stock awards	—	—	—
Diluted weighted-average shares	82,720,934	81,561,707	80,713,926
Basic and diluted (loss) per common share - continuing operations			
Basic	\$ (0.83)	\$ (1.33)	\$ (1.02)
Diluted	\$ (0.83)	\$ (1.33)	\$ (1.02)
Basic and diluted earnings per common share - discontinued operations			
Basic	\$ 10.14	\$ 1.51	\$ 1.47
Diluted	\$ 10.14	\$ 1.51	\$ 1.47
Basic and diluted earnings per common share			
Basic	\$ 9.31	\$ 0.18	\$ 0.45
Diluted	\$ 9.31	\$ 0.18	\$ 0.45

## 16. Employee Benefits

### *401(k) Savings Plan*

The Company adopted a defined contribution retirement plan which complies with Section 401(k) of the Internal Revenue Code. Substantially all employees are eligible to participate in the plan. The Company matches 100% of the participant's voluntary contributions up to 3% and 50% of the next 2% subject to a limit of the first 4% of the participant's compensation. Company matching contributions vest 25% annually over a four-year period. During the years ended December 31, 2021, 2020 and 2019, the Company recorded \$3.2 million, \$3.0 million and \$3.2 million, respectively, of expense related to the Company's matching contributions to the 401(k) plan.



### *Deferred Compensation Plan*

In July 2007, the Company implemented a deferred compensation plan. Under this plan, certain members of management and other highly compensated employees may elect to defer a portion of their annual compensation, subject to certain percentage limitations. The assets and liabilities of the plan are included within the Company's financial statements. The assets of the plan are specifically designated as available to the Company solely for the purpose of paying benefits under the Company's deferred compensation plan. However, in the event the Company became insolvent, the investments would be available to all unsecured general creditors. The deferred compensation liability relates to obligations due to participants under the plan.

The assets from the participant deferrals are invested by the Company, through a life insurance investment vehicle, in mutual funds and money market funds. The deferred compensation liability represents accumulated net participant deferrals and earnings thereon based on participant investment elections. The assets and liabilities are recorded at fair value, and any adjustments to the fair value are recorded in the consolidated statements of operations. The assets and liabilities of the plan are included in the accompanying consolidated balance sheets as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
	(in millions)	
Prepaid expenses and other (current assets)	\$ 1.9	\$ 1.7
Accrued liabilities and other (current liabilities)	\$ 1.9	\$ 1.7

### **17. Commitments and Contingencies**

The following items are not included as contractual obligations due to the various factors discussed below. However, the Company incurs these costs as part of its operations:

- The Company rents utility poles used in its operations. Generally, pole rentals are cancellable on short notice, but the Company anticipates that such rentals will recur. Rent expense for pole rental attachments was \$6.1 million, \$5.2 million and \$5.1 million for the years ended December 31, 2021, 2020 and 2019, respectively.
- The Company pays franchise fees under multi-year franchise agreements based on a percentage of revenues generated from video service per year. Franchise fees and other franchise-related costs included in the accompanying statements of operations were \$11.8 million, \$13.5 million and \$14.3 million for the years ended December 31, 2021, 2020 and 2019, respectively.

### *Programming Contracts*

In the normal course of business, the Company enters into numerous contracts to license programming content for which the payment obligations are fully contingent on the number of subscribers to whom it provides the content. These contracts typically have annual rate increases and term lengths of three to five years. Programming expenses are included in operating expenses in the accompanying consolidated statements of operations.

## *Legal and Other Contingencies*

IPO Shareholder Class Action. Beginning in June 2018, four different plaintiffs' firms filed five separate class-action lawsuits against WOW, certain individual defendants, and the private equity sponsors and underwriters of the May 2017 initial public offering. The actions allege violations of Sections 11, 12, and 15 of the 1933 Securities Act. The three actions filed in New York have been consolidated as *Kirkland. et al. v. WideOpenWest, Inc., et al.*, 653248/2018. The other two actions, which were filed in Colorado state court, have been stayed by agreement until final resolution of the *Kirkland* action. The Plaintiffs in *Kirkland* allege that Defendants made or caused misstatements to be made in the Registration Statement and Prospectus issued in connection with the IPO. Prior to an anticipated trial in 2022 or 2023, the parties undertook mediation on November 6, 2020 which, in turn, resulted in a Stipulation of Settlement, which was approved by the Court on January 20, 2022. As a consequence of the approval, the Company, along with all other defendants, has been dismissed entirely without any admission of wrongdoing in exchange for a payment of substantially less than that sought by plaintiffs, with the funding of such payment to be provided substantially from the Company's primary D&O carrier.

Sprint Patent Infringement Claim. On March 7, 2018, Sprint Communications Company L.P ("Sprint") filed complaints in the U.S. District Court for the District of Delaware alleging that the Company (and other industry participants) infringe patents purportedly relating to Sprint's Voice over Internet Protocol ("VoIP") services. The lawsuit is part of a pattern of litigation that was initiated as far back as 2007 by Sprint against numerous broadband and telecommunications providers. The Company has multiple legal and contractual defenses and is vigorously defending against the claims. Additionally, the Company is pursuing indemnification claims against equipment providers whose equipment is implicated by the claims. Formal discovery was completed in mid-February 2020, with the trial originally scheduled for October 2020, being moved to a yet to be determined date, with the parties undertaking settlement discussions. The Court has requested periodic status reports as to the settlement discussions as a condition to the continued stay of the litigation proceedings. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on the Company's financial position, results of operations or cash flows.

The Company is party to various legal proceedings (including individual, class and putative class actions) arising in the normal course of its business covering a wide range of matters and types of claims including, but not limited to, general contracts, billing disputes, rights of access, programming, taxes, fees and surcharges, consumer protection, trademark and patent infringement, employment, regulatory, tort, claims of competitors and disputes with other carriers.

In accordance with GAAP, the Company accrues an expense for pending litigation when it determines that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Legal defense costs are expensed as incurred. None of the Company's existing accruals for pending matters are material. The Company consistently monitors its pending litigation for the purpose of adjusting its accruals and revising its disclosures accordingly, in accordance with GAAP, when required. However, litigation is subject to uncertainty, and the outcome of any particular matter is not predictable. The Company will vigorously defend its interests in pending litigation, and the Company believes that the ultimate resolution of all such matters, after considering insurance coverage or other indemnities to which it is entitled, will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

## EXHIBIT INDEX

Exhibits required to be filed by Item 601 of Regulation S-K (all of which are under Commission File No. 001-38101, except as otherwise noted):

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Amended and Restated Certificate of Incorporation of WideOpenWest, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
3.2	Amended and Restated Bylaws of WideOpenWest, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 to the Company's annual report on Form 10-K (File No. 001-38101) filed on March 4, 2020)
10.1†	WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on Form 10-Q filed on November 13, 2017)
10.2†	Amendment to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Annex A to the Company's proxy statement on Schedule 14A filed on March 29, 2019)
10.3†	WideOpenWest, Inc. Change in Control and Severance Benefit Plan (incorporated by reference to Exhibit 10.5 to the Company's annual report on Form 10-K filed on March 7, 2019)
10.4†	Executive Employment Agreement, dated as of December 14, 2017, between WideOpenWest, Inc. and Teresa Elder (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on December 14, 2017)
10.5†	Amended and Restated Letter Agreement of Employment, dated May 29, 2020, between WideOpenWest, Inc. (together with its subsidiaries) and John Rego (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on June 4, 2020)
10.6†	Letter Agreement of Employment, dated August 23, 2018, between WideOpenWest, Inc. (together with its subsidiaries) and Don Schena (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on August 29, 2018)
10.7†	Amended and Restated Letter Agreement of Employment, dated December 14, 2017, between WideOpenWest, Inc. (together with its subsidiaries) and Craig Martin (incorporated by reference to Exhibit 10.7 to the Company's current report on Form 8-K filed on December 14, 2017)
10.8†	Letter Agreement of Employment, dated May 19, 2020, between WideOpenWest, Inc. (together with its subsidiaries) and Shannon Campain (incorporated by reference to Exhibit 10.11 to the Company's annual report on Form 10-K filed on February 24, 2021)
10.9†	Letter Agreement of Employment, dated December 19, 2019, between WideOpenWest, Inc. (together with its subsidiaries) and Henry Hryckiewicz (incorporated by reference to Exhibit 10.12 to the Company's annual report on Form 10-K filed on February 24, 2021)
10.10†	Letter Agreement of Employment, dated September 13, 2019, between WideOpenWest, Inc. (together with its subsidiaries) and Bill Case (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q filed on November 1, 2019)

- 10.11† Form of WideOpenWest, Inc. Directors & Officers Indemnification Agreement (incorporated by reference to Exhibit 10.14 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.12† Form of Restricted Stock Agreement Pursuant to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.16 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.13† Form of Restricted Stock Unit Agreement Pursuant to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.14† Form of Incentive Stock Option Agreement Pursuant to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.15† Form of Nonqualified Stock Option Agreement Pursuant to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.19 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.16† Form of Performance Unit Agreement Pursuant to the WideOpenWest, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on November 5, 2020)
- 10.17 Form of WideOpenWest, Inc. Stockholders’ Agreement (incorporated by reference to Exhibit 10.20 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.18 Form of WideOpenWest, Inc. Registration Rights Agreement (incorporated by reference to Exhibit 10.21 to the Company’s Registration Statement on Form S-1/A (File No. 333-216894) filed on May 15, 2017)
- 10.19 Asset Purchase Agreement by and between WideOpenWest, Inc., WideOpenWest, Ohio LLC, a Delaware limited liability company, WideOpenWest Cleveland LLC, a Delaware limited liability company, Atlantic Broadband (OH), LLC, a U.S. cable operator and subsidiary of Cogeco Communications Inc., and Atlantic Broadband Finance, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 1, 2021)
- 10.20 Asset Purchase Agreement by and between WideOpenWest, Inc., with Radiate HoldCO, LLC, a telecommunications holding company affiliated with RCN Telecom Services LLC, Grande Communications Networks, LLC and WaveDivision Holdings, LLC (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on July 1, 2021)
- 10.21 Credit Agreement, dated December 20, 2021, by and among WideOpenWest Finance, LLC, WideOpenWest, Inc., the other lenders from time to time party thereto and Morgan Stanley Senior Funding, Inc. as Administrative Agent Collateral Agent and Issuing Bank (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on December 23, 2021)
- 21.1\* List of Subsidiaries
- 23.1\* Consent of BDO USA, LLP
- 31.1\* Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2\* Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1\* Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following financial information from WideOpenWest, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on February 24, 2022, formatted in iXBRL (inline eXtensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Changes in Stockholders' Equity (Deficit); (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

104 Cover page, formatted in iXBRL and contained in Exhibit 101.

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\* Filed herewith.

† Management Contract or Compensatory Plan Arrangement



## Board of Directors

**Jeffrey Marcus**  
Chairman of the Board

**Teresa Elder**  
Chief Executive Officer  
and Director

**Tom McMillin**  
Director

**Gunjan Bhow**  
Director

**Brian Cassidy**  
Director

**Phil Seskin**  
Director

**Jill Bright**  
Director

**Daniel Kilpatrick**  
Director

**Barry Volpert**  
Director

## Executive Management Team

**Teresa Elder**  
Chief Executive Officer  
and Director

**Bill Case**  
Chief Information Officer

**Craig Martin**  
General Counsel  
and Secretary

**David Brunick**  
Chief Human  
Resources Officer

**John Rego**  
Chief Financial Officer

**Don Schena**  
Chief Customer  
Experience Officer

**Henry Hryckiewicz**  
Chief Technology Officer

## Corporate Information

**Investor Relations**  
Andrew Posen  
Vice President,  
Head of Investor Relations  
P: 303-927-4935  
andrew.posen@wowinc.com

**Transfer Agent**  
American Stock Transfer  
& Trust Company LLC  
6201 15th Avenue  
Brooklyn, NY 11219  
Toll Free: 800-937-5449  
Local & International: 718-921-8124  
www.astfinancial.com

**Exchange Information**  
New York Stock Exchange  
Ticker Symbol: WOW

**Corporate Headquarters**  
7887 E. Belleview Avenue, Suite 1000  
Englewood, CO 80111  
wowway.com

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[wowway.com](http://wowway.com)