Cooley

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UT-250017
Received
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Jan 8, 2024

**CONFIDENTIAL TREATMENT REQUESTED
PER WAC 480-07-160**

Via Electronic Filing

January 8, 2025

Jeff Killip, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive, S.W.
Olympia, WA 98504

RE: ExteNet LVS, LLC Registration and Competitive Classification of Telecommunications Companies

Dear Director Killip:

On behalf of ExteNet LVS, LLC ("Applicant"), attached for filing is the above-referenced Registration. Please note that the financial information of Applicant, attached as **Attachment A**, is confidential. Therefore, confidential and public (redacted) versions of this filing are being submitted. **Attachment A** contains valuable commercial and financial information that is protected by RCW 80.04.095 and WAC 480-07-160. Applicant, therefore, requests that the Commission treat **Attachment A** as confidential and not release it to the public.

Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,

*/s/ Ron Del Sesto*____________
Ronald W. Del Sesto
Trina Kwon

Counsel for ExteNet LVS, LLC

CONFIDENTIAL VERSION

REGISTRATION AND COMPETITIVE CLASSIFICATION OF TELECOMMUNICATIONS COMPANIES

621 Woodland Square Loop SE
Lacey, WA 98503
PO Box 47250
Olympia, WA 98504-7250

Telephone 360-664-1160 / Fax 360-586-1150
TTY 360-586-8203 or 1-800-416-5289
Website: www. utc.wa.gov

The UTC has a policy of providing equal access to its services. To request this document in alternate formats, please call 360-664-1133.

Registering as a Telecommunications Company in Washington is as easy as 1-2-3:

1. Complete this application form
2. Submit this form via the Records Center Web portal.
3. UTC will issue a registration certificate generally within 30 days

Include the following:

☒ Current Balance Sheet ☐ Latest Annual Report, if any

Competitive Classification

☒ Yes — Applicant is subject to effective competition and requests waiver of regulatory requirements outlined in 480-121-063(1).

Telecommunications Company Information

Company Name: ExteNet LVS, LLC d/b/a:
Company Mailing Address: 5844 John Hickman Pkwy, Suite 600
City/State/Zip: Frisco, TX 75034
Web Site Address: www.extenet.com

Unified Business Identification Number (UBI): 605 659 984
(If you do not know your UBI number or need to request one contact the Business Licensing Services at 360-664-1400 or 1-800-451-7985)

Questions regarding this application should be directed to:

Name: Ronald W. Del Sesto, Jr. & Trina Kwon
Phone Number: 202-842-7800 Fax Number: 202-842-7899 E-mail: rdelsesto@cooley.com; tkwon@cooley.com

Mailing Address: Cooley LLP, 1299 Pennsylvania Ave, NW, Suite 700
City/State/Zip: Washington, DC 20004-2400

Registered Agent (A Washington Agent is required if the company is located outside Washington State):

Name: CT Corporation System
Mailing Address: 711 Capitol Way South, Suite 204
City/State/Zip: Olympia, WA 98501
Phone Number: 855-316-8944

Name, address and title of each officer or director (attach additional pages if needed)

Name	Address	Title
Rich Coyle	5844 John Hickman Pkwy, Suite 600 Frisco, TX 75034	President and Treasurer
Telisa Webb Schelin	5844 John Hickman Pkwy, Suite 600 Frisco, TX 75034	Executive Vice President and Secretary

Regulatory Contact:

Name: Michael Watson
Mailing Address: 5844 John Hickman Pkwy, Suite 600, Frisco, TX 75034
Phone Number: 972-972-7200 Fax Number: 630-385-0158
E-mail: compliance@extenetsystems.com

Consumer Questions and/or Complaint Contact:

Name: Michael Watson
Title: Vice President & Deputy General Counsel
Phone Number: 972-972-7200 Fax Number: 630-385-0158
E-mail: compliance@extenetsystems.com

Emergency Contact:

Name: Denny Hodge
Title: Director, Network Operations Center
Phone Number: 866-892-5327 Fax Number:
E-mail: noc@extenetsystems.com

Telecommunication services provided (check all that apply) :

- ☐ Local Exchange Service (including resale)
- ☒ Data Services
- ☐ Long Distance Service
- ☐ Prepaid Calling Cards
- ☐ Operator Services
- ☐ VoIP
- ☐ *Other, please specify in box below*:
- ☐ Wireless

Applicant intends to provide point-to-point telecommunications services such as Ethernet and other similar high-bandwidth circuits, for high-speed data transport.

LIST OF ATTACHMENTS

ATTACHMENT A

Financial Information

REDACTED IN ITS ENTIRETY

CONFIDENTIAL PER WAC 480-07-160

CONFIDENTIAL VERSION

Consolidated Financial Statements

ExteNet Systems, LLC and Subsidiaries
As of December 31, 2023 and 2022, and for the
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

CONFIDENTIAL VERSION

ExteNet Systems, LLC and Subsidiaries
Consolidated Financial Statements
As of December 31, 2023 and 2022, and for the
Years Ended December 31, 2023 and 2022

Contents

CONFIDENTIAL VERSION

Ernst & Young LLP
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Suite 2000
2323 Victory Avenue
Dallas, TX 75219

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ey.com

Report of Independent Auditors

The Members of
ExteNet Systems, LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of ExteNet Systems, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

April 29, 2024

CONFIDENTIAL VERSION

ExteNet Systems, LLC and Subsidiaries

Consolidated Balance Sheets

(In thousands)

	December 31,	
	2023	**2022**
Assets		
Current assets:		
Cash	$ 102,429	$ 21,268
Restricted cash	8,694	22,084
Accounts receivable, net	65,918	32,787
Other receivables	3228	9,957
Current deferred costs	3	31
Prepaid income taxes	106	-
Prepaid expenses and other current assets	16,155	13,016
Total current assets	196,533	99,143
Property and equipment, net	1,499,229	1,460,489
Other long-term assets:		
Goodwill, net	73,104	102,441
Intangibles, net	195,250	223,650
Prepaid expenses and other assets	20,221	19,451
Operating lease right-of-use assets	16,241	8,058
Total other long-term assets	304,816	353,600
Total assets	**$ 2,000,578**	**$ 1,913,232**
Liabilities, member's equity		
Current liabilities:		
Accounts payable	$ 81,489	$ 52,863
Accrued salaries and employee-related expenses	5,021	8,505
Accrued sales and franchise taxes payable	3,596	4,160
Other accrued expenses	12,082	5,604
Current portion of finance leases	8,567	32,276
Current portion of debt	29,341	-
Current deferred revenue	103,215	92,454
Current operating lease liabilities	3,156	2,244
Total current liabilities	246,467	198,106
Non-current liabilities:		
Deferred revenue	475,582	455,799
Finance leases	28,321	34,846
Long-term debt, net	815,054	773,063
Long-term operating lease liabilities	14,204	6,087
Deferred taxes	1,528	
Other long-term liabilities	300	1,300
Total non-current liabilities	1,334,989	1,271,095
Total liabilities	**$ 1,581,456**	**$ 1,469,201**
Member's equity	419,122	444,031
Total liabilities and member's equity	**$ 2,000,578**	**$ 1,913,232**

See accompanying notes.

ExteNet Systems, LLC and Subsidiaries

Consolidated Statements of Operations
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues:		
Rental	$ 186,559	$ 183,245
Services	64,809	65,644
Proprietary	85	860
Total revenue	251,453	249,749
Cost of sales:		
Rental	184,884	171,564
Services	51,068	48,273
Proprietary	411	802
Cost of sales	236,363	220,639
Gross profit	15,090	29,110
Selling, general, and administrative expenses	155,716	159,493
Asset impairment and bad debt expense	11,260	15,520
Total operating loss	(151,886)	(145,903)
Other expense:		
Interest expense	48,241	32,981
Other (income) expense	(1,319)	689
Other expense, net	46,922	33,670
Loss before income taxes	(198,808)	(179,573)
Income tax (benefit) expense	1,575	(29)
Net loss	**$ (200,383)**	**$ (179,544)**

See accompanying notes.

ExteNet Systems, LLC and Subsidiaries

Consolidated Statements of Changes in Member's Equity

(In thousands)

	Member's Equity
Balance at December 31, 2021	$ 520,724
Capital contributions	94,437
Share-based compensation	8,414
Net loss	(179,544)
Balance at December 31, 2022	444,031
Capital contributions	167,767
Share-based compensation	7,707
Net loss	(200,383)
Balance at December 31, 2023	$ 419,122

See accompanying notes

CONFIDENTIAL VERSION

ExteNet Systems, LLC and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2023	2022
Operating activities		
Net loss	$ (200,383)	$ (179,544)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	225,660	208,460
Amortization of deferred financing costs and original issue discount	4,346	3,988
Share-based compensation	7,707	8,758
Network impairment	12,565	11,090
Gain on lease termination	(356)	-
Changes in operating assets and liabilities:		
Accounts receivable	(33,130)	9,576
Other receivables	6,730	(11,326)
Prepaid income taxes	(106)	568
Prepaid expenses and other assets	(2,710)	(9,818)
Accounts payable	22,515	12,855
Accrued expenses	(10,548)	(9,471)
Other liabilities	1,265	1,196
Deferred revenue	30,545	(18,251)
Net cash provided by operating activities	**64,100**	**28,081**
Investing activities		
Purchase and construction of property and equipment	(200,216)	(188,674)
Net cash used in investing activities	**(200,216)**	**(188,674)**
Financing activities		
Borrowings under debt agreement	135,000	75,795
Repayment under debt agreements	(68,013)	-
Payments for debt issuance costs	-	(4,244)
Payment from customer for note	-	2,047
Capital contributions, net	167,767	94,437
Principal payments on finance lease obligations	(29,470)	(21,459)
Termination Penalties on finance lease obligations	(1,397)	-
Net cash provided by financing activities	**203,887**	**146,576**
Net increase (decrease) in cash and restricted cash	67,771	(14,017)
Cash and restricted cash at beginning of period	43,352	57,369
Cash and restricted cash at end of period	**$ 111,123**	**$ 43,352**
Supplemental disclosures of cash flow information		
Net cash paid (received) during the period for:		
Income taxes	$ (155)	$ (237)
Interest	$ 49,177	$ 30,023
Non-Cash investing and financing activities:		
Accrued capital expenditures	$ 41,904	$ 22,797
Operating lease ROU assets and liabilities recorded upon adoption of ASC 842	$ -	$ 6,212
Operating assets obtained in exchange for new operating lease liabilities	$ 11,348	$ 3,896
Financing assets obtained in exchange for new finance lease liabilities	$ 2,806	$ 75,678
Finance asset decrease from remeasurement of finance lease liabilities	$ 3,344	$ -

See accompanying notes

Notes to Consolidated Financial Statements

1. Basis of Presentation

Description of Business
ExteNet Systems, LLC and its Subsidiaries (collectively, the Company), is a wholly owned subsidiary of Odyssey Acquisition LLC. Odyssey Acquisition LLC is wholly owned by Odyssey Intermediate Holdings, Inc, a wholly owned subsidiary of Mount Royal Holdings, LLC (MRH). The Company designs, builds, owns and operates communications infrastructure solutions, including distributed wireless and optical networks, for use by its customers across the United States. The Company's customers include wireless carriers, broadband providers, property owners, enterprises, and municipalities. The Company deploys scalable communications infrastructure to enhance wireless and broadband services across outdoor and indoor environments using fiber-based distributed antenna systems, remote radio heads, small cells, Wi-Fi, Evolved Packet Core, optical network solutions and other technologies. The Company's outdoor networks are deployed in a variety of urban, suburban and rural environments while indoor networks are typically deployed in property verticals like commercial office buildings, sports and entertainment venues, hotels and convention centers, health care facilities and transit systems. The Company and its headquarters are located in Frisco, Texas.

Reclassification
Certain previously reported amounts have been reclassified to conform to the current year presentation. During 2023, we reclassified certain customer-related receivables from other receivables to account receivables, net and bad debt expense from selling, general, and administrative expenses to asset impairment and bad debt expenses, in our consolidated financial statements.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of ExteNet Systems, LLC and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. The consolidated financial statements are prepared on an accrual basis consistent with accounting principles generally accepted in the United States (U.S. GAAP). ExteNet LVS Holdings, LLC, is a wholly owned subsidiary of the Company. The net assets of $11,806 and cash flow generated from these net assets held by ExteNet LVS, LLC, are restricted to that entity due to the DDTL Facility noted in Note 10. Debt.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comprehensive Loss
As there are no transactions requiring presentation in comprehensive loss that are not included in net loss, the Company's net loss equates to comprehensive loss.

2. Summary of Significant Accounting Policies

Restricted Cash
The Company classifies all cash which use is otherwise limited by contractual provisions as restricted cash. Pursuant to the terms of its borrowings (see Note 10. Debt), the Company is required to establish reserve cash accounts. The restricted cash amounts are used to fund reserve accounts for the payment of (1) advanced rents or service revenue (2) real estate taxes, personal property taxes and insurance premiums, (3) accrued loan interest and fees (4) trustee, servicer and management fees and (5) debt principal amortization.

Revenue Recognition, Network License Fees, Deferred Revenue
The Company enters into long-term contracts with its customers for outdoor and indoor distributed wireless networks, wherein the Company designs, constructs, and operates network infrastructure for specific locations, and provides ongoing maintenance and network monitoring.

Revenues earned through rental arrangements are recognized in accordance with the provisions of Accounting Standards Codification (ASC) 842, Leases, and are generally recognized on a straight-line basis over the underlying estimated contract period, typically the initial contract term, which ranges from five to 15 years. After construction is complete, revenue recognition begins upon customer acceptance, which is evidenced by the commencement of commercial use of that portion of the distributed wireless network by the customer. By performing ordinary course repair and maintenance work, the Company can often lease a network, either through renewing existing rental arrangements or by entering into lease arrangements with new customers, for periods beyond the existing customer lease term.

Service revenues are recognized under the provisions of ASC 606, Revenue from Contracts with Customers, and are generally recognized on a straight-line basis over the underlying estimated contract period, which is typically the initial contract term, which ranges from five to 15 years for distributed wireless networks and one to three years for data services. After construction is complete, revenue recognition begins upon customer acceptance, which is evidenced by the commencement of commercial use of that portion of the distributed wireless network by the customer. The Company has a single performance obligation for the majority of its service contracts.

Proprietary revenue represents distributed wireless networks, whereby the Company designs and installs a network which is subsequently purchased by the customer. The customer is invoiced for the equipment, construction, installation, and related costs. The Company generally records the related revenue and costs once the network construction is complete and is accepted by the customer.

The Company's typical arrangements contain advanced milestone payments while the networks are being constructed and recurring payments over the life of the contract. Variable consideration is not estimable or probable and therefore is not considered in the transaction price.

Advanced payments received from customers are deferred and recorded as deferred revenue liabilities until earned. Amounts to which the Company has an unconditional right to payment which are related to performance obligations are recorded to accounts receivables, net on the balance sheet. Taxes imposed by governmental authorities on revenue producing transactions between the Company and its customers are reported as liabilities and, to the extent realizable, corresponding accounts receivable from customers and are presented net. For contracts terminated by customers, the Company recognizes cancellation or termination fees in the period the obligation to the customer ceases.

The Company has arrangements with customers where certain network operating costs, such as utilities, right-of-way fees and attachment fees, are reimbursed by the customer. These expenses are recorded gross, with an offsetting amount in rental revenue. Such expenses are recorded as accounts receivables, net in the consolidated balance sheets.

Accounts Receivable
Our accounts receivable primarily consists of accounts due from our wireless service provider customers and enterprise customers. We present accounts receivable at their net realizable value, which requires management to estimate the collectability of the receivables. Accounts receivables are shown net of an allowance for doubtful accounts of $22,464 and $22,827 at December 31, 2023 and 2022, respectively, which reflects management's best estimate of accounts that will not be collected based on the Company's historical collection experience, adverse situations that may affect the customer's ability to pay, and prevailing economic conditions. Accounts are written off after all reasonable collection efforts have been made.

Property and Equipment
Property and equipment are stated at cost and consist primarily of network operating equipment, fiber-optic cable, office furniture, office equipment, capitalized interest, and leasehold improvements. Cost for self-constructed, distributed wireless networks includes direct materials, labor, and indirect costs. Depreciation is recorded using the straight-line method over the estimated useful lives or, for dedicated equipment related to a customer contract, the contract term. For leasehold improvements, the useful life is the shorter of the remaining lease term or the estimated useful life of the asset. The estimated useful lives, which range from three to 20 years, are determined and evaluated based on the period over which services are expected to be rendered by the asset.

Amortization of assets recorded under finance leases is included within depreciation expense. Repairs and maintenance costs are expensed as incurred. The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Network assets under construction are classified as construction-in-progress and are placed in service upon acceptance by the customer.

Goodwill and Intangibles
Goodwill represents the excess of costs over the fair value of assets acquired in business combinations. The Company utilizes the accounting alternative provided to private companies in ASU 2014-02, Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council) and amortizes goodwill over ten years.

Goodwill is tested for impairment at the entity level when triggering events occur that indicate that the fair value of the entity may be below the Company's carrying value. Impairment losses are recognized whenever the implied fair value of goodwill is less than the Company's carrying value. No triggering events were identified during the years ended December 31, 2023, and 2022; therefore, no impairment was recorded in those periods. Intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives.

Share-Based Compensation
The Company recognizes share-based compensation expense on a straight-line basis for all employee share-based payments based upon the fair value of the awards over the requisite service period. Determining the fair value of share-based awards requires the Company to estimate the fair value of its units, the expected volatility of its units, the risk-free interest rate, the expected term of the award, and expected dividend yields. The Company recognizes forfeitures as they occur and uses the practical expedient provided to private companies under ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, to estimate the expected term for all awards with performance or service conditions that meet certain conditions. Cash settled arrangements are recorded as accrued salaries and employee-related expenses in the accompanying consolidated balance sheets. Key executives are issued awards in MRH, the Company's parent. Share-based compensation expense related to these awards are recorded on the Company's books.

Income Taxes
The Company accounts for income taxes under the provisions of ASC 740, Income Taxes (ASC 740) as if the Company were a separate taxpayer rather than a member of the parent company's consolidated income tax return group. ASC 740 requires an asset and liability-based approach in accounting for income taxes. Deferred income tax assets, including net operating loss and certain tax credit carryovers and liabilities, are recorded based on the differences between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Valuation allowances are provided against deferred tax assets, which are assessed as not likely to be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the dates of enactment. All tax liabilities and assets are classified as non-current in the consolidated balance sheets.

(Dollars in thousands, Except Unit and Per Unit Amounts)

The financial statement effects of a tax position are recognized only when it is more likely than not that the position will be sustained upon examination. Tax positions taken or expected to be taken that are not recognized under the pronouncement are recorded as liabilities. For the years ended December 31, 2023, and 2022, there were no uncertain tax position taken or expected to be taken in the Company's tax returns. Interest and penalties relating to income taxes are included in the income tax provision in the consolidated statements of operations.

Long-Lived Asset Impairment
The Company evaluates individual long-lived assets for indicators of impairment to determine when an impairment analysis should be performed. The Company evaluates its network-related assets, including customer contracts, by analyzing revenues by network. The Company records an impairment charge when it believes an investment in networks or related assets has been impaired, such that future undiscounted cash flows would not recover the then- current carrying value of the investment in the network. Estimates and assumptions inherent in the impairment evaluation include, but are not limited to, general market and economic conditions, historical operating results, geographic location, and the potential for attracting additional customers. In addition, the Company makes certain assumptions in determining an asset's fair value for the purpose of calculating the amount of an impairment charge. The Company recorded impairments of $12,565 and $11,090 for the years ended December 31, 2023, and 2022, respectively.

In conjunction with the evaluation and impairment of long-lived assets for impairment, as of the years ended December 31, 2023 and 2022, certain of the Company's assets identified below were recorded at fair value using unobservable inputs that are not corroborated by market data (Level 3).

	December 31, 2023	December 31, 2022
Property, plant and equipment, Gross	$ 23,402	$ 41,111
Asset impairment expense	(12,565)	(11,090)
Property and equipment, net	$ 10,837	**$ 30,021**

Deferred Financing Costs
Financing fees related to the issuance of debt are deferred and amortized using the effective interest rate method or straight-line, as appropriate, over the term of the related indebtedness. Deferred financing costs are recorded as a direct reduction of the related debt on the consolidated balance sheet.

Fair Value Measurements
We categorize assets and liabilities that are recorded at fair values into one of three tiers based upon fair value hierarchy. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

Leases
The Company determines if a contract or arrangement contains a lease at inception. Leases are evaluated and classified as either an operating or finance lease. A lease is classified as a finance lease if any of the following criteria are met: (i) ownership of the underlying asset transfers to the Company by the end of the lease term; (ii) the lease contains an option to purchase the underlying asset that the Company is reasonably expected to exercise; (iii) the lease term is for a major part of the remaining economic life of the underlying asset; (iv) the present value of the sum of lease payments and any residual value guaranteed by the Company equals or exceeds substantially all of the fair value of the underlying asset; or (v) the

(Dollars in thousands, Except Unit and Per Unit Amounts)

underlying asset is of a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

A lease that does not meet any of the criteria to be classified as a finance lease is classified as an operating lease. The Company's leases meet the criteria and are all classified as finance leases. Right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. The Company will use the risk-free discount rate that is closest term to the lease term in accordance with ASC 842 for private companies.

Where leases do not provide an implicit rate for use in determining the present value of future payments, the Company uses a risk-free rate corresponding to the expected lease term. ROU assets also include any lease payments made and exclude any lease incentives and initial direct costs incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company assesses each option on an individual basis and generally considers the base term to be the term provided in the contract. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term, including rent abatement periods and rent holidays. Certain of the Company's leases are subject to annual changes in an index or are subject to adjustments for which the amounts are not readily determinable at lease inception. While lease liabilities are not remeasured as a result of changes to these costs, changes are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred.

Finance leases are included as Property and equipment, net, current lease liabilities and non-current lease liabilities on the consolidated balance sheet. Finance lease costs are split between depreciation expense related to the asset and interest expense on the lease liability, using the US Treasury rate of the closest term to the lease term. Refer to Note 5 for additional information regarding the Company's leases.

Recent Accounting Standards Adopted
In 2023, the Company adopted ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, effective for annual and any interim impairment tests performed for periods beginning after December 15, 2022. This standard simplifies that goodwill assessment for impairment by eliminating Step 2 from the goodwill impairment test. The adoption did not have an impact to its consolidated financial statements.

Recent Accounting Standards Not Yet Adopted
There are no recent accounting standard not yet adopted that would impact the consolidated financials statements.

3. Operating Lease Contracted Revenue

Annual minimum noncancelable operating lease payments to be received pursuant to rental contracts in effect as of December 31, 2023, are as follows:

2024	**$**	112,061
2025		102,331
2026		89,496
2027		75,932
2028		65,128
Thereafter		155,504
Total	**$**	**600,452**

(Dollars in thousands, Except Unit and Per Unit Amounts)

4. Contract Termination

In 2022, the Company and T-Mobile entered into an agreement, which included among other things, the plan to cancel 591 small cells over the next 36 months. The Company received a one-time payment fee of $23,837 as total consideration to settle remaining payments for the entirety of the remaining lease term of all the identified retiring and continuing sites and related obligations between the two parties. The Company recorded this fee as deferred revenue and will recognize the remaining rental revenue on a straight-line basis over the remaining number of months until the identified retiring small cells are decommissioned. In conjunction with this agreement, the Company wrote off $1,038, $663, and $1,348 in accounts receivable, other receivables, and deferred revenue, respectively, with a corresponding increase to selling, general and administrative expenses of $3,049 and rental revenue of $1,348, respectively. Additionally, the Company recognized a charge of $3,861 related to the impairment of the property plant and equipment of the retiring sites which is included in asset impairment expense on the consolidated statement of operations.

5. Property and Equipment

Major classes of property and equipment are summarized in the table below.

	December 31,	
	2023	**2022**
Communications infrastructure assets	$ 2,102,294	$ 1,920,121
Construction-in-progress	225,493	205,018
Office equipment, furniture, and fixtures	33,824	34,214
Gross property and equipment	2,361,611	2,159,353
Less accumulated depreciation	(862,382)	(698,864)
property and equipment, net	**$ 1,499,229**	**$ 1,460,489**

Depreciation and amortization expense for property and equipment was $165,931 and $149,854 for the years ended December 31, 2023, and 2022, respectively. Property and equipment used to fulfill rental arrangements was $2,004,719 with $686,564 of related accumulated depreciation as of December 31, 2023. Gross property and equipment include $85,305 and $89,280 of assets under finance leases as of December 31, 2023, and 2022. Accumulated depreciation for assets under finance leases was $11,827 and $6,004 as of December 31, 2023, and 2022, respectively. Gross property and equipment include $45,197 and $32,560 of capitalized interest costs as of December 31, 2023, and 2022, respectively.

6. Leases

The Company leases certain base station hub facilities, office facilities, and equipment under operating lease arrangements that expire at various dates through January 2031. These leases have various market-based renewal and extension clauses. Certain of the Company's leases contain renewal, extension, or termination options. The Company assesses each option on an individual basis and will only include options reasonably certain of exercise in the lease term. The Company generally considers the base term to be the term provided in the contract. None of the Company's lease agreements contain material options to purchase the leased asset, material residual value guarantees, material restrictions or covenants, or variable payments.

The Company entered into a licensing arrangement with MGM Resorts International Operations, Inc. ("MGM") in 2022 to design, construct, operate and maintain outdoor and indoor distributed wireless networks at 15 properties owned by MGM throughout the United States. The arrangement includes an identified asset that the Company controls and therefore contains a lease as well as non-lease components consisting of conduits, space on walls and ceilings, and utility services. The lease and non-lease components have been combined and the lease is classified as a finance lease. The consideration in the contract consists of upfront fixed payments, annual guarantee payments and a noncash lease payment for the design and construction of a Wi-Fi network. These payments have been allocated among each of the lease components based on the relative standalone selling price. The consolidated balance sheet at December 31, 2023 includes $8,298 related to the current portion of the finance lease liability, $27,384 related to the long-term portion of the finance lease liability, and $67,747 of finance lease assets included in property, plant and equipment, net. The Company is also party to a number of finance leases related to indefeasible rights of use for fiber-optic cabling and network operations center monitoring software.

(Dollars in thousands, Except Unit and Per Unit Amounts)

The following table summarizes the balances as it relates to leases at the end of the period:

Particulars	Location on the consolidated balance sheet	December 31, 2023	December 31, 2022
ROU Asset, Operating	Operating lease ROU assets	$ 16,241	$ 8,058
ROU Asset, Finance	Property and equipment, net	73,478	83,276
Operating lease liability, current portion	Current operating lease liabilities	3,156	2,244
Finance lease liability, current portion	Current portion of finance leases	8,567	32,276
Operating lease liability, long-term portion	Long-term operating lease liability	14,204	6,087
Finance lease liability, long-term portion	Finance leases	28,321	34,846
Total lease liability		**$ 54,247**	**$ 75,453**

The details of the Company's lease expense are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating lease expense	$ 3,465	$ 2,187
Finance lease expense:		
Depreciation and amortization of assets included in property and equipment, net	14,491	4,578
Interest on lease liabilities	1,652	1,196
Total finance lease expense	**$ 16,143**	**$ 5,774**

The following table presents the maturities of operating and finance lease liabilities as of December 31, 2023:

Year ended December 31	Operating Leases	Finance Leases
2024	$ 3,644	$ 9,703
2025	2,998	1,827
2026	2,502	1,707
2027	2,094	1,642
2028	1,547	19,880
Thereafter	6,968	8,207
Total future minimum lease payments	19,753	42,966
Less: imputed interest	(2,393)	(6,079)
Total lease liabilities	**$ 17,360**	**$ 36,887**

(Dollars in thousands, Except Unit and Per Unit Amounts)

Supplemental cash flow and other information related to operating leases are as follows:

	Year Ended December 31, 2023	2022
Cash flow for operating and finance lease activities		
Operating cash flows from operating leases	4,963	4,297
Operating cash flows from finance leases	1,320	1,196
Financing cash flows from finance leases	31,016	21,459
Other information		
Weighted average remaining lease-term (months):		
Operating leases	91	50
Finance leases	126	128
Weighted average discount rate:		
Operating leases	3.09	1.50
Finance leases	3.94	2.98

7. Intangible Assets and Goodwill

The following is a summary of the Company's intangible assets:

	December 31, 2023			December 31, 2022		
Intangible asset	**Cost**	**Accumulated Amortization**	**Net Value**	**Cost**	**Accumulated Amortization**	**Net Value**
Customer contracts	$ 91,400	$ (49,506)	$ 41,894	$ 91,400	$ (43,413)	$ 47,987
Location-based intangibles	168,400	(91,217)	77,183	168,400	(79,992)	88,408
Customer contracts in construction	166,200	(90,027)	76,173	166,200	(78,945)	87,255
Total intangibles	**$ 426,000**	**$ (230,750)**	**$ 195,250**	**$ 426,000**	**$ (202,350)**	**$ 223,650**

Customer contracts, location-based intangibles, and contracts in construction have 15-year useful lives. During the years ended December 31, 2023, and 2022, amortization expense for intangibles was $28,400 in each year.

Goodwill resulted from acquisitions. Changes to carrying amounts of goodwill are as follows:

Goodwill, December 31, 2021	**$ 131,779**
Amortization	(29,338)
Goodwill, December 31, 2022	**102,441**
Amortization	(29,337)
Goodwill, December 31, 2023	**$ 73,104**

(Dollars in thousands, Except Unit and Per Unit Amounts)

Amortization of intangibles and goodwill in future years will be as follows:

2024	$	57,738
2025		57,738
2026		34,430
2027		33,439
2028		31,759
Thereafter		53,250
Total	**$**	**268,354**

9. Commitments and Contingencies

Surety Bonds and Standby Letters of Credit
The Company has entered into various agreements related to insurance and surety instruments (Bonds) and standby letters of credit (LOCs) provided to secure the Company's obligations under utility infrastructure and municipal rights-of-way agreements. The Bonds and LOCs are generally renewed annually and remain in force until the end of the term of the underlying contract. At December 31, 2023, and 2022, the aggregate amount of surety provided under these bonds and LOCs totaled $39,215 and $35,252 respectively. The amounts provided under the Bonds are recorded in prepaid expense and other current assets in the accompanying consolidated balance sheets.

10. Debt

Outstanding debt consists of the following as of December 31:

		2023		2022	2023 Interest Rate	Maturity Date
Series 2019-1 Class A-2	$	263,000	$	263,000	3.204	7/17/2049
Series 2019-1 Class B		39,000		39,000	4.140	7/17/2049
Series 2019-1 Class C		66,000		66,000	5.219	7/17/2049
Class A-1 (VFN) – Barclays		15,000		4,500	7.379	7/17/2049
Class A-1 (VFN) – Deutsche		15,000		4,500	7.379	7/17/2049
Senior Secured Credit Facility		397,795		377,795	8.984	7/20/2025
Delayed Draw Term Loan Facility		53,987		28,000	8.698	6/27/2027
Total debt		849,782		782,795		
Unamortized Debt issuance costs		(5,387)		(9,732)		
Less current maturities		(29,341)		-		
Total non-current debt	**$**	**815,054**	**$**	**773,063**		

Secured Distributed Network Revenue Notes, Series 2019-1
On July 19, 2019, ExteNet Issuer, LLC, (EIL), a newly formed wholly owned subsidiary of the Company in 2019, issued $368,000 in Secured Distributed Network Revenue Notes, Series 2019- 1 (Series 2019-1 Notes) in a private placement, consisting of the following Classes: $263,000 of Class A-2, $39,000 of Class B and $66,000 of Class C. The proceeds were used to fund a reserve account, pay debt issuance costs and pay off the existing credit facility in accordance with the related indenture. There was also an unfunded $75,000 variable funding note (VFN, and collectively with the Series 2019-1 Notes, the Securitized Debt) that was provided to the Company in conjunction with this financing which ranks pari passu with the Class A-2, Series 2019-1 Notes. In connection with the issuance of the Securitized Debt, the Company incurred $12,450 in fees in 2019 which are deferred and amortized as additional interest expense over the term of the related debt. The Company recognized amortization of $2,495 and $2,495 related to these costs of which $1,396 and $3,891 are unamortized and are

recorded as a reduction to debt for the years ended December 31, 2023, and 2022, respectively.

EIL is a special purpose entity established for the sole purpose of holding the equity interest in its wholly owned subsidiaries and is prohibited under the Securitized Debt indenture and its corporate charter from acquiring any other assets or incurring any liabilities, other than those related to the distributed wireless networks that collateralized the Securitized Debt. Concurrent with its incorporation, subsidiaries of EIL acquired assets of and were merged with several other wholly owned subsidiaries of the Company in order to own and operate the distributed wireless networks collateralizing the Securitized Debt. ExteNet Guarantor, LLC, (EGL) a wholly owned subsidiary of the Company, is a special purpose entity whose sole purpose is to hold the equity interest in the EIL, and to pledge its equity interest as collateral for the Securitized Debt. EGL also guarantees and grants a security interest in all its assets, including the reserve cash accounts.

Recurring cash flows generated by securitized assets are available only for payment of debt service, trustee fees, servicer fees, maintenance expenses, administrative expenses, operating expenses, management fees, the funding of certain reserve accounts, and are not generally available to pay the Company's other obligations or claims of creditors. However, subject to certain restrictions, the Company, through its wholly owned subsidiaries, has certain rights to any excess cash flows in accordance with the indenture agreement.

Interest payments are due monthly and principal payments are not required to commence until the anticipated repayment date of July 25, 2024. Monthly debt service payments are required to the extent of available funds. Required principal amortization (Principal Amortization Period) would commence earlier than the anticipated repayment date if an event of default occurs or if the debt service coverage ratio ("DSCR") is less than 1.2x as of the end of any month and continues to exist until the DSCR exceeds 1.2x for three consecutive months. If EIL fails to repay the Securitized Debt in full on the anticipated repayment date, additional interest will accrue on the unpaid principal balance and monthly principal amortization will be required in the amount of excess cash flows (cash flows in excess of amounts required to make debt service payments, to fund required reserves, to pay trustee, servicer and management fees and budgeted operating expenses of EIL) generated monthly.

During a Principal Amortization Period, or after and during the continuance of an event of default, all excess cash flows generated by the distributed wireless networks will be applied to pay the aggregate unpaid principal amount of each class of the Securitized Debt. EIL may, at its option, prepay the Securitized Debt, in whole or in part, on any date in connection with the sales, assignment or other disposition of one or more distributed wireless networks, or without the disposition of distributed wireless networks, upon the payment of all accrued and unpaid interest and principal amount of the Securitized Debt being prepaid, together with the applicable prepayment consideration, if prepaid more than 18 months prior to the July 2024 payment date. The Securitized Debt may be defeased in whole at any time prior to the anticipated repayment date for any series of notes outstanding.

Under the terms of the indenture, EIL is required to maintain segregated accounts (Collections Accounts) for the deposit of certain payments under customers contracts. Amounts due to the Securitized Debt holders will be paid monthly from these Collections Accounts, and thereafter distributed solely pursuant to the terms of the indenture. Monthly, after payment of all required amounts under the indenture, the excess cash flows, if any, generated from the operation of such assets are released, as applicable, and can then be distributed to, and used by, EIL.

An additional constraint on the monthly distribution of excess cash flow to EIL exists in that if the debt service coverage ratio is less than or equal to 1.7x as of the end of any month (a Cash Sweep Condition), 50% of the excess cash flows, will be deposited into a cash trap reserve account instead of being released to EIL. If the DSCR at month end is less than or equal to 1.5x (also, a Cash Sweep Condition), 75% of the excess cash flows, will be deposited into a cash trap reserve account instead of being released to EIL. Prior to the commencement of principal amortization, if the DSCR is above 1.7x and if no event of default has occurred or is continuing the Cash Sweep Condition shall end and any funds then on deposit in the cash trap reserve account will be released to EIL. Once principal amortization commences, or after the occurrence of an event of default that is continuing, the trustee will apply all funds in the cash trap reserve account to the debt service reserve account.

During the year ended December 31, 2023, and December 31, 2022, EIL received the expected distributions from the reserve accounts and no Cash Trap Condition or Cash Sweep Condition existed.

Senior Secured Credit Facilities

The Company has a Senior Secured Credit Facility (the Agreement) in place with several banks and other financial institutions. The obligations under this agreement are guaranteed by the Company and its restricted subsidiaries and is secured by the equity interests of each restricted subsidiary.

On July 19, 2019, in conjunction with the closing of the Securitized Debt financing, the Company amended and restated its Senior Secured Credit Facility (the 2019 Agreement). The 2019 Agreement provides for a $475,000 facility consisting of a $200,000 term loan of which was fully drawn at the closing of the financing, a $250,000 multi-draw term loan and a $25,000 revolving credit facility. The Company incurred $4,600 in fees and in connection with the 2019 amendment. The Agreement was amended again on June 30, 2021 (the 2021 Agreement) and further amended on December 30, 2022 (the 2022 Agreement). The 2021 Agreement extended the multi-draw term loan commitment period from July 19, 2021 to September 30, 2022, reset the conditions precedent to draw, the amortization period and certain financial covenants. The Company incurred $773 in fees and in connection with the amendment. Borrowing capacity is based on recurring cash flows of certain entities that are not party to the Securitized Debt and are not unrestricted subsidiaries.

The 2022 Agreement provided for a new multi-draw term loan of $55,000 with a commitment period through December 31, 2023, that matures on July 20, 2025. The 2022 Agreement also provided for an increase in the 2019 Refinancing Revolving commitment of $27,705 for a total amount outstanding of $52,705, and the Term Loan A carrying amount was adjusted to include $176,000 of delayed draw term loan ("DDTL") for the amount outstanding on the previous multi-draw term loan. The proceeds from the 2022 Incremental Revolving Loans were used to prepay a portion of the 2019 Refinancing Term Loans. The 2022 Agreement also reset amortization, certain financial covenants, and changed the benchmark reference rate from adjusted LIBOR to adjusted Term SOFR with an increase to the applicable margins applied for loans bearing interest based on Term SOFR. The Company incurred $1,482 in fees and in connection with the amendment. These fees are classified as additional debt discount and amortized as an adjustment to interest expense over the remaining term using the effective interest method.

For the years ended December 31, 2023, and 2022, the Company recognized amortization of $1,299 and $1,217 related to these costs of which $2,057 and $3,356 are unamortized and are recorded as a reduction to debt.

Interest on amounts borrowed under credit facilities accrues, at the Company's option, either at the base rate plus applicable base rate margin, or at Adjusted Term SOFR plus an applicable SOFR margin. The base rate margin is 250 basis points, and the SOFR margin is 350 basis points on borrowings under the 2022 Agreement. These margins are predicated upon calculated leverage statistics as defined in the 2022 Agreement. Unused credit accrues a commitment fee of 0.50% per annum for revolving elements and 0.50% per annum for term loan elements. The Agreement requires the Company to comply with certain financial covenants, including consolidated total debt to annualized DAS cash flow (as defined in the Agreement), consolidated total debt to value ratio, and a fixed charge coverage ratio, and contains normal and customary affirmative and negative covenants that, among other things, limit the Company's ability to incur indebtedness, merge or consolidate, make certain restricted payments, grant certain liens, make certain investments, enter into transactions with affiliates, and engage in certain asset dispositions. The Agreement also contains customary events of default. As of December 31, 2023, the Company was in compliance with all covenants contained in the 2022 Agreement. The 2022 Agreement generally is fully secured by a first-priority security interest in the assets and shares of the Company that are not held by unrestricted subsidiaries including HFN, EIL and their respective subsidiaries.

Installments are due quarterly beginning in March 2024 through June 2025 in amounts ranging from 1.875% to 2.5% of the principal amount with the remaining balance due at maturity.

(Dollars in thousands, Except Unit and Per Unit Amounts)

Delayed Draw Term Loan Facility

On June 27, 2022, a Delayed Draw Term Loan Facility (DDTL Facility) was entered into by ExteNet LVS, LLC, a wholly owned subsidiary of the Company. The DDTL Facility provided a delayed draw term loan facility with maximum principal borrowings of $135,000. The Company drew $28,000 upon closing of the DDTL Facility. In connection with the issuance of the DDTL Facility, the Company incurred $2,762 in fees in 2022 which are deferred and amortized as additional interest expense over the term of the related debt. The Company is required to make quarterly principal payments of 1.25% of the aggregate principal amount advanced starting September 30, 2025, through June 30, 2026, with a step-up to 1.875% on September 30, 2026 and each fiscal quarter thereafter. Any residual principal amount is due upon a maturity date of June 27, 2027.

The DDTL Facility requires the Company to comply with certain financial covenants, including interest coverage ratio and consolidated total debt to annualized node cash flow ratio, and contains normal and customary affirmative and negative covenants that, among other things, limit the Company's ability to incur indebtedness, merge or consolidate, make certain restricted payments, grant certain liens, make certain investments, enter into transactions with affiliates, and engage in certain asset dispositions. The DDTL Facility also contains customary events of default. As of December 31, 2023, the Company was in compliance with all covenants contained in the DDTL Facility. The DDTL Facility generally is fully secured by a first-priority security interest and the assets and shares of the Company that are not held by unrestricted subsidiaries.

Interest on amounts borrowed under the term loan facility accrues, at the Company's option, either at the base rate plus applicable base rate margin, or at Adjusted Term SOFR plus an applicable SOFR margin. The applicable margin under the DDTL Facility is 325 basis points for SOFR loans and 225 basis points for base rate loans. Interest accrues daily and is payable in arrears.

For the years ended December 31, 2023, and 2022, the Company recognized amortization of $553 and $276 related to these costs of which $1,933 and $2,486 are unamortized and are recorded as a reduction to debt.

Maturities

As of December 31, 2023, aggregate principal maturities of all outstanding debt are as follows:

2024	$	29,490
2025		37,580
2026		44,484
2027		354,867
2028		4,667
Thereafter		398,694
Total	**$**	**849,782**

Interest Expense

Interest expense consists of interest expense less amounts capitalized to construction of distributed wireless networks. The components of interest expense are as follows:

	Year Ended December 31			
	2023		**2022**	
Interest expense and fees on debt obligations	$	55,244	$	35,735
Amortization of deferred financing costs		4,421		3,988
Capitalized interest		(13,100)		(6,742)
Total interest expense	**$**	**46,565**	**$**	**32,981**

(Dollars in thousands, Except Unit and Per Unit Amounts)

11. Share-Based Compensation

In 2016, the Company's Board of Directors approved the ExteNet Systems Phantom Equity Plan (the 2016 Plan). The 2016 Plan allows for the issuance of restricted units and appreciation units, each with a ten-year life. Each appreciation unit, after vesting, entitles a participant to a cash payment in the amount of the excess of the fair market value of a share on the exercise date over the fair market value of a share on the award date. The exercise of vested appreciation units is limited to an annual maximum dollar amount, which is determined by the Company and may be zero. Except as the Plan Administrator, consisting of the Chief Executive Officer of the Company or such other person(s) designated by the Chief Executive Officer, may otherwise determine at the time of an award, appreciation units vest on the fourth anniversary of the grant date of the award or upon certain liquidity events, if earlier. Upon termination, unvested awards are forfeited, and vested awards are deemed automatically exercised. Except as the Plan Administrator may otherwise determine at the time of an award, restricted units vest and are exercisable and payable only upon certain liquidity events.

Fair Value of Share-Based Awards
The Company estimated the fair value of share-based awards using a valuation model as of the grant date for appreciation units using the following assumptions:

	Year Ended December 31	
	2023	**2022**
Volatility	35%	35%
Risk-free interest rate	4.2%	4.0%
Expected term	5.0 years	5.0 years
Dividends	None	None

Volatility. Volatility is based on the historical volatility of several public entities that are similar to the Company, as the Company does not have sufficient historical transactions of its own shares on which to base expected volatility.

Risk-free interest rate. The risk-free rate that the Company uses is based on U.S. Treasury rates, with maturity dates approximately equal to the expected life at the grant date if the award is an equity-based award, or the remaining expected life for liability awards.

Expected term. The Company uses the practical expedient for the expected term where the assumption is that the award exercise occurs evenly over the period from vesting until an award's expiration, using the midpoint between the vesting date and the contractual term.

Dividend Rate. The Company has not historically paid any dividends and does not expect to in the future and, therefore, has assumed a zero-dividend rate.

(Dollars in thousands, Except Unit and Per Unit Amounts)

Appreciation Units
The following table summarizes appreciation unit activity:

	Appreciation Units		Weighted average exercise Price[a]
Outstanding on December 31, 2021	**204,220**	**$**	**11.87**
Granted	6,000		18.90
Exercised	(169,467)		11.79
Forfeited	(6,631)		13.34
Expired	-		-
Outstanding on December 31, 2022	**34,122**		**13.30**
Granted	-		-
Exercised	(21,357)		11.94
Forfeited	-		-
Expired	-		-
Outstanding on December 31, 2023	**12,765**	**$**	**15.56**

[a] Weighted average exercise price is the opening value of each appreciation unit, which is based upon the fair market value of a proportionate share of the Company on the grant date.

The weighted-average remaining contractual life on the outstanding appreciation units is 6.7 years. Appreciation units are accounted for as liability awards. The Company paid $177 to settle exercised units in 2023. As of December 31, 2023, $8 of unrecognized compensation cost related to non-vested appreciation units is expected to be recognized over the next year.

Restricted Units
The following table summarizes restricted unit activity:

	Restricted Units		Weighted- Average Grant Date Fair Value Per Unit
Outstanding on December 31, 2021	**74,175**	**$**	**9.29**
Granted	-		-
Exercised	-		-
Forfeited	(18,953)		12.74
Expired	-		-
Outstanding on December 31, 2022	**55,222**		**12.60**
Granted	-		-
Exercised	-		-
Forfeited	(27,784)		12.60
Expired	-		-
Outstanding on December 31, 2023	**27,438**	**$**	**12.60**

Restricted units vest only upon a change in control as defined by the 2016 Plan. Restricted units are accounted for as liability awards and are marked to fair value at each reporting date.

(Dollars in thousands, Except Unit and Per Unit Amounts)

The Company recognized $567 and $338 of income in related share-based compensation for the 2016 Plan in 2023 and 2022, respectively, with the related liability of $349 included in other accrued expenses.

MRH Awards
Certain key executives were issued non-voting Series B Units in MRH (Series B Units) and Series E Units in MRH (Series E Units), the Company's parent. A portion of the units are time vested and a portion are performance awards based on performance criteria as determined by the Compensation Committee of the Company's Board of Directors. All awards are subject to continued employment with the Company and no performance awards are considered probable of vesting as of the reporting date. In the event of employment termination, unvested awards are forfeited. The units are subject to accelerated vesting in the event of a change in control of the Company.

The grant date fair value of Series B and Series E units is estimated as of the grant date using an option pricing model, discounted for the lack of marketability, based on the Company's market value of invested capital.

The following table summarizes Series B Unit activity:

	MRH Series B Units	Grant Date Fair Value
Non-vested on December 31, 2021	**6,896**	**$ 8,113**
Granted	9,500	12,022
Vested	(4,990)	(5,999)
Forfeited	(2,250)	(2,847)
Non-vested on December 31, 2022	**9,156**	**11,289**
Granted	5,500	4,797
Vested	(4,750)	(5,090)
Forfeited	(1,281)	(1,529)
Non-vested on December 31, 2023	**8,625**	**$ 9,467**

The Company recognized $5,968 and $5,885 of expense in 2023 and 2022, respectively, related to share-based compensation for Series B Unit awards, which is classified in selling, general and administrative expense in the consolidated statement of operations. As of December 31, 2023, $3,941 of unrecognized compensation expense related to non-vested awards is expected to be recognized over the next four years.

(Dollars in thousands, Except Unit and Per Unit Amounts)

The following table summarizes Series E Unit activity:

	MRH Series E Units	Grant Date Fair Value
Non-vested on December 31, 2021	-	$ -
Granted	7,100,000	9,599
Vested	(840,000)	(1,142)
Forfeited	(250,000)	(340)
Non-Vested on December 31, 2022	**6,010,000**	**8,117**
Granted	1,000,000	1,141
Vested	(1,385,000)	(1,863)
Forfeited	(980,000)	(1,323)
Non-vested on December 31, 2023	**4,645,000**	**$ 6,072**

The Company recognized $1,738 and $2,535 of expense in 2023 and 2022, respectively, related to share-based compensation for Series E Unit awards, which is classified in selling, general and administrative expense in the consolidated statement of operations. As of December 31, 2023, $3,393 of unrecognized compensation expense related to non-vested awards is expected to be recognized over the next four years.

12. Income Taxes

The Company recognizes current and deferred income tax as if it were a separate taxpayer rather than a member of the parent company's consolidated income tax return group. The components of the Company's income tax expense (benefit) consist of the following:

	Year Ended December 31,	
	2023	**2022**
Current		
Federal	$ -	$ -
State	47	(29)
Deferred		
Federal	1,342	-
State	186	-
Income tax expense/(benefit)	**$ 1,575**	**$ (29)**

The effective tax rate in 2023 was (0.78)%, which is comprised of the applicable U.S. federal income tax rate of 21% plus the impacts of state income tax, nondeductible expenses, and a change in valuation allowance. The effective tax rate in 2022 was 0.02%, which is comprised of the applicable U.S. federal income tax rate of 21% plus the impacts of state income tax, nondeductible expenses, and a change in valuation allowance.

(Dollars in thousands, Except Unit and Per Unit Amounts)

The components of the Company's deferred tax assets (liabilities) are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 161,798	$ 140,636
Deferred revenue	151,390	140,472
Accruals and allowances	7,164	9,293
Excess interest expense	18,486	7,606
Lease liabilities	4,546	2,172
Total gross deferred tax assets	**343,384**	**300,179**
Deferred tax liabilities:		
Depreciation and amortization	(188,865)	(197,874)
Leased assets	(4,253)	(2,101)
Other liabilities	(1,575)	(1,388)
Total gross deferred tax liabilities	**(194,693)**	**(201,363)**
Net deferred tax assets before valuation allowance	148,691	98,816
Less: valuation allowance	(150,219)	(98,816)
Net deferred tax liabilities	**$ (1,528)**	**$ -**

The Company assessed the likelihood that its deferred income tax assets will be realized. In evaluating the ability to realize its deferred income tax assets, management considered all available positive and negative evidence. The significant piece of objective negative evidence evaluated was the Company's cumulative loss position over the three-year period ended December 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as the projections for future taxable income, exclusive of existing taxable temporary differences. Based on assessment, the Company determined that it is not more likely than not that the benefit from certain deferred tax assets will be realized. As a result, the Company recorded a valuation allowance of $150,219 to reserve certain net operating loss carryforwards and deferred tax assets. The valuation allowance increased by $51,403 and $33,280 during the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, and 2022, the Company had gross net operating loss carryforwards for U.S. federal income tax purposes of $647,281 and $563,147, respectively. The federal net operating loss generated in 2018 through 2023 totaling $399,884 have no expiration while pre- 2018 federal net operating losses begin to expire in 2030. As of December 31, 2023, and 2022, the Company had operating loss carryforwards, net of tax, for state and local income tax purposes of $25,869 and $21,857, respectively, which some years that began to expire in 2023. Certain of the net operating loss carryforwards are subject to limitations under provisions of the Internal Revenue Code, Section 382, and for state and local tax purposes.
It is the Company's policy to record interest and penalties in interest expense and selling, general and administrative expenses in the statement of operations. These expenses were insignificant for both 2023 and 2022. The Company files federal and state tax returns in the U.S. Open years in the U.S. for audit are from 2018 through 2022; however, tax authorities may adjust the net operating losses from years prior to 2018 if a net operating loss carryforward from earlier years is utilized.

(Dollars in thousands, Except Unit and Per Unit Amounts)

13. Benefit Plans

Employees are eligible to participate in the ExteNet Systems 401(k) Plan (the Retirement Plan), at the date of hire. Employees make contributions to the Retirement Plan through payroll deferrals, and employer-matching contributions are discretionary. The Company has elected to take advantage of safe harbor rules to pass the non-discrimination tests required of 401(k) plans, under which the Company contributes 3% of compensation to all eligible employees. The Company made safe harbor contributions of $754 and $903 during the years ended December 31, 2023, and 2022, respectively.

In 2022, the Company's Board of Directors approved an Employee Profit Sharing Plan for eligible employees. Discretionary awards under the plan are based on node cash flow financial performance targets. As of December 31, 2023, such targets were not met, and therefore, the Company has not contributed funds to the incentive pool.

14. Significant Customers

AT&T, T-Mobile and Verizon Wireless are customers whose revenue individually exceed 10% of consolidated amounts. The following table summarizes the percentage of the consolidated revenues for the years ended December 31, 2023.

	December 31,	
	2023	**2022**
Percentage of consolidated revenues	89%	81%

16. Related Party

In accordance with the 2019 Agreement, MRH is obligated to fund selling, general, and administrative costs, as defined under the 2019 Agreement, incurred by the Company in excess of a threshold amounts. The threshold amount is $6,300 in 2020 and increases 5% per year through the maturity of the senior debt. Capital contributions in 2023 and 2022 were in excess of required amounts.

17. Restructuring

In 2022, the Company announced plans to move its headquarters from Lisle, IL to Frisco, TX. Severance benefits of $4,850 related to the headquarters move are included in selling, general and administrative expenses in the consolidated statement of operations. As of December 31, 2022, $2,573 of severance benefits are in accrued salaries and employee-related expenses on the consolidated balance sheet relating to this initiative. There are no remaining benefits to be paid out as of December 31, 2023.

18. Subsequent Events

The Company evaluated events and transactions occurring subsequent to December 31, 2023 through April 29, 2024, the date the consolidated financial statements were available to be issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

ATTACHMENT B

Key Management Biographies

Richard Coyle
President and Chief Executive Officer
Rich became the President and permanent Chief Executive Officer in December 2021, after being named interim Chief Executive Officer in July 2021 and Chief Operations Officer (COO) since December 2018. As the COO, Rich was focused on designing and implementing business operations to support the strategic direction of a customer-centered organization. Under his leadership, Extenet cemented its position as the leading private owner and operator of small cells and fiber networks by delivering three consecutive years of distributed network infrastructure growth. Rich has always focused on promoting company culture and vision, with a goal of building diversity, equity and inclusiveness across the organization.

Prior to Extenet, Rich served as an Operating Partner at Digital Bridge Holdings LLC. Previously, Rich has also held leadership roles at fiber infrastructure companies, including Wilcon and Zayo Group. Over his twenty years in the industry, including telecom and utility companies, Rich has focused on growing and improving the operational, financial and market position of the companies. Rich has an accomplished record of developing strategic and tactical initiatives to maximize long-term growth and enterprise value through a combination of streamlined operations, cost reductions, efficient capital investment and financial structuring.

Rich has a Bachelor of Science in Accounting from the City University of New York—Queens College. He is a recognized public speaker and participates in various thought-leadership events.

Jim Sharp
EVP, Chief Financial Officer and Treasurer
Extenet appointed Jim Sharp as Chief Financial Officer (CFO), effective October 1, 2024. Sharp, a seasoned financial leader, will be based in the company's Frisco headquarters, overseeing Extenet's financial strategy and capital markets activities and driving long-term growth objectives. Sharp brings a wealth of experience from his previous roles, including Senior Vice President of Finance and Financial Reporting at Amherst, where he was instrumental in enhancing the company's financial operations and strategic planning. His career includes significant roles as CFO and Treasurer at TIER REIT, Inc., and senior positions at Behringer Harvard and Ernst & Young.

Telisa Schelin
EVP, Chief Legal Officer and Secretary
Telisa brings a wealth of experience managing complex legal, financial and business issues. Telisa previously served as Chief Legal Officer, Executive Vice President and Secretary for TIER REIT, a real estate investment trust focused on commercial office properties, prior to its merger with Cousins Properties. There, she was responsible for all legal aspects of the company including finance, real estate and commercial business transactions, mergers and acquisitions, investor relations, lease and contract administration, litigation, risk management and human resources.

Telisa has nearly 25 years of legal experience in corporate governance, securities and regulatory matters and was in private practice with Gardere Wynne Sewell LLP (now part of Foley & Lardner) prior to her role with TIER REIT.

She is licensed to practice law in Texas and Oklahoma and has a juris doctor with highest honors and a bachelor's degree in political science from the University of Tulsa. She has been recognized by the Dallas Business Journal as one of its "40 Under Forty" and was named one of the 10 leading "Women of Influence" by Real Estate Forum magazine.

Patti Paulo
SVP, Planning & Operations
Patti has over 20 years of telecommunications operational experience. Patti joined Extenet in 2018 as part of its acquisition of Axiom Fiber Networks. As the SVP of Planning & Operations, her responsibilities involve driving traditional telecom operational functions as well as developing and implementing business processes and infrastructure that enable Extenet's goals and strategy, business plan and operating requirements while continually serving customer needs.

Prior to Extenet, Patti held various senior-level roles at Axiom Fiber Networks, XO Communications, RCN Metro and Glowpoint Inc. She has developed and led large support teams focused on process development, automation, and improvement with a keen focus on enabling unparalleled customer service. Earlier in her career, Patti was instrumental in developing and managing core business and operational processes and support systems at RCN Metro and Con Edison Communications, where she also led the teams responsible for meeting customer delivery dates and company revenue installation targets.

Patti graduated and received a Bachelor of Science Degree in Business Administration from Montclair State University and resides in New Jersey with her family.

Jeff Alexander
SVP, Field Operations
Jeff has over 30 years' experience in the telecommunications industry. At Extenet, Jeff leads the national team responsible for the design and implementation of all the in-building fixed and wireless network solutions Extenet deploys nationwide. As part of this role, Jeff has firsthand experience working closely with national carriers and authorities having jurisdiction in delivering wireless and wired solutions to venues.

Over his thirty-plus years in the telecom industry, Jeff has worked with multiple wireless communication carriers, federal and local public safety organizations and private companies to solve coverage and capacity issues. He can also be considered one of the experts in the field of public safety communications networks. Jeff has extensive experience creating opportunities with Distributed Antenna Systems (DAS) technologies related to some of the largest real estate projects, stadiums, arenas and universities across the US.

Mike Alt

SVP, Planning & Engineering
Mike has over twenty-seven years of experience in the wireless industry, with twenty-three of these years leading technical organizations with more than 150 employees. As Senior Vice President for Planning & Engineering, Mike develops technical solutions and timelines for optical, wireless and enterprise telecommunications solutions. Mike joined Extenet in February 2009 as the Director of RF Engineering and went on to become the VP of RF Network Design, VP of Mobility Solutions Engineering and VP of Solutions Engineering until he was named Senior Vice President for Planning & Engineering. During his tenure, Mike has been involved with the design of over 30,000 outdoor nodes and 500 indoor networks, as well as the development of a neutral host fiber multiplexing hardware solution now available on the open market.

Prior to joining Extenet, Mike worked at Nexgen Wireless as the Vice President and General Manager and as the Director for Regional Planning and Logistics at Sprint. He has extensive knowledge of creating and executing strategic and operational plans with twelve years of experience designing and deploying small cell and indoor wireless networks.

Mike is from Northwest Indiana and has an MS in Information and Communication Sciences from Ball State University in Muncie, Indiana.

STATE OF TEXAS §
§
COUNTY OF COLLIN §

VERIFICATION

I, Telisa Webb Schelin, state that I am the Executive Vice President and Secretary of ExteNet LVS, LLC (the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.

Name: Telisa Webb Schelin
Title: Executive Vice President, Secretary
ExteNet LVS, LLC

Sworn and subscribed before me this 25 day of November, 2024.

TAMARA WEAVER
Notary Public, State of Texas
Comm. Expires 07-05-2026
Notary ID 663650

Tamara Weaver
Notary Public