COMMUNICATIONS TARIFF APPLICATION

DATE PSC RECEIVED: 5/18/2023 10:14:42 AM

AUTHORITY NUMBER: T20230007

OFFICIAL FILING DATE: 4/12/2023 12:00:00 AM

PROCESSED BY: OPR PENNY MALLOW

COMPANY CODE: TY218

COMPANY NAME: Point Broadband Fiber Holding, LLC

A. SYNOPSIS

1. ANTICIAPTED EFFECTIVE DATE: 6/27/2023
2. IF DIFFERENT, COMPANY REQUESTED EFFECTIVE DATE:
3. DESCRIPTION OF THE FILING:

Application for certificate to provide local telecommunications service by Point Broadband Fiber Holding, LLC.

B. ACTION TO BE TAKEN WITH THIS FILING

1. TO BECOME EFFECTIVE **A1** (A1 or A2) SUBJECT: NEWAP
2. PLACE ON COMMISSION AGENDA FOR DATE: 6/13/2023
3. RECOMMENDATION DUE DATE: 6/1/2023
4. DOCKET NO: 20230051
5. ORDER NO: **PSC-2023-0204-CO-TX**

C. FINAL ACTION

1. EFFECTIVE DATE: 6/27/2023 PROTESTED? YES OR NO (CIRCLE ONE)
2. REVISION REPLACEMENTS? REQUESTED: **N/A** RECEIVED: **N/A**
3. REVISION DISCREPANCIES:
4. COMMENTS:
5. REVISIED PAGES VERIFIED AGANIST E-TARIFF: ____________________________
6. E-TARIFF UPDATED: ____

FORMS (2) REVISIED 11/2015 FORM/CTA

Case Assignment and Scheduling Record

Section 1 - Office of Commission Clerk

Docket No. 20230051-TX Date Docketed: 4/12/2023 Title: Application for certificate to provide local telecommunications service by Point Broadband Fiber Holding, LLC.

Company: Point Broadband Fiber Holding, LLC

Official Filing Date: Expiration:

Last Day to Suspend:

Referred To:
("()" indicates OPR)

AFD	AIT	APA	CAO	CLK	DET	ECO	ENG	GCL	(IDM)	TEL
								X	X	

Section 2 - OPR Completes and returns to CLK in 10 workdays.

Time Schedule

Program Module B1a

WARNING: THIS SCHEDULE IS AN INTERNAL PLANNING DOCUMENT. IT IS TENTATIVE AND SUBJECT TO REVISION. FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff P Mallow, G Fogleman

Staff Counsel T Sparks

Recommended assignements for hearing and/or deciding this case:
Full Commission X Commission Panel __
Hearing Examiner __ Staff __
Date filed with CLK: 4/14/2023
Initials OPR GFOGLEMA
Initials Staff Counsel AHARPER

0 Current CASR revision level	Due Date	Completion Date
1. Staff Recommendation	06/01/2023	06/01/2023
2. Commission Conference (Agenda)	06/13/2023	06/13/2023
3. PAA Order - Close if No Protest	07/03/2023	06/27/2023
4. * Protest Period Expires	07/18/2023	
5. Consummating Order if No Protest - Close Docket	07/24/2023	07/21/2023

Section 3 - Chariman Completes

Assignments as follows

Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	FY	GH	CK	LR	PS		
X							

Where panels are assigned the senior Commissioner is Panel Chairman: the identical panel decides the case. Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Prehearing Officer

Commissioners					ADM
FY	GH	CK	LR	PS	
					X

Approved: FY/TIBROWN
Date: 4/17/2023

Comments:

FPSC - T20230007

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificate to provide local telecommunications service by Point Broadband Fiber Holding, LLC.	DOCKET NO. 20230051-TX ORDER NO. PSC-2023-0204-CO-TX ISSUED: July 21, 2023

CONSUMMATING ORDER

BY THE COMMISSION:

By Order No. PSC-2023-0187-PAA-TX, issued June 27, 2023, this Commission proposed to take certain action, subject to a Petition for Formal Proceeding as provided in Rule 25-22.029, Florida Administrative Code. No response has been filed to the order, in regard to the above mentioned docket. It is, therefore,

ORDERED by the Florida Public Service Commission that Order No. PSC-2023-0187-PAA-TX has become effective and final. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 21st day of July, 2023.

ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

TPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any judicial review of Commission orders that is available pursuant to Section 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FILED 6/27/2023
DOCUMENT NO. 03818-2023
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificate to provide local telecommunications service by Point Broadband Fiber Holding, LLC.	DOCKET NO. 20230051-TX ORDER NO. PSC-2023-0187-PAA-TX ISSUED: June 27, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING CERTIFICATE OF AUTHORITY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Point Broadband Fiber Holding, LLC (“Point Broadband”) applied for a Certificate of Authority to provide telecommunications service, pursuant to Section 364.335, Florida Statutes (F.S.). Upon review of the application, it appears that Point Broadband has sufficient technical, financial, and managerial capability to provide such service. Accordingly, we hereby grant to Point Broadband Certificate of Authority No. 8981, which shall authorize Point Broadband to provide telecommunications service throughout the State of Florida.

Telecommunications service providers are required to comply with all applicable provisions of Chapter 364, F.S., and Chapter 25-4, F.A.C.

In addition, under Section 364.336, F.S., certificate holders must pay a minimum annual Regulatory Assessment Fee (RAF) if the certificate was active during any portion of the calendar year. A RAF Return notice will be mailed each December to Point Broadband for payment by January 30th. Neither the cancellation of its certificate nor the failure to receive a RAF Return notice shall relieve Point Broadband from its obligation to pay its RAF.

If this Order becomes final and effective, it will serve as Point Broadband's certificate. Point Broadband shall retain this Order as proof of its certification. We are vested with jurisdiction over this matter pursuant to Sections 364.335 and 364.336, F.S.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Point Broadband Fiber Holding, LLC's application for a Certificate of Authority is hereby granted. It is further

ORDERED that Point Broadband Fiber Holding, LLC is awarded Certificate of Authority No. 8981, which authorizes Point Broadband Fiber Holding, LLC to provide telecommunications service throughout the State of Florida, subject to the terms and conditions set forth in the body of this Order. It is further

ORDERED that this Order shall serve as Point Broadband Fiber Holding, LLC's certificate and shall be retained by Point Broadband Fiber Holding, LLC as proof of certification. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of June, 2023.

ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

TPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 18, 2023.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

A) Application for Certificate of Authority to Provide Telecommunications Service.

DOCKET NO.	COMPANY NAME
20230051-TX	Broadband Fiber Holding, LLC
20230026-TX	CNS Networks LLC
20230053-TX	HyperFiber, LLC d/b/a HyperFiber of Florida LLC

____/

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 1 - CONSENT AGENDA

COMMISSIONERS
PARTICIPATING: CHAIRMAN ANDREW GILES FAY
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, June 13, 2023

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
112 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

FPSC - T20230007

P R O C E E D I N G S

CHAIRMAN FAY: All right. Good morning, everyone. If you would like, you can join Commissioner La Rosa for the invocation and pledge this morning before we begin the meeting.

(Invocation and Pledge of Allegiance.)

CHAIRMAN FAY: All right. Commissioners, with that, we will call the June 13 Agenda Conference to order.

Commissioners, this morning, we will have Items 1, 3, 5 through 7 and 9 through 12 on our move staff. Item 8 has withdrawn without objection, and that's Docket 20220064. And then Items 2 and 4 will be taken up for further discussion this morning.

So with that, Commissioners, we will move into Item 1, the Consent Agenda, which is for Dockets 2023051, 20230026 and 200053.

I will entertain a motion on the Consent Agenda.

COMMISSIONER GRAHAM: Mr. Chairman, move the Consent Agenda.

COMMISSIONER CLARK: Second.

CHAIRMAN FAY: Okay. We have a motion and a second.

All that approve say aye.

(Chorus of ayes.)

CHAIRMAN FAY: Showing none opposed, the Consent Agenda passes.

(Agenda item concluded.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 22nd day of June, 2023.

Debbie R Krick

DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024

FLORIDA PUBLIC SERVICE COMMISSION

Item 1

VOTE SHEET

FILED 6/13/2023
DOCUMENT NO. 03612-2023
FPSC - COMMISSION CLERK

June 13, 2023

Consent Agenda

A) Application for Certificate of Authority to Provide Telecommunications Service.

DOCKET NO.	COMPANY NAME
20230051-TX	Point Broadband Fiber Holding, LLC
20230026-TX	CNS Networks LLC
20230053-TX	HyperFiber, LLC d/b/a HyperFiber of Florida LLC

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

APPROVED

COMMISSIONERS ASSIGNED: **All Commissioners**

COMMISSIONERS' SIGNATURES

MAJORITY **DISSENTING**

REMARKS/DISSENTING COMMENTS:

FILED 6/1/2023
DOCUMENT NO. 03451-2023
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 1, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Day, Deas, Mallow, Fogleman) CH
Office of the General Counsel (Imig, Sparks) AEH

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 6/13/2023 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following Applications for Certificate of Authority to Provide Telecommunications Service on the consent agenda for approval.

DOCKET NO.	COMPANY NAME	CERT. NO.
20230051-TX	Point Broadband Fiber Holding, LLC	8981
20230026-TX	CNS Networks LLC	8982
20230053-TX	HyperFiber, LLC d/b/a HyperFiber of Florida LLC	8983

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entities listed above for payment by January 30.

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 8, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: PM Penny Mallow, Public Utility Analyst II, Office of Industry Development & Market Analysis

RE: Docket No. 20230051-TX-Application for certificate to provide local telecommunications service by Point Broadband Fiber Holding, LLC.

Attached is Point Broadband Fiber Holding, LLC's additional financial information. Please add to docket file. If you have questions please contact me at 413-6586.

Certified Public Accountants
& Consultants

JACKSON THORNTON

Point Broadband, LLC and Subsidiaries
December 31, 2020
Consolidated Financial Statements

JACKSON THORNTON

Point Broadband, LLC and Subsidiaries

Index

JACKSON THORNTON

Independent Auditor's Report

The Board of Directors
Point Broadband, LLC and Subsidiaries
West Point, Georgia

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Point Broadband, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Point Broadband, LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

JACKSON THORNTON

Prior Period Restatement

As discussed in Note 15 to the consolidated financial statements, the Company restated the December 31, 2019 consolidated balance sheets and consolidated statements of income and comprehensive income to record the fair value of the interest rate swap. Our opinion is not modified with respect to this matter.

Jackson Thornton & Co. PC

Montgomery, Alabama
April 27, 2021

Point Broadband, LLC and Subsidiaries
Consolidated Balance Sheets
At December 31, 2020 and 2019

Assets

	2020	2019 (Restated)
Current Assets		
Cash and cash equivalents	$ 11,759,546	$ 6,318,831
Accounts receivable		
Customers, net of allowance of $582,448 and $434,067, respectively	2,640,297	2,284,983
Other	1,211,918	2,451,121
Prepayments and other	868,160	925,469
Total current assets	16,479,921	11,980,404
Noncurrent Assets		
Goodwill, net	15,688,969	8,974,465
Other intangible assets, net	33,375,864	6,836,652
Interest rate swap		227,865
Other assets	3,999,709	1,666,691
Total noncurrent assets	53,064,542	17,705,673
Property, Plant, and Equipment		
Telecommunications plant in service	139,959,743	86,897,573
Construction and premise inventory	8,944,047	1,495,964
	148,903,790	88,393,537
Less accumulated depreciation	28,100,794	14,069,039
Net property, plant, and equipment	120,802,996	74,324,498
Total assets	$ 190,347,459	$ 104,010,575

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

Liabilities and Shareholders' Equity

	2020	2019 (Restated)
Current Liabilities		
Current maturities on notes payable	$ 227,710	$ 251,434
Current maturities on capital lease obligations	214,206	164,743
Current maturities on Paycheck Protection Program loan	1,109,982	
Accounts payable - trade	7,034,104	2,764,120
Unearned revenue	1,791,213	1,819,011
Customer deposits and other customer prepayments	601,338	426,794
Accrued liabilities	5,522,400	3,420,209
Total current liabilities	16,500,953	8,846,311
Noncurrent Liabilities		
Notes payable, net of current maturities	94,814,872	60,042,581
Less debt issuance costs	3,164,063	1,265,567
Capital lease obligations, net of current maturities	597,236	531,263
Paycheck Protection Program loan, net of current maturities	547,975	
Interest rate swap	878,558	
Unearned revenue	642,493	485,133
Total noncurrent liabilities	94,317,071	59,793,410
Total liabilities	110,818,024	68,639,721
Shareholders' Equity		
Common stock	6,423,480	123,480
Contributed capital - Series A, B, and C	82,333,294	47,333,290
Treasury stock	(487,500)	(397,500)
Accumulated deficit	(8,106,855)	(10,249,142)
Additional paid-in capital	(2,477,520)	(2,477,520)
Accumulated other comprehensive income (loss)	(878,558)	227,865
Total Point Broadband, LLC shareholders' equity	76,806,341	34,560,473
Noncontrolling interest	2,723,094	810,381
Total shareholders' equity	79,529,435	35,370,854
Total liabilities, noncontrolling interest, and shareholders' equity	$ 190,347,459	$ 104,010,575

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		(Restated)
Revenue from contracts with customers		
Internet	$ 33,603,547	$ 24,801,471
Video	9,980,563	10,266,995
Voice	7,072,128	6,984,700
Other	562,657	165,418
Other noncustomer revenue	5,209,440	1,895,326
Total operating revenues	56,428,335	44,113,910
Operating Expenses		
Direct costs	14,156,302	14,245,918
Selling, general, and administrative	20,855,337	17,535,756
Depreciation and amortization	19,418,109	13,099,463
Total operating expenses	54,429,748	44,881,137
Operating Income (Loss)	1,998,587	(767,227)
Nonoperating Revenues (Expenses)		
Interest expense	(3,930,317)	(6,002,548)
Government grant revenue	6,028,676	5,762,480
Other nonoperating expenses	(1,041,946)	(1,744,388)
Total nonoperating revenues (expenses)	1,056,413	(1,984,456)
Net Income (Loss)	3,055,000	(2,751,683)
Noncontrolling Interest	(912,713)	(223,208)
Net Income (Loss), Controlling Interest	2,142,287	(2,974,891)
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on derivatives held as cash flow hedges	(1,106,423)	227,865
Comprehensive Income (Loss)	$ 1,035,864	$ (2,747,026)

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive Income (Loss)	Noncontrolling	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-in Capital	(As Restated)	Interest	Equity
Balance at December 31, 2018	6,800,000	$ 123,480	10,453,702	$ 24,003,493		$ (7,274,251)			$ (1,890,347)	$ 14,962,375
Series C shares issued			7,776,600	23,329,797						23,329,797
Common shares issued in exchange for 7.5% interest held by an investor in Sunset	1,151,515									
Transfer of minority interest upon acquisition of remaining 40.5% of Sunset							$ (2,477,520)		2,477,520	
132,500 membership shares repurchased; $3.00 per share					$ (397,500)					(397,500)
Other comprehensive income								$ 227,865		227,865
Net income (loss)						(2,974,891)			223,208	(2,751,683)
Balance at December 31, 2019, as Restated	7,951,515	123,480	18,230,302	47,333,290	(397,500)	(10,249,142)	(2,477,520)	227,865	810,381	35,370,854
Series C shares issued			8,750,001	35,000,004						35,000,004
190,000 shares of Clarity stock issued to noncontrolling interest shareholder									1,000,000	1,000,000
Common shares issued in business combinations	1,575,000	6,300,000								6,300,000
30,000 membership shares repurchased; $3.00 per share					(90,000)					(90,000)
Other comprehensive loss								(1,106,423)		(1,106,423)
Net income						2,142,287			912,713	3,055,000
Balance at December 31, 2020	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (8,106,855)	$ (2,477,520)	$ (878,558)	$ 2,723,094	$ 79,529,435

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From (Used For) Operating Activities		
Net income (loss)	$ 3,055,000	$ (2,751,683)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	19,418,109	13,099,463
Amortization of debt issuance costs	286,361	1,072,132
Bad debt expense	381,790	194,616
Decrease (increase) in operating assets and increase (decrease) in operating liabilities		
Receivables	821,651	(1,663,717)
Prepayments	109,145	(136,974)
Other assets	(2,333,018)	(25,518)
Accounts payable	4,082,455	314,912
Unearned revenue	54,562	(4,504)
Customer deposits and other customer prepayments	478	(19,944)
Accrued expenses	1,561,308	(177,354)
Total adjustments	24,382,841	12,653,112
Net cash from operating activities	27,437,841	9,901,429
Cash Flows Used For Investing Activities		
Acquisition and construction of plant	(39,569,143)	(15,322,946)
Acquisition of Hagerstown Fiber	(1,185,310)	
Acquisition of Intelliwave, LLC	(16,293,798)	
Acquisition of Crystal Automation Systems, Inc.	(30,380,275)	
Acquisition of Vergennes Broadband, LLC	(4,518,239)	
Investment in Resound		(1,536,866)
Net cash used for investing activities	(91,946,765)	(16,859,812)
Cash Flows From (Used For) Financing Activities		
Principal payments on notes payable	(251,432)	(825,710)
Principal payments on capital lease obligations	(182,032)	(165,889)
Proceeds from notes payable	35,000,000	
Proceeds from Paycheck Protection Program loan	1,657,956	
Debt issuance costs	(2,184,857)	(1,345,667)
Series C shares issued	35,000,004	23,329,797
Treasury shares repurchased	(90,000)	(397,500)
Clarity shares issued to noncontrolling interest	1,000,000	
Acquisition of remaining 40.5% of Sunset shares		(15,200,000)
Net cash from financing activities	69,949,639	5,395,031
Net Increase (Decrease) in Cash and Cash Equivalents	5,440,715	(1,563,352)
Cash and Cash Equivalents at Beginning of Period	6,318,831	7,882,183
Cash and Cash Equivalents at End of Period	$ 11,759,546	$ 6,318,831
Supplemental Cash Flows Information		
Cash paid for interest	$ 3,400,796	$ 4,961,447
Supplemental Noncash Financing Transactions		
Equipment purchased under capital lease	297,468	813,304
Equity value of common shares issued in business combinations	6,300,000	

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

Note 1 - Summary of Significant Accounting Policies

Organization - Point Broadband, LLC (the Company) was formed on September 16, 2016. The shares are owned 28.5% by Stephens Capital Partners, LLC, 20.6% by ITC Capital Partners, LLC, 10.3% by Kinetic Ventures SPV, and the remaining 40.6% by various investors, none of which own more than 10% of the Company. The Company owns 100% of Point Broadband Capital, LLC. Point Broadband Capital, LLC owns 100% of Point Broadband Fiber Holding, LLC. All operating entities of the Company are under Point Broadband Fiber Holding, LLC. The operating entities and wholly-owned subsidiaries of Point Broadband Fiber Holding, LLC are as follows:

2020	Ownership Percentage	2019	Ownership Percentage
Point Broadband of Bainbridge, LLC (Bainbridge)	100%	Point Broadband of Bainbridge, LLC (Bainbridge)	100%
Point Broadband of Opelika, LLC (Opelika)	100%	Point Broadband of Opelika, LLC (Opelika)	100%
Sunset Digital Communications, LLC	100%	Sunset Digital Communications, LLC	100%
Sunset Fiber, LLC (Collectively Sunset)	100%	Sunset Fiber, LLC (Collectively Sunset)	100%
Point Broadband of the Piedmont, LLC (Hagerstown)	100%	Point Broadband of Mississippi, LLC (Mississippi)	90%
Point Broadband of Ohio, LLC (Ohio)	100%	Clarity Fiber Solutions, LLC (Clarity)	80%
Casair Broadband, LLC (Casair)	100%		
VB Fiber, LLC (VB Fiber)	100%		
Point Broadband of Mississippi, LLC (Mississippi)	90%		
Clarity Fiber Solutions, LLC (Clarity)	80%		

Nature of business - The Company's principal lines of business are providing telecommunications, internet, and video services to local residential and business customers residing in its primary service area, which includes parts of Alabama, Georgia, Virginia, Tennessee, Maryland, Ohio, Michigan, Mississippi, and New York.

Basis of presentation - The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its partly-owned subsidiaries. All intercompany account balances and transactions have been eliminated in consolidation.

Cash equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable - The Company extends credit to its customers who are located in its primary service area. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable do not accrue interest and are written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recorded when received.

Goodwill - The Company previously elected the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. During 2020, the Company recognized $8,152,727 of goodwill as a result of the Company's business combinations. During the years ended December 31, 2020 and 2019, no triggering events occurred requiring impairment testing. As such, no impairment loss was recorded.

Other intangible assets - The Company acquired the customer lists of BVU Authority - OptiNet and Sunset Digital Communications, Inc. upon the acquisition of Sunset. The Company also acquired the customer lists of Opelika Power Services One upon the acquisition of Opelika. The customer base intangibles are being amortized on the straight-line basis over five years.

Note 1 - Summary of Significant Accounting Policies (continued)
During 2020, the Company acquired the customer lists of Hagerstown Fiber, Intelliwave, LLC, Crystal Automation Systems, Inc., and Vergennes Broadband, LLC. The customer base intangibles are being amortized on the straight-line basis over three years.

The Company also acquired the Connect America Fund II (CAF II) grant contract of Crystal Automation Systems, Inc. upon acquisition of Casair. The grant intangible is being amortized on the straight-line basis over ten years.

Taxes - The Company collects and remits gross receipts taxes from its customers as required on behalf of the states in which it operates. The revenue presentation is net of gross receipts taxes in the consolidated statements of income and comprehensive income.

Income taxes - The Company is treated as a partnership for federal and state income tax purposes, with income taxes payable by the shareholders. Accordingly, no provision has been made in these financial statements for federal and state income taxes for the Company. As a limited liability company, each shareholder's liability is limited to amounts reflected in their respective shareholder equity accounts in accordance with the Limited Liability Company Agreement. The income allocable to each shareholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the shareholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these consolidated financial statements.

Depreciation - Depreciation is computed using the straight-line method.

Recognition of revenue from customers - The Company provides telecommunication services to residential customers on a month to month basis and to commercial customers on either a month to month basis or a contract basis with contract periods ranging from 24 months to 60 months. Revenues are recognized when provided to the customer regardless of the period in which they are billed.

Compensation for broadband, internet, telephone, and video services is received through monthly charges to customers that subscribe to these services. Most customers are billed monthly for services and payment is due within 20 days to 30 days of the invoice date. A few commercial customers are billed upfront on an annual basis and payment is due within 20 days to 30 days of the invoice date. Compensation for usage based services such as video on demand, video pay per view, and telephone long distance are charged to the customer as incurred and billed in arrears. Revenue for usage based services is recognized in the period in which it is incurred.

Discounts are offered to customers that bundle other services with broadband internet access. The discount offered for the bundle services is applied against the broadband internet access revenue charged.

Unearned revenue - Unearned revenue represents amounts received in advance of providing services. Amounts are recognized in revenue when services are provided.

Government grant revenue - Sunset, Clarity, and Casair have been awarded grants to provide for both the construction of broadband plant and subsidize operating costs. Grants related to construction of plant are recorded as non-operating revenue. Grants related to subsidizing operating costs are recorded as operating revenue. These grants have certain criteria that have to be met throughout the award period. If any of the criteria are not met, the entity may be subject to recapture provisions.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Company is currently evaluating the effect that the standard will have on the consolidated financial statements.

Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2 - Cash and Cash Equivalents

The Company maintains its cash accounts in commercial banks, which at times may exceed federally insured limits. The Company had approximately $10,353,200 and $5,288,000 in uninsured cash at December 31, 2020 and 2019, respectively. The Company has not experienced any losses in such accounts.

Note 3 - Contract Receivables and Liabilities

Contract receivables and liabilities from contracts with customers for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019	
	End of Year	**End of Year**	**Beginning of Year**
Receivables			
Customers	$ 2,640,297	$ 2,284,983	$ 3,267,003
Contract Liabilities			
Unearned revenue	2,433,706	2,304,144	2,308,647

Note 4 - Goodwill

The changes in the carrying amount of goodwill and accumulated amortization for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Carrying Amount		
Beginning balance	$ 10,455,687	$ 10,455,687
Goodwill recognized	8,152,727	
Ending balance	18,608,414	10,455,687
Accumulated Amortization		
Beginning balance	1,481,222	435,653
Goodwill amortization	1,438,223	1,045,569
Ending balance	2,919,445	1,481,222
Goodwill, net	$ 15,688,969	$ 8,974,465

Note 5 - Other Intangible Assets

A customer base intangible of $21,106,064 was recorded and is being amortized on the straight-line basis over three to five years. Amortization expense for the years ended December 31, 2020 and 2019 was $3,087,371 and $1,955,306, respectively. Accumulated amortization for the years ended December 31, 2020 and 2019 was $5,619,585 and $2,532,214, respectively.

During 2020, a grant contract intangible of $18,590,929 was recorded and is being amortized on the straight-line basis over ten years. Amortization expense and accumulated amortization for the year ended December 31, 2020 was $701,544.

Estimated future amortization expense for other intangible assets as of December 31, 2020 is as follows:

December 31, 2021	$ 7,937,956
December 31, 2022	7,922,877
December 31, 2023	5,954,626
December 31, 2024	2,104,633
December 31, 2025	2,104,633
Thereafter	7,366,216

Note 6 - Property, Plant, and Equipment

Listed below are the major classes of the telecommunications plant as of December 31, 2020 and 2019:

	Plant Balance		
	2020	2019	Annual Rate Range
Network equipment	$ 106,937,741	$ 65,771,713	14.00%
Other general equipment	6,586,784	6,549,102	10.00%
Video and broadband equipment	20,082,190	10,142,455	20.00%
Building improvements	3,240,864	2,615,013	6.67%
Office equipment and furniture	142,854	55,096	20.00%
Software and licenses	1,080,870	709,813	33.33%
Vehicles	1,779,493	1,054,381	20.00%
Land	108,947		
Total telecommunications plant in service	$ 139,959,743	$ 86,897,573	

Construction and premise inventory - Inventories are priced at the lower of cost or market and include customer premise equipment and certain plant construction materials. Cost is determined on the average cost method. These items are transferred to telecommunications plant in service when installed. Inventory is presented net of an allowance for obsolete inventory of $443,987 at December 31, 2020 and 2019.

Note 7 - Related Party Transactions

The Company receives certain shared services from a shareholder. The expenses are recorded at fair value of the services provided and are payable quarterly. Total expenses related to management and shared services for the period ended December 31, 2020 and 2019 was $970,200 and $963,490, respectively.

Total shareholder liability for shared services at December 31, 2020 and 2019 was $59,257 and $99,445, respectively, due to ITC Capital Partners, LLC.

Note 8 - Accrued Liabilities

Accrued liabilities consist of the following as of December 31, 2020 and 2019:

	2020	2019
Accrued interest	$ 679,537	$ 436,376
Accrued payroll and employee related	1,651,637	801,857
Accrued expenses - shareholders	59,257	99,445
Accrued taxes	435,640	459,191
Other accrued expenses	2,696,329	1,623,340
Total accrued liabilities	$ 5,522,400	$ 3,420,209

Note 9 - Notes Payable

Description	2020	2019
Mortgage notes payable - CoBank; variable interest rate of 3.90% to 4.25%; quarterly principal payments begin December 2022 through September 2027.	$ 93,000,000	$ 58,000,000
Virginia Tobacco Commission - variable interest rate of 5.50%; principal payments begin August 2024 through August 2028.	1,500,000	1,500,000
Tobacco Region Revitalization Commission - zero percent interest; semi-annual principal payments through August 2023.	408,000	544,000
Diverse Power - 5.00% interest; monthly principal payments through December 2022.	97,637	149,738
SW VA Fiber - zero percent interest; monthly principal payments through July 2021.	36,945	100,277
Less current maturities	227,710	251,434
Total	$ 94,814,872	$ 60,042,581

The CoBank loan agreement contains restrictive covenants relating to certain financial ratios.

The Company incurred $3,322,266 and $1,345,667 of debt issuance costs related to the CoBank loan which were capitalized during 2020 and 2019, respectively. Amortization of the debt issuance costs was $286,361 and $80,100 for December 31, 2020 and 2019, respectively, and was recognized as interest expense in the consolidated statements of income and comprehensive income.

Paycheck Protection Program Loan - On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Company applied for a loan under the Program and received from its bank a loan in the amount of $1,657,957 on April 10, 2020. The loan is forgivable if the Company meets certain criteria as established under the Program. The Company filed an application for forgiveness on March 16, 2021. The Company anticipates there may be further guidance issued by the Small Business Administration (SBA), the United States Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any amount of the loan not forgiven under the Program will be due April 10, 2022 with interest at 1.0%. The loan is unsecured and does not require personal guarantees.

Estimated maturities on long-term debt for the next five years are as follows:

December 31, 2021	$ 1,337,692
December 31, 2022	1,308,095
December 31, 2023	3,042,250
December 31, 2024	4,950,000
December 31, 2025	4,950,000
Thereafter	81,112,502

The Company has an available revolving loan commitment with CoBank on which it may borrow up to $20,000,000. The Company may borrow up to $2,500,000 of the revolving loan commitment as swing line loans. At December 31, 2020 and 2019, the Company had used $8,531,117 and $2,957,502, respectively, of its revolving loan commitment for issued but undrawn letters of credit. At December 31, 2020 and 2019, the Company had $11,468,883 and $9,042,498, respectively, of available borrowings under its revolving loan commitment.

The Company has an available delayed draw term loan with CoBank on which it may borrow an additional $15,000,000. At December 31, 2020, no borrowings were outstanding on the delayed draw term loan.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. An interest rate swap was entered into to manage interest rate risk associated with the Company's floating rate borrowings and is designated as a cash flow hedge.

The Company has an interest rate swap agreement with CoBank that acts to fix $43,500,000 of the floating rate debt of the CoBank loan agreement. The interest rate swap agreement terminates September 1, 2022. Under the terms of the interest rate swap agreement, the Company pays CoBank a fixed rate of 1.325% on a notational amount of $43,500,000 and CoBank pays the Company a floating rate of 1 month LIBOR on a notational amount of $43,500,000. Payments on the interest rate swap agreement are made each month until the termination date. The net payment on the interest rate swap is recorded as interest expense on the consolidated statements of income and comprehensive income.

The effective portion of the gain or loss on the interest rate swap is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the interest rate swap representing either hedged ineffectiveness or excluded from the assessment of hedge effectiveness are recognized in current earnings. As of December 31, 2020, $0 of the deferred net gains on the interest rate swaps accumulated in other comprehensive income are expected to be reclassified to earnings during the next 12 months.

As of December 31, 2020, the fair value of the interest rate swap of $878,558 was reported as a noncurrent liability on the consolidated balance sheets with the effective portion of the loss reported as a component of other comprehensive income of $878,558. As of December 31, 2019, the fair value of the interest rate swap of $227,865 was reported as a noncurrent asset on the consolidated balance sheets, with the effective portion of the gain reported as a component of other comprehensive income of $227,865.

Note 10 - Capital Lease Obligations
The Company has acquired vehicles through capital lease agreements with Altec and Ford Motor Credit. Obligations under capital lease have been recorded at the present value of future minimum lease payments using interest rates from 0% to 8.39%. The capitalized cost of $1,053,281 less accumulated depreciation of $374,463 is included in property, plant, and equipment at December 31, 2020. Depreciation expense for the equipment was approximately $199,576 and $123,225 in 2020 and 2019, respectively.

Scheduled future minimum lease payments under capital leases together with present value of the net minimum lease payments are as follows:

For the Years Ending	
December 31, 2021	$ 225,989
December 31, 2022	230,086
December 31, 2023	196,751
December 31, 2024	118,710
December 31, 2025	61,643
Thereafter	22,892
Total minimum lease payments	856,071
Less amount representing interest	44,629
	811,442
Less current portion	214,206
Long-term obligation	$ 597,236

Note 11 - Contingent Liabilities
The Company has pledged to guaranty letters of credit to cover reimbursement obligations issued to Universal Service Administrative Company related to Connect America Fund Phase II (CAF II) grants. No liability is required to be recorded by the Company. The balance of the letters of credit at December 31, 2020 and 2019 were $8,531,117 and $2,957,502, respectively.

Note 12 - Shareholders' Equity
The Company has raised equity capital through the issuance of common shares and preferred shares. Shares authorized, issued, and outstanding at December 31, 2020 and 2019 are summarized below:

	Common Stock	**Preferred Series A**	**Preferred Series B**	**Preferred Series C**
Shares authorized	50,000,000	4,500,000	6,500,000	30,000,000
Shares issued and outstanding				
At December 31, 2018	6,800,000	4,121,213	6,332,489	
Shares issued during 2019	1,151,515			7,776,600
At December 31, 2019	7,951,515	4,121,213	6,332,489	7,776,600
Shares issued during 2020	1,575,000			8,750,001
At December 31, 2020	9,526,515	4,121,213	6,332,489	16,526,601

Note 12 - Shareholders' Equity (continued)

The Preferred Series A, B and C shares are convertible into 1.0 common shares. The Series A shares have a liquidation preference of $1.94 per share. The Series B shares have a liquidation preference of $2.53 per share. The 7,776,600 Series C shares issued in 2019 have a liquidation preference of $3.00 per share. The 8,750,001 Series C shares issued in 2020 have a liquidation preference of $4.00 per share.

In the event of a distribution of capital proceeds, the liquidation preference of the Series A, Series B, and Series C Preferred shares is applied with the following priority: first to Series C shares, second to Series A shares and Series B shares combined on a pro rata basis.

In March 2019, the Company paid $15,200,000 to acquire the remaining 40.5% of Sunset. Prior to the acquisition, the Company issued 1,151,515 common shares and 7,776,600 Series C shares at $3.00 per share to purchase the remaining interests in Sunset not owned by the Company and for general corporate purposes.

In February 2020, the Company issued 125,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Hagerstown Fiber (See note 13).

In May 2020, the Company issued 2,250,000 Series C shares at a value of $4.00 per share raising $9,000,000. The proceeds were used to purchase the telecommunications assets of Intelliwave, LLC in July 2020 and for general corporate purposes.

In June 2020, the Company issued 3,750,001 Series C shares at $4.00 per share raising $15,000,004. The proceeds were used to purchase the telecommunications assets of Intelliwave, LLC in July 2020 and for general corporate purposes.

In July 2020, the Company issued 450,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Intelliwave, LLC (See Note 13).

In September 2020, the Company issued 750,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Casair (See note 13).

In October 2020, Clarity Fiber Solutions, LLC issued 190,000 shares of its stock to the existing minority shareholder raising $1,000,000. The proceeds were used to fund the buildout of the Clarity telecommunications plant network.

In October 2020, the Company issued 1,330,645 Series C shares at a value of $4.00 per share raising $5,322,580. The proceeds were used to purchase the telecommunications assets of Vergennes Broadband, LLC in December 2020 and for general corporate purposes.

In November 2020, the Company issued 1,419,355 Series C shares at a value of $4.00 per share raising $5,677,420. The proceeds were used to purchase the telecommunications assets of Vergennes Broadband, LLC in December 2020 and for general corporate purposes.

In December 2020, the Company issued 250,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Vergennes Broadband, LLC (See note 13).

Note 12 - Shareholders' Equity (continued)

Series E restricted shares - The Company had 4,500,000 shares authorized, 3,980,375 shares issued and uncancelled, 162,500 shares repurchased, and 3,817,875 shares outstanding at December 31, 2020. The Company had 4,500,000 shares authorized, 1,942,000 shares issued, 132,500 shares repurchased, and 1,809,500 shares outstanding at December 31, 2019. The Series E shares are nonvoting restricted shares issued to employees, board members and consultants. Series E shares are granted as an award by the Board of Directors. Series E shares granted prior to May 2020 vest over a 5 year period with 25% of the grant vesting 2 years after the grant date and then 25% of the grant vesting each year for the following 3 years. Series E shares granted in May 2020 and thereafter vest over a 4 year period with 50% of the grant vesting 2 years after the grant date and then 25% of the grant vesting each year for the following 2 years. Each Series E unit has a floor amount which is a per share amount for which the Series E shares do not have a value unless the Company's price per share exceeds that floor amount. The floor amount for a Series E award is set by the Board of Directors when the Series E award is granted.

The number of Series E shares vested, unvested, and the floor price at December 31, 2020 is summarized below:

Floor Price	Series E Vested	Series E Unvested	Total Series E
$0.00	646,313	215,437	861,750
4.71	51,500	53,250	104,750
1.94	80,688	240,187	320,875
2.53	89,750	269,250	359,000
3.00		95,000	95,000
4.00		2,076,500	2,076,500
	868,251	2,949,624	3,817,875

The number of Series E shares vested, unvested, and the floor price at December 31, 2019 is summarized below:

Floor Price	Series E Vested	Series E Unvested	Total Series E
$0.00	445,875	445,875	891,750
4.71	25,000	81,000	106,000
1.94		322,750	322,750
2.53		376,500	376,500
3.00		112,500	112,500
	470,875	1,338,625	1,809,500

Note 13 - Asset Purchases

Hagerstown Fiber

On January 31, 2020, the Company entered into an agreement to purchase the telecommunications assets of Hagerstown Fiber Internet, LLC, New Frontiers Internet Services, Inc. and New Frontiers Telecommunications, Inc. (collectively, Hagerstown Fiber) in a business combination. Hagerstown Fiber provides telecommunications and related services, including but not limited to, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 700 customers in north Maryland. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Hagerstown Fiber became a wholly owned subsidiary of the Company. The Company formed Point Broadband of the Piedmont, LLC upon closing of this asset purchase agreement.

The Company used operating cash for the purchase of Hagerstown Fiber.

The consideration for acquiring Hagerstown Fiber consisted of the following:

Equity interest	$	500,000
Cash		1,185,310
Liabilities assumed		182,815
	$	1,868,125

Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$	75,000
Goodwill		929,579
Customer base		138,546
Telecommunications plant		725,000
	$	1,868,125

Intelliwave, LLC

On June 30, 2020, the Company entered into an agreement to purchase the telecommunications assets of Intelliwave, LLC (Intelliwave) in a business combination. Intelliwave provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 5,300 customers in central Ohio. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Intelliwave became a wholly owned subsidiary of the Company. The Company formed Point Broadband of Ohio, LLC upon closing of this asset purchase agreement.

The Company raised $16,000,000 from shareholders to finance the purchase.

The consideration for acquiring Intelliwave consisted of the following:

Equity interest	$	1,800,000
Cash		16,293,798
Liabilities assumed		202,754
	$	18,296,552

Note 13 - Asset Purchases (continued)
Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$ 14,796
Prepaid expenses	14,641
Goodwill	6,148,851
Customer base	5,143,277
Telecommunications plant	6,974,987
	$ 18,296,552

Crystal Automation Systems, Inc.
On September 1, 2020, the Company entered into an agreement to purchase the telecommunications assets of Crystal Automation Systems, Inc. (Casair) in a business combination. Casair provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 12,000 customers in central Michigan. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Casair became a wholly owned subsidiary of the Company. The Company formed Casair Broadband, LLC upon closing of this asset purchase agreement.

The Company received a term loan from CoBank in the amount of $35,000,000 to finance the purchase.

The consideration for acquiring Casair consisted of the following:

Equity interest	$ 3,000,000
Cash	30,380,275
Liabilities assumed	571,566
	$ 33,951,841

Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$ 229,756
Prepaid expenses	37,195
Intangibles	22,664,304
Telecommunications plant	11,020,586
	$ 33,951,841

Vergennes Broadband, LLC
On December 31, 2020, the Company entered into an agreement to purchase the telecommunications assets of Vergennes Broadband, LLC (VB Fiber) in a business combination. VB Fiber provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 1,600 customers in central Michigan. Management decided merging the two entities would provide cost savings and other business synergies. As a result, VB Fiber became a wholly owned subsidiary of the Company. The Company formed VB Fiber, LLC upon closing of this asset purchase agreement.

The Company raised $4,500,000 from shareholders to finance the purchase.

The consideration for acquiring VB Fiber consisted of the following:

Equity interest	$	1,000,000
Cash		4,518,239
Liabilities assumed		20,343
	$	5,538,582

Based on the fair values at the acquisition date, consideration was allocated to:

Goodwill	$	1,074,297
Intangibles		2,520,546
Telecommunications plant		1,943,739
	$	5,538,582

The Company incurred acquisition costs of $1,647,127 which are recognized as nonoperating expenses in the consolidated statements of income and comprehensive income.

Note 14 - Noncash investing and Financing Transactions

Noncash transactions consisting of the cost of acquiring Hagerstown Fiber, Intelliwave, Casair, and VB Fiber have been included in assets and liabilities in the accompanying consolidated financial statements at December 31, 2020. The following tables summarize the noncash transactions at December 31, 2020:

Acquisition of Hagerstown Fiber		
Working capital	$	(107,815)
Telecommunications plant		725,000
Goodwill		929,579
Intangibles		138,546
Equity interest		(500,000)
Cash paid for acquistion of Hagerstown Fiber	$	1,185,310
Acquisition of Intelliwave, LLC		
Working capital	$	(173,317)
Telecommunications plant		6,974,987
Goodwill		6,148,851
Intangibles		5,143,277
Equity interest		(1,800,000)
Cash paid for acquisition of Intelliwave, LLC	$	16,293,798
Acquisition of Crystal Automation Systems, Inc.		
Working capital	$	(304,615)
Telecommunications plant		11,020,586
Intangibles		22,664,304
Equity interest		(3,000,000)
Cash paid for acquistion of Crystal Automation Systems, Inc.	$	30,380,275

Acquisition of Vergennes Broadband, LLC

Working capital	$	(20,343)
Telecommunications plant		1,943,739
Goodwill		1,074,297
Intangibles		2,520,546
Equity interest		(1,000,000)
Cash paid for acquistion of Vergennes Broadband, LLC	$	4,518,239

Note 15 - Prior Period Restatement

The December 31, 2019 consolidated balance sheets and consolidated statements of income and comprehensive income were restated to report the fair value of the interest rate swap. The restatement is summarized below:

Interest rate swap, as previously stated		
Correction of error	$	227,865
Adjusted interest rate swap	$	227,865
Accumulated other comprehensive income, as previously stated		
Correction of error	$	227,865
Adjusted accumulated other comprehensive income	$	227,865
Comprehensive loss, as previously stated	$	(2,974,891)
Correction of error		227,865
Adjusted comprehensive loss	$	(2,747,026)

Note 16 - Subsequent Events

The Company has evaluated subsequent events through April 27, 2021, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020 have been incorporated into these consolidated financial statements.

On March 12, 2021, the Company entered into a purchase agreement with a buyer to sell substantially all of the operating assets of the Company. Management anticipates closing of the purchase agreement to occur during the third quarter of 2021.

CONSOLIDATED FINANCIAL STATEMENTS

Point Broadband Acquisition, LLC and Subsidiaries
For the Year Ended December 31, 2022 and for the
Periods From October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Financial Statements

For the Year Ended December 31, 2022 and for the
Periods From October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)

Contents

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Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
ey.com

Report of Independent Auditors

The Member
Point Broadband Acquisition, LLC

Opinion

We have audited the consolidated financial statements of Point Broadband Acquisition, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 (Successor), and the related consolidated statements of operations and comprehensive loss, member's equity and cash flows for the year ended December 31, 2022, the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor), 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, 2022 and December 31, 2021 (Successor), and the results of its operations and its cash flows for the year ended December 31, 2022, the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor) 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.

Adoption of ASU No. 842, Leases

As discussed in Note 2 to the financial statements, on January 1, 2022 the Company adopted new accounting guidance and changed its method for accounting for leases as a result of the modified retrospective adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No. 842, Leases. Our opinion is not modified with respect to this matter.

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 26, 2023

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Balance Sheets

	As of December 31, 2022	Successor As of December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 9,455,681	$ 16,483,485
Accounts receivable– net of allowance of $1,236,827 and $898,872 as of December 31, 2022 and 2021, respectively	4,632,117	4,236,272
Prepayments and other	1,975,035	1,670,686
Derivative asset	9,871,343	–
Total current assets	25,934,176	22,390,443
Non-current assets:		
Property and equipment, net	391,893,260	248,224,494
Goodwill	340,070,481	332,685,399
Other intangible assets, net	109,877,892	127,498,333
Operating lease right-of-use assets	7,909,317	–
Other assets	5,640,496	5,416,914
Total assets	$ 881,325,622	$ 736,215,583
Liabilities and member's equity		
Current liabilities:		
Accounts payable	$ 7,182,797	$ 11,704,444
Accrued liabilities	33,404,731	15,655,451
Customer deposits and other prepayments	511,594	558,187
Current portion of unearned revenue	2,399,694	2,219,031
Current portion of notes payable	4,482,088	3,736,000
Current portion of finance or capital lease obligations	689,083	348,308
Current portion of operating lease liabilities	2,055,340	–
Total current liabilities	50,725,327	34,221,421
Non-current liabilities:		
Notes payable, net of current maturities and debt issuance costs	414,620,523	346,044,407
Finance or capital lease obligations, net of current maturities	2,370,179	905,099
Operating lease liabilities, net of current maturities	6,057,109	–
Other long-term liabilities	4,851,096	4,664,905
Total non-current liabilities	427,898,907	351,614,411
Total liabilities	478,624,234	385,835,832
Member's equity:		
Common units	454,939,909	375,350,000
Incentive units	1,837,498	413,910
Accumulated deficit	(54,076,019)	(25,384,159)
Total member's equity	402,701,388	350,379,751
Total liabilities and member's equity	$ 881,325,622	$ 736,215,583

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

		Successor	Predecessor
	Year Ended December 31, 2022	**Period From October 1, to December 31, 2021**	**Period From January 1, to September 30, 2021**
Revenues:			
Customer revenue	**$ 75,814,034**	$ 17,071,654	$ 47,640,337
Regulatory revenue	**13,528,851**	3,382,213	4,919,010
Total revenues	**89,342,885**	20,453,867	52,559,347
Operating expenses:			
Cost of revenues	**13,944,728**	3,044,455	9,569,592
Selling, general, and administrative	**30,721,534**	8,491,366	20,065,801
Depreciation and amortization	**65,795,711**	16,882,117	21,807,694
Other operating expense (income)	**772,238**	(92,179)	(4,113,886)
Total operating expenses	**111,234,211**	28,325,759	47,329,201
Operating (loss) income	**(21,891,326)**	(7,871,892)	5,230,146
Other expense:			
Interest expense, net	**35,738,670**	7,503,247	3,865,387
Other (income) expense, net	**(28,938,136)**	10,009,020	4,831,431
Total other expense	**6,800,534**	17,512,267	8,696,818
Net loss	**(28,691,860)**	(25,384,159)	(3,466,672)
Noncontrolling interest	**–**	–	864,884
Net loss, controlling interest	**(28,691,860)**	(25,384,159)	(4,331,556)
Other comprehensive income:			
Unrealized gain on derivatives held as cash flow hedges	**–**	–	342,558
Comprehensive loss	**$ (28,691,860)**	$ (25,384,159)	$ (3,988,998)

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Member's Equity

Predecessor	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive	Noncontrolling	Total Member's
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-In Capital	Income (Loss)	Interest	Equity
Balance at January 1, 2021 (Predecessor)	9,526,515	6,423,480	29,980,303	82,333,294	(487,500)	(6,339,613)	(2,477,520)	(878,558)	2,723,094	81,296,677
Other comprehensive income	–	–	–	–	–	–	–	342,558	–	342,558
Net (loss) income	–	–	–	–	–	(4,331,556)	–	–	864,884	(3,466,672)
Balance at September 30, 2021 (Predecessor)	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (10,671,169)	$ (2,477,520)	$ (536,000)	$ 3,587,978	$ 78,172,563

Successor	Common Units		Incentive Units		Accumulated	Total Member's
	Units	Amount	Units	Amount	Deficit	Equity
Balance at October 1, 2021 (Successor)	–	$ –	–	$ –	$ –	$ –
Issuance of units and contributions	100	375,350,000	–	–	–	375,350,000
Share-based compensation	–	–	97,850	413,910	–	413,910
Net loss	–	–	–	–	(25,384,159)	(25,384,159)
Balance at December 31, 2021 (Successor)	100	375,350,000	97,850	413,910	(25,384,159)	350,379,751
Additional invested capital	–	79,589,909	–	–	–	79,589,909
Share-based compensation expense	–	–	(5,220)	1,423,588	–	1,423,588
Net loss	–	–	–	–	(28,691,860)	(28,691,860)
Balance at December 31, 2022	100	$ 454,939,909	92,630	$ 1,837,498	$ (54,076,019)	$ 402,701,388

See accompanying notes to consolidated financial statements.

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Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2022	Successor Period From October 1, to December 31, 2021	Predecessor Period From January 1, to September 30, 2021
Cash flow from operating activities			
Net loss	**$ (28,691,860)**	$ (25,384,159)	$ (3,466,672)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	**65,795,711**	16,882,117	21,807,694
Non-cash operating lease expense	**1,351,021**	–	–
Gain on forgiveness of debt	–	–	(1,657,956)
Amortization of debt issuance costs	**2,978,163**	444,111	355,957
Bad debt expense	**625,558**	127,104	314,427
Share-based compensation expense	**1,423,588**	413,910	–
(Increase) decrease in:			
Receivables	**(1,021,403)**	(3,107,987)	1,792,250
Prepayments	**(304,349)**	222,336	(1,024,859)
Derivative asset	**(9,159,343)**	–	–
Other assets	**(223,583)**	1,589,712	(1,506,918)
Accounts payable	**(4,521,647)**	3,324,610	1,597,433
Unearned revenue	**73,449**	(7,727)	(99,735)
Operating lease liabilities	**(1,147,889)**	–	–
Customer deposits and other customer prepayments	**(46,593)**	287,463	(330,614)
Accrued liabilities	**6,231,657**	16,632,656	8,796,541
Other long-term liabilities	**293,404**	–	4,500,000
Net cash provided by operating activities	**33,655,884**	11,424,146	31,077,548
Cash flow from investing activities			
Acquisition and construction of fixed assets	**(159,226,276)**	(38,525,846)	(76,639,173)
Cash paid for acquisition, net of cash acquired	**(25,179,744)**	–	–
Working capital payment	–	–	(67,000)
Net cash used in investing activities	**(184,406,020)**	(38,525,846)	(76,706,173)
Cash flow from financing activities			
Net proceeds from credit agreement borrowings	**67,315,000**	–	–
Principal payments on notes payable	–	–	(213,856)
Proceeds from notes payable	–	–	42,262,484
Payment of debt issuance costs	**(887,500)**	–	(627,427)
Finance leases and notes payable payments	**(649,906)**	(78,862)	(203,606)
Borrowings under finance leases and notes payable	**21,506**	–	–
Payment of earnout liability	**(954,676)**	(1,489,618)	–
Purchase of interest rate cap contract	**(712,000)**	–	–
Contributions from member	**79,589,908**	–	–
Net cash provided by financing activities	**143,722,332**	(1,568,480)	41,217,595
Net decrease in cash and cash equivalents	**(7,027,804)**	(28,670,180)	(4,411,030)
Cash and cash equivalents at beginning of period	**16,483,485**	45,153,665	11,759,547
Cash and cash equivalents at end of period	**$ 9,455,681**	$ 16,483,485	$ 7,348,517
Non-cash supplemental disclosures			
Accrued capital expenditures in accrued liabilities	**$ 12,175,583**	$ 6,905,024	$ 3,988,138
Cash paid for interest on loans	**$ 29,807,342**	$ 658,428	$ 3,953,358
Significant noncash transaction – acquisition of Fiber South	**$ –**	$ –	$ 6,000,000
Equipment purchased under finance or capital leases	**$ 2,314,710**	$ 405,730	$ 318,702

See accompanying notes to consolidated financial statements.

1. Nature of Operations and Basis of Presentation

Nature of Operations

Point Broadband Acquisition, LLC (Point Broadband Acquisition or the Company) was formed on March 10, 2021 as a Delaware limited liability company by GTCR, a leading private equity firm and ultimate parent of Point Broadband Acquisition. Point Broadband Acquisition was formed by GTCR for the purpose of enacting the acquisition of Point Broadband Fiber Holding, LLC (Point Broadband Fiber) on October 1, 2021. Point Broadband Acquisition's business operations are conducted through this wholly owned subsidiary.

Point Broadband Fiber is an internet service provider (ISP) serving residential and commercial customers and government entities in mainly rural and suburban regions of the United States. The Company offers internet and voice services in all its markets and in two of its markets also provides video services. The Company's operations are focused in the Mid-Atlantic region, as well as the Southeast, Midwest, upstate New York and Texas. The Company was incorporated in 2016 and is based in Opelika, Alabama.

The Company is a wholly owned subsidiary of Point Broadband Intermediate, LLC and Point Broadband Intermediate, LLC is a wholly owned subsidiary of Point Broadband Holdings, LLC.

Basis of Presentation

Predecessor

On October 1, 2021, Point Broadband Acquisition acquired Point Broadband Fiber. The results of operations for the period January 1, 2021 to September 30, 2021 represent those of Point Broadband Fiber prior to the acquisition. The results for this period represent the Predecessor financial statements.

Successor

On October 1, 2021, Point Broadband Acquisition acquired 100% of the equity interest in Point Broadband Fiber for an aggregate consideration transferred of $674,923,284 (the Acquisition).

1. Nature of Operations and Basis of Presentation (continued)

Point Broadband Acquisition applied acquisition accounting guidance under Accounting Standards Codification (ASC) 805, *Business Combinations*, and recorded the acquired assets and liabilities of Point Broadband Fiber and its subsidiaries as of October 1, 2021 at fair value. The consolidated cash flows and results of operations and other comprehensive loss after the Acquisition are not comparable with those prior to the Acquisition and therefore have been segregated in the financial statements. The Successor financial statements represent the operations of Point Broadband Fiber, and its subsidiaries under the ownership of Point Broadband Acquisition, for the period commencing after the date of the Acquisition, or October 1, 2021, to December 31, 2021 and for the year ended December 31, 2022.

The operating entities and subsidiaries of Point Broadband Fiber are as follows:

2021	Ownership Percentage
Point Broadband of Bainbridge, LLC (Bainbridge)	100%
Point Broadband of Alabama, LLC (Opelika, JTM, or Island Fiber, Monster)	100
Sunset Digital Communications, LLC	100
Sunset Fiber, LLC (collectively Sunset)	100
Point Broadband of the Piedmont, LLC (Hagerstown)	100
Point Broadband of Ohio, LLC (Ohio)	100
Casair Broadband, LLC (Casair)	100
Point Broadband of Michigan, LLC (VB Fiber, West Michigan, M-33)	100
Clarity Fiber Solutions, LLC (Clarity)	100
Point Broadband – Cobb, LLC (NW Georgia)	100
Point Services, LLC	100
Point Broadband Towers, LLC	100

2. Summary of Significant Accounting Policies

Consolidation and Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Point Broadband Acquisition and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. The more significant estimates made by management relate to the fair value of the net assets acquired in business combinations, goodwill, useful lives of long-lived tangible and intangible assets, valuation of long-lived tangible and intangible assets, incremental borrowing rates for leases, and share-based compensation.

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Domestic accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per unique non-interest-bearing account number. The Company maintains its cash accounts in commercial banks, which at times may exceed federally insured limits. The Company had approximately $14,093,756 and $7,290,677 in uninsured cash for the years December 31, 2021 and 2022, respectively. The Company has not experienced any losses in such accounts. The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company had no short-term investments at December 31, 2022.

2. Summary of Significant Accounting Policies (continued)

Business Combinations

The Company accounts for its business combinations under the acquisition method of accounting. The Company recognizes separately from goodwill, the identifiable assets acquired, and liabilities assumed based on their respective estimated fair values. The excess of the consideration transferred over the estimated fair values of the net assets acquired is recorded as goodwill.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The carrying amount of notes payable approximates its fair value, as interest rates approximate current market rates.

Accounts Receivable, Net

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments and is estimated based on the aging of accounts receivable, industry trends and economic indicators, as well as reviews of recent payment history for specific customers.

Fair Value Measurements

The Company measures assets and liabilities requiring fair value presentation and reporting using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclose such amounts according to the level of valuation inputs under the following hierarchy:

Level 1 — quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;

2. Summary of Significant Accounting Policies (continued)

Level 2 — quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 — unobservable inputs that are significant to the fair value measurement and are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The Company measures certain assets, including property and equipment, intangible assets, and goodwill, at fair value on a nonrecurring basis when they are deemed to be impaired. The fair value of these assets is determined with valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow models.

Share-Based Compensation

The Company accounts for equity awards in accordance with ASC 718, *Compensation – Stock Compensation* (ASC 718). ASC 718 requires employee equity awards to be accounted for under the fair value method. It also requires the measurement of compensation cost at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Accordingly, share-based compensation is measured at the grant date based on the fair value of the award. The Company uses the straight-line method to recognize share-based compensation over the service period of the award, which is generally equal to the vesting period. See Note 15 for further discussion regarding the fair value of the Company's share-based compensation.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment is recorded at cost less accumulated depreciation using depreciation methods over estimated useful lives as follows:

Description	Method	Useful Life
Network equipment	Straight-line	5–7 years
Other general equipment	Straight-line	3–7 years
Broadband equipment	Straight-line	5–7 years
Building improvements	Straight-line	Shorter of 15 years or lease term
Office equipment and furniture	Straight-line	5–7 years
Software and licenses	Straight-line	3 years
Vehicles	Straight-line	5–7 years
Land	N/A	N/A

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, in accordance with the provisions of ASC 360, *Property, Plant, and Equipment* (ASC 360). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated. There was no impairment of long-lived assets recognized in the consolidated financial statements.

Goodwill and Intangible Assets

Goodwill is recorded when the consideration transferred for an acquired business is greater than the fair value of the net identifiable assets acquired, and liabilities assumed.

In accordance with ASC 350, *Intangibles – Goodwill and Other* (ASC 350), goodwill and other indefinite-lived intangible assets are assessed for impairment at least annually as of October 1, or more frequently if impairment indicators arise using a qualitative or quantitative approach. Any

2. Summary of Significant Accounting Policies (continued)

excess of the carrying amount of the reporting unit over its fair value is recognized as an impairment loss, not to exceed the amount of goodwill assigned to the impaired reporting unit. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows. The Company may use a qualitative or quantitative process to determine if there is an impairment. Prior to performing a quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the carrying amount of the reporting unit exceeds its fair value, the Company must perform a quantitative assessment to calculate the fair value of the reporting unit and compare to its carrying amount and measure an impairment loss.

Debt Issuance Costs

Debt issuance costs consist of the amounts paid to lenders and third parties in connection with the issuance of debt. Debt issuance costs are presented as a reduction to notes payable, net on the consolidated balance sheets. These costs effectively reduce the proceeds of borrowing, thereby increasing the effective interest rate. These costs are amortized using the effective interest method over the borrowing term and are reported within interest expense on the consolidated statements of operations and comprehensive loss.

Leases

On January 1, 2022, the Company adopted ASC 842, *Leases*, with modified retrospective application. As a result of the adoption of ASC 842, the Company recorded a right-of-use asset of $9,027,889, which represents the lease liability reduced for deferred rent amounts of $232,449 and a lease liability of $9,260,338, which represents the present value of remaining lease payments, discounted using the Company's incremental borrowing rates based on the remaining lease terms. The Company leases towers, office space, dark fiber, and equipment under operating lease arrangements and vehicles under finance lease arrangements. Right-of-use assets and lease liabilities for operating leases are recorded on the balance sheet and the related lease expense is recorded on a straight-line basis over the lease term in operating expenses. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. For financial reporting purposes, right-of-use assets held under finance leases are amortized over their estimated useful lives on the same basis as owned assets, and leasehold

2. Summary of Significant Accounting Policies (continued)

improvements associated with assets utilized under finance or operating leases are amortized by the straight-line method over the shorter of the remaining lease term or the asset's useful life. Amortization of assets under finance leases is included in depreciation expense. Obligations under the finance lease arrangements are included in current portion of finance lease obligations and finance lease obligations, net of current maturities.

The Company has elected the short-term lease recognition exemption such that the Company will not recognize right of use assets (ROU) or lease liabilities for leases with a term of less than 12 months from the commencement date. The Company elected the short-term lease exemption for all classes of assets to include towers, buildings, vehicles and equipment. Our lease agreements do not contain any residual value guarantees.

The Company adopted the policy election as a lessee for all classes of assets to account for each lease component and its related non-lease component as a single lease component. In determining the discount rate, the Company uses the incremental borrowing rate unless the rate implicit in the lease is readily determinable when entering into a lease as a lessee. The incremental borrowing rate is determined based on market yields on similarly secured and similarly rated credit.

As part of the adoption, the Company has elected the package of three practical expedients, which includes the following: an entity may elect not to reassess whether expired or existing contracts contain a lease under the revised definition of a lease; an entity may elect not to reassess the lease classification for expired or existing leases; and an entity may elect not to reassess whether previously capitalized initial direct costs would qualify for capitalization. In addition, the Company elected the hindsight expedient, which allows the use hindsight in assessing lease term, and the land easement expedient, which allowed the Company to apply the guidance prospectively at adoption for land easements on existing agreements.

An assessment is made on or after the effective date of newly signed contracts as to whether the contract is, or contains, a lease at the inception of a contract. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset; (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period; and (3) whether the Company has the right to direct the use of the asset. The operating right-of-use asset is measured as the initial amount of the operating lease liability, plus any initial direct costs incurred, less any prepayments prior to commencement or lease incentives received.

2. Summary of Significant Accounting Policies (continued)

The operating lease liability is initially measured at the present value of the lease payments, discounted using the Company's secured incremental borrowing rate for the same term as the underlying lease unless the interest rate implicit in the lease is readily determined, then the implicit rate will be used. Lease payments included in the measurement of the lease liability are comprised of the following: (1) the fixed noncancelable lease payments, (2) payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and (3) payments for early termination options unless it is reasonably certain the lease will not be terminated early. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement and included in the measurement of the initial lease liability. Additional payments based on the change in an index or rate are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability.

Derivative Instruments

The Company accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*. The Company is exposed to certain risks related to its ongoing business operations, primarily interest rate risk. During 2022, an interest rate cap was entered into to limit a portion of the cash flow exposure associated with the Company's variable-rate term loan. The Company does not use any derivative instruments for trading or speculative purposes.

As required by ASC 815, the fair value of the Company's interest rate cap is reported as an asset or liability on the balance sheet. The Company has accounted for the interest rate cap using the mark-to-market approach and the gain or loss on the derivative is reported in Other (income) expense, net in the consolidated statements of operations and comprehensive loss. See Note 11 for further discussion regarding the fair value of the Company's interest rate cap.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company earns most of its revenue from contracts with customers, primarily through the provision of internet, voice, and video services.

The Company also earns regulatory revenue from governmental grant payments under the Connect America Fund Phase II (CAF II) and the Rural Digital Opportunity Fund (RDOF) federal programs, neither of which are accounted for under ASC 606, *Revenue from Contracts with Customers*. These programs will provide financial support to the Company over the course of ten years in return for the Company's commitment to make high-speed broadband available to households in underserved localities within six years. Funds are received under both these programs in equal monthly installments and are recognized as revenue when received. The funds received under these programs are reported as "Regulatory Revenue" under the consolidated statements of operations and comprehensive loss.

The Company also receives grant payments from various state and local authorities for the expansion of broadband access to unserved and underserved areas. The funds from these state and local grants are received as reimbursement for approved and incurred capital expenditures and are recognized in Other (income) expense, net. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), funds received under these grants totaled $537,749 and $4,749,294, respectively. For the year ended December 31, 2022, funds received under these grants totaled $26,180,899.

The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods and services to a customer.

The Company provides internet, voice, and video services to residential and commercial customers. Residential customers are provided services on a month-to-month basis and are billed monthly. Commercial customer contract terms vary from month to month up to 60 months, and the majority are billed monthly. The Company offers discounts to customers who bundle additional services with broadband. All revenue is recognized when services are provided to the customer, irrespective of the billing period.

2. Summary of Significant Accounting Policies (continued)

The Company evaluates whether it has an enforceable contract with a customer. An enforceable contract states the contractual terms, including the parties' rights and the payment terms related to the goods and services to be transferred; and there is the ability and intention to pay the Company for the contracted product or service. The Company also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation. Multiple promises in a contract are typically separated if they are distinct, both individually and in the context of the contract.

Performance obligations are satisfied either over time or at a point in time. The appropriate measure of progress for revenue recognition is based on the nature of the performance obligation and other pertinent contract terms.

Contract Costs

The Company pays sales commissions to its employees for the execution of a contract and contract renewals. Sales commissions represent "costs to obtain a contract," as they meet the criteria in ASC 340-40, *Contracts with Customers (Other Assets and Deferred Costs)*. Sales commissions are incremental costs to obtaining a contract as the costs would not be incurred if the contract was not executed. Further, the Company expects to recover these costs through the gross margin earned on the sale of its services.

Any commissions related to residential customers are expensed when incurred per the practical expedient present in ASC 340-25-4 which states that costs related to contracts with a duration of one year or less may be expensed as incurred. All residential customers are on month-to-month contracts. The commission plan related to commercial customers is based off of a specific contract type and length for each successful new contract with a customer as well as renewal contracts with current customers. Service upgrades for commercial customers are also eligible for commissions.

Company contracts for commercial customers often contain renewal options or provisions that may be automatic or elective. Commissions paid for renewals are much lower than the initial commission for new customers and therefore, commissions are not commensurate during the entire contract period, inclusive of renewals. As a result, commissions costs are amortized over the average customer life of commercial customers. The Company used current historical information to estimate the average life of its customers. The Company evaluated initial contract start dates, and how long they have been customers.

2. Summary of Significant Accounting Policies (continued)

Based on this analysis, the Company amortizes commissions costs related to new contracts over the average customer life of seven years. Management will continue to monitor and update this average customer life on an annual basis as more historical data is collected. Management also reviews contract assets annually to assess whether any impairment is necessary.

Advertising Costs

The Company expenses advertising costs as they are incurred. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 1, 2021 (Predecessor), advertising costs totaled $342,781 and $620,631 respectively. For the year ended December 31, 2022 advertising costs totaled $1,257,238 and are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes, with income taxes payable by the members. Accordingly, no provision has been made in these financial statements for federal and state income taxes for the Company. As a limited liability company, each member's liability is limited to amounts reflected in their respective member's equity accounts in accordance with the Limited Liability Company Agreement. The income allocable to each member is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the members could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The guidance is effective for the Company beginning January 1, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. A prospective transition approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date. We do not anticipate this standard to have a material impact on the Company's financial statements.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* (ASU 2021-10), which requires annual disclosures (e.g., terms and conditions, accounting treatment, impacted financial statement lines), in the notes to the financial statements, about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other guidance. The Company adopted ASU 2021-10 effective for the annual reporting period ended December 31, 2022, as required, under prospective application, with no required updates to our disclosures.

Change in Accounting Principle

During 2022, the Company voluntarily changed the date of the annual goodwill impairment test from December 31 to October 1. This voluntary change is preferable under the circumstances as it provides the Company with additional time to complete its annual goodwill impairment testing in advance of its year-end reporting and results in better alignment with the timing of the Company's annual strategic planning and forecasting process. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate or avoid an impairment charge. Retrospective application of this accounting change to prior periods is impracticable as the Company is unable to objectively determine, without the use of hindsight, the significant assumptions and estimates that would be used in those earlier periods. Accordingly, the change will be applied prospectively.

3. Business Combinations

Point Broadband Fiber Holding, LLC Acquisition

On March 12, 2021, a Membership Interest Purchase Agreement (the Point Broadband Purchase Agreement) was entered into between Point Broadband Acquisition (the Buyer) – wholly owned subsidiary of Point Broadband Holdings, Point Broadband, LLC, a Georgia limited liability company (Parent), Point Broadband Capital, LLC, a Delaware limited liability company (the Seller), Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Company, and together with Parent and Seller, the Seller Parties). Through the Point Broadband Purchase Agreement, the Seller Parties agreed to transfer all ownership in the Company to the Buyer. Collectively this represents "The Acquisition," which closed on October 1, 2021.

The total purchase consideration was $674,923,284, comprised of $482,047,875 in cash, $136,079,159 in funded indebtedness (old debt that was paid-off at closing), $53,846,250 in rollover equity, and $2,950,000 in additional equity that was issued as a result of the JTM Broadband, LLC and Camp Fox, LLC Acquisitions (discussed below). See Note 10, Notes Payable, for discussion on the third-party debt that was entered into during the Acquisition.

3. Business Combinations (continued)

The excess of the purchase price over the net assets acquired was allocated to goodwill. The Company recorded $332,685,399 of goodwill on the December 31, 2021 consolidated balance sheet. The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash, net	$ 482,047,875
Funded indebtedness	136,079,159
Rollover equity	53,846,250
Additional equity	2,950,000
Total consideration	$ 674,923,284
Net assets acquired	
Cash and cash equivalents	$ 7,348,588
Accounts receivable	1,255,389
Other current assets	1,893,022
Property and equipment	220,573,368
Other non-current assets	7,006,626
Intangible assets	133,100,000
Goodwill	332,685,399
Total assets	703,862,392
Net liabilities assumed	
Accounts payable	(8,379,835)
Other current liabilities	(10,756,039)
Unearned revenue	(2,604,696)
Other long-term liabilities	(7,198,538)
Total liabilities assumed	(28,939,108)
Total net assets acquired	$ 674,923,284

3. Business Combinations (continued)

Intangible assets acquired consist of customer relationships of $101,500,000 and trade names of $31,600,000. Trade Names are amortized on a straight-line basis over their useful lives of 15 years, while Customer Relationships are amortized on a straight-line basis over their useful lives of 5 years. Refer to Note 6 for further details on these intangible assets. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available through GTCR's management to accelerate and expand the business. Buy-side transaction expenses totaled $10,243,627 and were recorded in the consolidated statement of operations within Other (income) expense, net for the period ended December 31, 2021.

The disclosure above includes the fair value of assets acquired under other acquisitions during the year ended December 31, 2021. The Company completed the acquisitions of Camp Fox, LLC (d/b/a Island Fiber) and JTM Broadband, LLC on October 1, 2021. See below for further detail on those acquisitions.

Camp Fox, LLC (d/b/a Island Fiber) Acquisition

On August 23, 2021, an Asset Purchase Agreement (the Island Fiber Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Island Fiber, an Alabama limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Island Fiber Acquisition, which closed on October 1, 2021.

Point Broadband Fiber acquired the assets of the Seller for $5,500,000, plus working capital/closing adjustments. The Island Fiber Acquisition was funded by $5,200,000 of cash on hand from Point Broadband Fiber, as well as $300,000 of consideration in rollover equity.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,200,000
Rollover equity	300,000
Cash adjustment	7,000
Working capital adjustment	74,000
Total consideration	$ 5,581,000
Tangible assets	
Cash	$ 7,000
Working capital	89,000
Property and equipment	1,794,000
Other net assets	26,000
Net tangible assets	1,916,000
Intangible assets	
Trade name	20,000
Customer relationships	600,000
Goodwill	3,045,000
Net intangible assets	3,665,000
Total net assets acquired	$ 5,581,000

JTM Broadband, LLC Acquisition

On August 20, 2021, an Asset Purchase Agreement (the JTM Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and JTM Broadband LLC, a Tennessee Corporation (the Seller). Through the Purchase Agreement, the Seller Parties agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the JTM Acquisition, which closed on October 1, 2021.

Point Broadband Fiber acquired the assets of the Seller for $15,000,000, plus working capital/closing adjustments. The JTM Acquisition was funded by $13,350,000 of cash on hand from Point Broadband Fiber, as well as $1,650,000 of consideration in rollover equity.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 13,350,000
Rollover equity	1,650,000
Cash adjustment	459,000
Working capital adjustment	(121,000)
Total consideration	$ 15,338,000
Tangible assets	
Cash	$ 459,000
Working capital	(35,000)
Property and equipment	9,456,000
Other net assets	40,000
Net tangible assets	9,920,000
Intangible assets	
Trade name	90,000
Customer relationships	2,160,000
Goodwill	3,168,000
Net intangible assets	5,418,000
Total net assets acquired	$ 15,338,000

West Michigan Broadband, LLC Acquisition

On May 27, 2022, an Asset Purchase Agreement (the West Michigan Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and West Michigan Broadband, LLC, a Michigan limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the West Michigan Acquisition, which closed on June 10, 2022.

3. Business Combinations (continued)

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $9,302,000, plus working capital/closing adjustments. The West Michigan Acquisition was funded by $5,056,238 of cash on hand from Point Broadband Fiber, $1,543,762 in funded indebtedness (old debt that was paid-off at closing), $1,900,000 in rollover equity and $802,000 related to an earnout.

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,056,238
Funded indebtedness	1,543,762
Rollover equity	1,900,000
Earnout	802,000
Total consideration	$ 9,302,000
Tangible assets	
Property and equipment	$ 5,357,081
Working capital	(41,081)
Net tangible assets	5,316,000
Intangible assets	
Customer relationships	1,020,000
Goodwill	2,966,000
Net intangible assets	3,986,000
Total net assets acquired	$ 9,302,000

3. Business Combinations (continued)

Intangible assets acquired consist of customer relationships that have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The West Michigan acquisition resulted in the recognition of $2,966,000 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $25,992 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

Monster Broadband, Inc. Acquisition

On November 11, 2022, an Asset Purchase Agreement (the Monster Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Monster Broadband, Inc., a Tennessee corporation (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Monster Acquisition, which closed on November 14, 2022.

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $10,462,744, plus working capital/closing adjustments. The Monster Acquisition was funded by $5,812,100 of cash on hand from Point Broadband Fiber, $1,610,478 in funded indebtedness (old debt that was paid-off at closing), $1,877,166 in rollover equity and $1,163,000 related to an earnout.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,812,100
Funded indebtedness	1,610,478
Rollover equity	1,877,166
Earnout	1,163,000
Total consideration	$ 10,462,744
Tangible assets	
Property and equipment	$ 3,368,750
Notes payable	(36,088)
Working capital	(100,000)
Total assets	3,232,662
Intangible assets	
Customer relationships	3,410,000
Goodwill	3,820,082
Net intangible assets	7,230,082
Total net assets acquired	$ 10,462,744

Intangible assets acquired consist of customer relationships and have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The Monster acquisition resulted in the recognition of $3,820,082 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $10,301 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

3. Business Combinations (continued)

Customer Software, Inc. Acquisition

On November 23, 2022, an Asset Purchase Agreement (the M-33 Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Custom Software, Inc. (M-33), a Colorado corporation (the Seller). Through the Purchase Agreement, the Seller Parties agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the M-33 Acquisition, which closed on November 30, 2022.

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $5,415,000, plus working capital/closing adjustments. The M-33 Acquisition was funded by $2,994,979 of cash on hand from Point Broadband Fiber, $955,021 in funded indebtedness (old debt that was paid-off at closing), $1,000,000 of consideration in rollover equity and $465,000 related to an earnout.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions		
Cash consideration	$	2,994,979
Funded indebtedness		955,021
Rollover equity		1,000,000
Earnout		465,000
Total consideration transferred	$	5,415,000
Tangible assets		
Property and equipment	$	4,371,636
Working capital		(155,636)
Net tangible assets		4,216,000
Intangible assets		
Customer relationships		600,000
Goodwill		599,000
Net intangible assets		1,199,000
Total net assets acquired	$	5,415,000

Intangible assets acquired consist of customer relationships and have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The M-33 acquisition resulted in the recognition of $599,000 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $5,010 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

4. Revenue Recognition

Disaggregation of Revenue

The table below presents revenue disaggregated by revenue stream:

	For the Year Ended December 31, 2022	For the Period From October 1 to December 31, 2021 (Successor)	For the Period From January 1 to September 30, 2021 (Predecessor)
Customer revenue:			
Internet	$ 61,491,129	$ 13,087,329	$ 34,151,760
Voice	4,340,369	1,715,291	5,342,682
Video	6,838,632	1,407,571	5,268,977
Other	3,143,904	861,463	2,876,918
Regulatory revenue	13,528,851	3,382,213	4,919,010
	$ 89,342,885	$ 20,453,867	$ 52,559,347

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company enters into contracts with customers that will sometimes include promises to deliver multiple services which may be capable of being distinct and distinct within the context of the contract. Thus, they can be accounted for as separate performance obligations. Determining whether services are performance obligations often requires the exercise of judgment by management. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service.

All service revenue is satisfied over-time while commercial installation revenue is satisfied at a point in time, as installation is considered a separate performance obligation for commercial customers. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), commercial installation revenue totaled $48,463 and $225,000, respectively. For the year ended December 31, 2022, commercial installation revenue totaled $282,611. The performance obligation is satisfied once installation is complete, at which point revenue is recognized.

4. Revenue Recognition (continued)

Determining the Transaction Price

Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transfer of service to a customer. When determining the transaction price, the Company estimates variable consideration to the extent that it is probable that a significant amount of cumulative revenue will not be reduced in the future.

Measure of Progress

The nature of the Company's monthly recurring and non-recurring revenue directly corresponds with the value to the customer for any given monthly period and thus the Company has concluded the output method is the most appropriate for recognizing its revenue. All service (phone, internet, cable) revenue streams are measured by the output method because the amounts on the stated invoices directly correspond to the value of the performance obligation provided at the stated contractual rate.

Principal vs. Agent Considerations

The Company evaluates whether it promises to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on the evaluation of the control model, the Company determined it acts as the principal within the business model rather than as an agent within the revenue arrangements.

Costs to Obtain and Fulfill a Contract

The Company capitalizes certain costs to obtain and fulfill a new contract and contract renewals. These costs primarily relate to sales commissions on commercial customers that are related to the execution of customer contracts. These capitalized costs related to commercial contracts are amortized on a straight-line basis over the average customer life, which is seven years.

5. Goodwill

Beginning balance – December 31, 2021	$332,685,399
Goodwill recorded	7,385,082
Ending balance – December 31, 2022	$340,070,481

Goodwill recorded in the consolidated balance sheet totaled $332,685,399 and $340,070,481 at December 31, 2021 (Successor) and December 31, 2022, respectively. At October 1, 2022, the Company performed a quantitative assessment of its goodwill. Based on the assessment, the Company's enterprise value exceeded the carrying value and no goodwill impairment was recognized in the consolidated statements of operations and comprehensive loss

6. Intangible Assets, Net

Intangible assets at December 31, included the following:

		2022			2021		
	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	15 years	$31,600,000	$(2,633,333)	$28,966,667	$31,600,000	$(526,667)	$31,073,333
Customer relationships	5 years	106,530,000	(25,618,775)	80,911,225	101,500,000	(5,075,000)	96,425,000
Total intangible assets		$138,130,000	$(28,252,108)	$109,877,892	$133,100,000	$(5,601,667)	127,498,333

6. Intangible Assets, Net (continued)

Amortization expense related to intangible assets for the period from January 1 to September 30, 2021 (Predecessor) totaled $5,872,169. Amortization expense related to intangibles totaled $5,601,667 and $22,650,442 for the period from October 1, 2021 to December 31, 2021 (Successor) and December 31, 2022, respectively.

The following table summarizes the future aggregate amortization expense of the Company's intangible assets with finite lives:

	Total
For the years ending December 31:	
2023	$ 23,412,667
2024	23,412,667
2025	23,412,667
2026	18,337,667
2027	2,868,891
Thereafter	18,433,333
	$ 109,877,892

No impairment indicators were identified for the period ended December 31, 2022.

7. Property and Equipment, Net

Below are the major classes of property and equipment as of December 31:

	2022	2021
Network equipment	$ 247,769,103	$ 187,047,912
Other general equipment	115,711,423	17,562,852
Video and broadband equipment	19,224,621	4,708,535
Building improvements	3,653,462	3,623,012
Office equipment and furniture	998,037	357,175
Software and licenses	3,767,584	3,281,542
Vehicles	5,902,815	2,664,108
Construction-in-process	34,773,577	14,294,402
Construction materials	14,294,402	25,747,569
Land	217,837	217,837
Total property and equipment	442,396,149	259,504,944
Less: Accumulated depreciation	(54,419,601)	(11,280,450)
Property and equipment, net	$ 391,893,260	$ 248,224,494

Depreciation expense for the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), totaled $11,280,450 and $15,854,953, respectively. Depreciation expense for the period ended December 31, 2022 totaled $43,145,269. Amortization of assets recorded under finance leases is included in depreciation expense.

8. Related-Party Transactions

The Company received certain chaplain services and insurance brokerage services during the predecessor period from a shareholder, ITC Capital Partners, LLC. The Company also charged the shareholder for certain HR and legal services performed. The expenses are recorded at amounts invoiced for the services provided and were payable quarterly. Total expenses related to services received from the shareholder for the period from January 1 to September 30, 2021 (Predecessor) was $27,864. Total income from services provided to the shareholder for the same period was $46,008. Following the acquisition by GTCR (Note 3), ITC Capital Partners, LLC was no longer considered a related party.

8. Related-Party Transactions (continued)

Additionally, the Company also pays rent to certain employees and spouses of employees. The Company also receives professional and other services from certain employees and members and pays some of these related parties for installation and network maintenance related activities as well. Expenses related to these members and employees totaled $500,896 for the period from October 1 to December 31, 2021 (Successor) and $698,414 for the period from January 1 to September 30, 2021 (Predecessor). Expenses related to these members and employees totaled $1,608,404 for the period ended December 31, 2022, respectively.

9. Accrued Liabilities

Accrued liabilities consists of the following as of December 31:

	2022	2021
Accrued interest	$ 9,416,952	$ 6,694,527
Accrued payroll	1,432,289	771,700
Accrued taxes	515,109	571,987
Accrued earnout provision	2,959,774	712,213
Accrued equipment purchases	19,080,607	6,905,024
Total accrued liabilities	$ 33,404,731	$ 15,655,451

The prior period acquisitions of Crystal Automation Systems, Inc. (Casair) on September 1, 2020, and Hagerstown Fiber Internet, LLC (Hagerstown) on January 31, 2020 by Point Broadband Fiber, included earnout payments to the sellers at a future point in time if certain performance metrics were achieved. The Company recorded fair value adjustments related to any changes in fair value between measurement periods. The Company did not recognize a liability for these earnout provisions as of December 31, 2020. An adjustment was made during 2021 to recognize the fair value of the earnout liability for both entities as of December 31, 2020.

9. Accrued Liabilities (continued)

The Casair acquisition included an earnout provision whereby the Company would make two additional payments contingent on the performance of the acquired company. The Company calculates the earnout amounts within 60 days following the one-year and two-year anniversary of the closing date. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted earnings before interest, taxes, depreciation and amortization (EBITDA). These fair value measurements are directly impacted by the Company's estimates. The year one payout was made in October 2021, for a total amount of $2,221,386. The year two payout was made in October 2022, for a total amount of $954,676. As of December 31, 2022, the earnout liability balance related to the Casair acquisition is zero.

The Hagerstown acquisition included an earnout provision whereby the Company would have to make an additional payment contingent on the net increase in incremental subscribers installed and added to the fiber network that exists as of the Closing Date (current passings) through a minimum of 18 months after Closing. The earnout shall be payable after the closing date on the later of, (1) the date when 10% subscriber penetration rate has been obtained on an incremental 15,000 passings constructed post-acquisition, (2) the 18-month anniversary of the closing date. Based on current build plans, the Company expects the incremental 15,000 passings will be fully constructed by April of 2023. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. The Company recorded fair value adjustments related to any changes in fair value between measurement periods.

The West Michigan acquisition included an earnout provision whereby the Company is required to make an additional payment contingent upon the Company (1) achieving 3,800 serviceable fiber passings and (2) serving 2,850 fiber customers. The earnout is required to be paid within 30 days of achieving the described targets. Based on current estimates, the Company expects the targets will be met by November of 2025. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. The Company considers fair value adjustments related to any changes in fair value between measurement periods. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on June 10, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the West Michigan acquisition was $802,000.

9. Accrued Liabilities (continued)

The Monster acquisition included an earnout provision whereby the Company is required to make an additional payment of no greater than $1,336,860 and no less than $400,000, contingent upon the amount of backhaul reductions achieved in the six months following the acquisition. The first installment of the earnout, in the amount of $400,000, was expected to be paid on February 14, 2023, while the remaining balance will be paid on May 15, 2023. The February 2023 milestone was not reached. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted backhaul reductions. The Company considers fair value adjustments related to any changes in fair value between measurement periods. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on November 14, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the Monster acquisition was $1,163,000.

The M-33 acquisition included an earnout provision whereby the Company is required to make an additional payment of $500,000 on the latter of May 31, 2023, or once the Company has added four hundred fiber customers to its existing network as of the date of acquisition. Based on current estimates, the Company expects the target will be met by September of 2023. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on November 30, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the M-33 acquisition was $465,000.

The change in fair value and payment for earnouts is as follows:

Casair earnout – Beginning balance – December 31, 2020	$ 6,296,580
Change in fair value	(3,684,243)
Ending balance – September 30, 2021	2,612,337
Payment on October 26, 2021	(2,221,386)
Change in fair value	(78,734)
Ending balance – December 31, 2021	$ 312,217
Change in fair value	642,459
Payout on October 31, 2022	(954,676)
Ending balance – December 31, 2022	$ –

9. Accrued Liabilities (continued)

Hagerstown earnout – Beginning balance – December 31, 2020	$	843,082
Change in fair value		(429,643)
Ending balance – September 30, 2021		413,439
Change in fair value		(13,443)
Ending balance – December 31, 2021	$	399,996
Change in fair value		129,779
Ending balance – December 31, 2022	$	529,775

The fair value of the related earnout provisions were measured on September 30, 2021 (Predecessor) and December 31, 2021 (Successor), with a gain recorded within operating expenses on the consolidated statements of operations and comprehensive loss. For the period from January 1 to September 30, 2021 (Predecessor), the Company recorded a gain of $4,113,886 related to the change in fair value of the earnout provisions. For the period from October 1, 2021, to December 31, 2021 (Successor), the Company recorded a gain of $92,179 related to the change in fair value of the earnout provisions. For the year ended December 31, 2022, the Company recorded a loss of $772,238 related to the change in fair value of the earnout within operating expenses on the consolidated statements of operations and comprehensive loss.

10. Notes Payable

Notes payable, long term consists of the following at December 31:

	2022	2021
Virginia Tobacco Commission Loan	$ 1,500,000	$ 1,500,000
Tobacco Region Revitalization Commission	–	136,000
GSO/Benefit Street Term Loans and other delayed draw	423,005,000	356,400,000
Vehicle and equipment notes payable	16,453	–
Less: debt issuance costs	(9,900,930)	(11,991,593)
	$ 414,620,523	$ 346,044,407

The current portion of notes payable consists of the following at December 31:

	2022	2021
GSO/Benefit Street Term Loan	$ 4,310,000	$ 3,600,000
Tobacco Region Revitalization Commission	136,000	136,000
Vehicle and equipment notes payable	36,088	–
	$ 4,482,088	$ 3,736,000

As of December 31, 2022, future maturities of debt are as follows:

2023	$ 4,482,088
2024	4,610,000
2025	4,610,000
2026	4,610,000
2027	4,610,000
Thereafter	406,081,453
	$ 429,003,541

Borrowings under the GSO/Benefit Street Term Loan are subject to certain financial covenants. As of December 31, 2022, the Company was in compliance with all of its covenants.

10. Notes Payable (continued)

As described previously, on October 1, 2021 (the Acquisition Date), GTCR and other investors, through the wholly owned subsidiary, Point Broadband Acquisition, acquired 100% of the equity interest in Point Broadband Fiber, for a stated purchase price of $520,000,000 plus working capital/closing adjustments. Financing of the transaction was obtained in a Credit Agreement containing an Initial Term Commitment (Initial Term Loan) in an aggregate principal amount of $360,000,000, a Delayed Draw Term Loan Commitment (Delayed Draw Term Loan) in an aggregate principal amount of $150,000,000, a Revolving Commitment (Revolver) in an aggregate principal amount of up to $50,000,000, and a Letter of Credit Commitment (LOC or Letter of Credit) totaling $43,750,000. At December 31, 2022, loans outstanding consisted of the Initial Term Loan of $356,400,000 and $70,915,000 of additional Delayed Draw Term Loans the Company obtained during 2022.

The Credit Agreement (Agreement) is dated as of October 1, 2021 between Point Broadband Acquisition, LLC (the Borrower), Point Broadband Intermediate, LLC (Holdings) and the Lenders and Issuing Banks, GSO Capital Partners (GSO, Blackstone), Benefit Street Partners (Benefit Street) and Ally Bank (Ally) party hereto and Wilmington Trust, National Associates, as an Administrative Agent and Collateral Agent. The Agreement is secured by a blanket lien on all assets of the Company.

The Company incurred debt origination costs of approximately $12,378,011 related to the new debt. Amortization expense related to debt issuance costs totaled $386,418 and $2,978,163 for the period from October 1 to December 31, 2021 (Successor period) and December 31, 2022, respectively, which is recorded as within Interest Expense, net on the consolidated statements of operations and comprehensive loss. Amortization of debt issuance costs for the period from January 1 to September 30, 2021 (Predecessor) totaled $355,957, which was associated with old debt that was extinguished on the Acquisition Date.

10. Notes Payable (continued)

The Company has certain derivative instruments, loans and investment securities indexed to LIBOR to calculate the loan interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month USD LIBOR tenors on December 31, 2021, and the remaining USD LIBOR tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate, or SOFR). The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may result in our incurring significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. At December 31, 2022, we had variable rate loans indexed to LIBOR totaling $427,315,000. The Company did not have any other investments, brokered deposits or borrowings indexed to LIBOR as of December 31, 2022. On February 17, 2023, the Company's credit agreement was amended to replace LIBOR with Secured Overnight Financing Rate (SOFR).

Paycheck Protection Program Loan (Predecessor)

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Company applied for a loan under the Program and received from its bank a loan in the amount of $1,657,957 on April 10, 2020. The loan is forgivable if the Company meets certain criteria as established under the Program. The Company filed an application for forgiveness on March 16, 2021 and in June 2021, the entire balance was forgiven. The Company recorded a gain on forgiveness of debt during the period from January 1 to September 30, 2021 which is reported under other income on the consolidated statements of operations and comprehensive loss within other expense, net.

10. Notes Payable (continued)

CoBank Credit Agreement (Predecessor)

Prior to the Acquisition, the Company had an outstanding credit agreement with CoBank. As part of the credit agreement, the Company had a combined amount outstanding on a term loan, delayed draw term loan, and revolving credit facility of $135,262,484.

The Company had an available revolving loan commitment with CoBank on which it may have borrowed up to $20,000,000. Borrowings of $2,262,484 were outstanding on the revolving loan prior to the Acquisition.

The Company had an available delayed draw term loan with CoBank on which it could have borrowed an additional $45,000,000. Borrowings of $40,000,000 were outstanding on the delayed draw term loan prior to the Acquisition.

On October 1, 2021 as part of the acquisition by Point Broadband Acquisition the entire debt to CoBank was paid off and the agreement was extinguished. The net payoff amount was $135,986,850, which included a payment of $135,262,484 for principal, $43,148 for interest and breakage, $536,000 for obligations pursuant to a secured hedge, and $145,218 for a commitment fee.

11. Derivative Instruments

On January 31, 2022, the Company entered into an interest rate cap with an effective date of January 1, 2022 and a termination date of January 1, 2024. The notional value of this cap was $353,700,000. This interest rate cap effectively fixed the variable interest rate on the notional amount of this cap at 2.5%. The Company elected to not apply hedge accounting for the interest rate cap and account for the interest rate cap using the mark-to-market approach. Therefore, the fair value of the cap will be carried on the balance sheet as an asset or liability and any changes in the fair value of this cap are reflected in the consolidated statements of operations and comprehensive loss as Other (income) expense, net.

11. Derivative Instruments (continued)

The objective of the interest rate cap is to eliminate variability of the Company's cash flows in the interest payments associated with the first $353,700,000 of variable rate debt, the source of which is partially due to changes in the LIBOR benchmark interest rate above the strike rate of 2.5%. This interest rate cap involved the Company paying the derivative provider an amount of $712,000 representing the fair value of the interest rate cap on January 31, 2022 in exchange for the derivative provider paying the borrower the excess of the floating interest rate payment above a strike rate, in the event that the floating interest rate is greater than the strike rate during the period between the effective date and maturity date.

As of December 31, 2022, the cumulative unrealized gain for the interest rate cap was reported as a component of Other (income) expense, net in the amount of $9,159,343.

The fair values for the Company's derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. The following table presents the aggregate fair value of the Company's derivative instruments by balance sheet location:

	Balance Sheet Location	Fair Value December 31, 2022
Assets		
Interest rate cap	Derivative Asset	$ 9,871,343
Total assets		$ 9,871,343

On March 3, 2023, the interest rate cap was extended to January 1, 2026. The transaction was also amended to replace LIBOR with SOFR and the strike rate was increased from 2.5% to 4.31%.

12. Commitments and Contingencies

The Company has pledged to guarantee letters of credit to cover reimbursement obligations issued to Universal Service Administrative Company related to CAF II and RDOF grants as well as to Empire State Development to cover New York state grants. No liability is required to be recorded by the Company. The balance on the letters of credit at December 31, 2021 and 2022 was $16,026,799 and $17,121,604, respectively.

13. Leases

The Company leases towers, office space, dark fiber, and equipment under operating lease arrangements and vehicles under finance lease arrangements.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected remaining lease term. We use our incremental borrowing rate based on information available at commencement date. Our lease terms may include options to extend or terminate the lease, which are included in the calculation of ROU assets when it is reasonably certain that we will exercise those options.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. All fixed lease and non-lease component payments are combined in determining the right-of-use asset and lease liability. We have lease agreements with lease and non-lease components, which are generally not accounted for separately. Additionally, for certain leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities as the leases are similar in nature and have nearly identical contract provisions.

The components of operating lease expense were as follows:

	Year Ended December 31, 2022
Operating Lease Expense	2,415,662
Short-term Lease Expense	1,140,862
Variable Lease Expense	480,628
Total operating lease expense	4,037,152

The components of finance lease expense were as follows:

	Year Ended December 31, 2022
Finance lease cost:	
Amortization of right-of-use assets	541,960
Interest on lease liabilities	88,219
Total finance lease cost	630,179

13. Leases (continued)

For fiscal year 2022, cash paid for leases included in our operating cash flow activities were $4,397,061 and our financing cash outflow activities were $508,854. Non-cash activities of ROU assets in exchange for lease liabilities were $11,762,482.

Supplemental balance sheet information related to operating and finance leases is as follows:

	December 31, 2022
Operating right-of-use assets	7,909,316
Operating lease liabilities (current)	(2,055,340)
Operating lease liabilities (long-term)	(6,057,109)
Total operating lease liabilities	**(8,112,449)**
Finance right-of-use assets	2,793,966
Finance lease liabilities (current)	(689,083)
Finance lease liabilities (long-term)	(2,154,900)
Total finance lease liabilities	**(2,843,983)**

Maturities of lease liabilities at December 31, 2022 were as follows:

	Finance leases	Operating leases
2023	827,005	2,540,870
2024	751,713	2,297,247
2025	689,043	1,690,431
2026	593,528	1,312,965
2027	294,922	596,041
Thereafter	46,994	1,149,504
Total lease payments	3,203,205	9,587,058
Less: imputed interest	(359,222)	(1,474,609)
Present value of lease liabilities	2,843,983	8,112,449

13. Leases (continued)

	Financing leases
	December 31, 2022
Weighted average remaining lease term (years)	4.25
Weighted average discount rate	5.61%

	Operating leases
	December 31, 2022
Weighted average remaining lease term (years)	4.62
Weighted average discount rate	7.03%

14. Leases (prior to adoption of ASC 842)

The Company leases office space and certain equipment under noncancelable operating leases which expire at various dates through 2030. In addition to the monthly payments under the leases, the Company is responsible for real estate taxes, insurance, maintenance, and operating costs. Future minimum lease payments (not including common area maintenance and taxes) under these lease agreements at December 31, 2021 were approximately as follows:

For the years ending:	
December 31, 2022	$ 1,782,823
December 31, 2023	1,573,742
December 31, 2024	1,468,899
December 31, 2025	818,304
December 31, 2026	573,494
Thereafter	862,810
Total	$ 7,080,072

Rent expense for the period ended December 31, 2021, was approximately $861,567.

The Company acquired vehicles through capital lease agreements with Altec Capital and Farm Credit Leasing. Obligations under capital lease were recorded at the present value of future minimum lease payments using interest rates from 0% to 8.39%. The capitalized cost of $1,864,245 less accumulated depreciation of $465,644 is included in property and equipment at December 31, 2021.

14. Leases (prior to adoption of ASC 842) (continued)

Scheduled future minimum lease payments under capital leases together with present value of the net minimum lease payments were as follows as of December 31, 2021:

For the years ending:		
December 31, 2022	$	348,308
December 31, 2023		322,518
December 31, 2024		254,649
December 31, 2025		203,734
December 31, 2026		124,197
Thereafter		–
Total minimum lease payments		1,253,406
Less current portion		(348,307)
Long-term obligation	$	905,099

15. Member's Equity

Successor

The equity structure of the Company in the successor period is a result of a contribution of $375,350,000 and $454,939,909 from investors as of December 31, 2021 and 2022, respectively, from Point Broadband Holdings, LLC as part of the Acquisition. The Company is an indirect wholly owned subsidiary of Point Broadband Holdings, LLC. The contribution amount is comprised of $56,796,250 and $39,443,024 of rollover equity as of December 31, 2021 and 2022, respectively, as well as a $318,553,750 and $415,496,885 cash investment from GTCR and other investors as of December 31, 2021 and 2022, respectively.

Point Broadband Acquisition's equity structure is described within the Limited Liability Company Agreement (LLC Agreement). The LLC Agreement permits the issuance of one hundred units of limited liability company interest, all of which shall be of one class and shall be designated as Common Units and all of which shall be issued to the Member. Point Broadband Intermediate, LLC is the Member of the LLC Agreement and is also a wholly owned subsidiary of Point Broadband Holdings, LLC.

15. Member's Equity (continued)

Share-Based Compensation

On October 1, 2021, the amended and restated LLC Agreement for Point Broadband Holdings, LLC put in place a plan to issue Management Incentive units. Point Broadband Holdings, LLC may, subject to the approval of the Board of Directors, issue or sell Class C Units to any existing or new employee, officer, director, consultant, or other Person or service provider of Point Broadband Holdings, LLC or any of its Subsidiaries (including any Management Holdco) pursuant to a Senior Management Agreement approved by the Board of Directors, which agreement shall contain such provisions as the Board of Directors shall determine. Under the Incentive Plan, Point Broadband Holdings, LLC provides share-based compensation awards to employees including time vesting incentive units (collectively, the Incentive Units or C Units). C Units are defined within the Point Broadband Holdings, LLC Agreement as a Unit representing a fractional part of the interest of a Unitholder in Profits, Losses, and Distributions and having the rights, powers, and obligations specified with respect to the Class C Units. Stock-based compensation expense related to the Company's employees has been recorded in the consolidated financial statements.

As part of the Point Broadband Holdings, LLC Agreement, Section 3.1, Point Broadband Holdings, LLC is authorized to issue unlimited Incentive Units. As of December 31, 2021 and 2022, Point Broadband Holdings, LLC had 97,850 and 92,630 Class C units issued and outstanding, respectively.

The Class C Units are structured as time vesting incentive units that become vested at 20% on each of the first five anniversaries of the effective date and requires the employee to remain employed from the effective date through the applicable anniversary date. No units were vested as of December 31, 2021. Upon the occurrence of a sale of the Company in the future, all Incentive Units which have not become vested shall become vested as of the date of consummation of the sale. In the event of a separation, all unvested Incentive Units automatically will be forfeited and deemed canceled and no longer outstanding without any payment and all vested Incentive Units will be subject to a right of repurchase at fair value by Point Broadband Holdings, LLC. Point Broadband Holdings, LLC may assign its repurchase rights to any person. Total share-based compensation expense of $413,910 and $1,423,588 was recognized in selling, general and administrative on the consolidated statements of operations and comprehensive loss for the period from October 1, 2021 to December 31, 2021 (Successor) and December 31, 2022, respectively.

15. Member's Equity (continued)

To determine the fair value of units issued in 2021 and 2022, the Company calculated the enterprise value as determined by discounted cash flow, guideline public company, and merger and acquisition valuation methodologies. The Company allocated the aggregate equity value among the securities that comprise the capital structure of the Company using the Option-Pricing Method.

The incentive units are service condition awards only; as such, the Company has elected to account for forfeitures as they occur and adjust compensation expense, accordingly, as permitted by ASU 2016-09. As of December 31, 2021 and 2022, there were zero units and 16,520 units forfeited, respectively.

Refer to the table below for a summary of significant inputs and assumptions used to value the Class C Incentive Units:

	December 31, 2022	December 31, 2021
Assumed value of equity	$ 452,921,000	$ 390,064,000
Risk-free rate of interest	4.2%	0.9%
Expected time to a liquidity event (in years)	4	5
Expected volatility of equity	57.5%	47.5%
Discount for lack of marketability	31.0%	31.0%

15. Member's Equity (continued)

Refer to the table below for a summary of the Level 3 fair value measurements:

	Level 3 Fair Value Measurement		
	Class C Incentive Units	Weighted Average Grant Date Fair Value Per Unit	Fair Value Per Unit
Balance at October 1, 2021	–	$ –	$ –
Granted	97,850	84.60	122.61
Forfeited or cancelled	–	–	–
Balance at December 31, 2021	97,850	84.60	122.61
Granted	11,300	116.52	168.86
Forfeited or cancelled	(16,520)	84.60	122.61
Balance at December 31, 2022	92,630	$ 116.52	$ 168.86

Predecessor

Prior to the Acquisition, Point Broadband Fiber Holding, LLC had five classes of shares outstanding – Series A, B, and C Preferred Shares, as well as a class of common shares, and Series E restricted shares.

The Preferred Series A, B, and C shares were convertible into 1.0 common shares. The Series A shares had a liquidation preference of $1.94 per share. The Series B shares had a liquidation preference of $2.53 per share. The 7,776,600 Series C shares issued in 2019 had a liquidation preference of $3.00 per share. The 8,750,001 Series C shares issued in 2020 had a liquidation preference of $4.00 per share.

In the event of a distribution of capital proceeds, the liquidation preference of the Series A, Series B, and Series C Preferred shares would have been applied with the following priority: first to Series C shares, second to Series A shares and Series B shares combined on a pro rata basis.

As part of the acquisition by Point Broadband Acquisition, all predecessor equity was retired. Refer to successor period discussion for the new equity structure.

16. Subsequent Events

The Company has evaluated subsequent events through April 26, 2023, which is the date these consolidated financial statements were available to be issued.

Equity Raise

On January 29, 2023, the Company entered into a Unit Purchase Agreement (the Agreement), which authorized the Company to issue 350,000 shares of its Class A preferred stock and 5,250,000 shares of its Class B common stock to B.P. Broadband Aggregator, LP (Investor). As of the date these financials were issued, this offering had not yet closed and no proceeds had been raised in relation to the Agreement.

North Georgia Network Purchase Agreement

On December 27, 2022, an Asset Purchase Agreement was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Appalachian Broadband Technologies, LLC, a Georgia limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer for $10,214,911. The acquisition closed on January 12, 2023.

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$ 500.00

Deposit Date
APR 13 2023

FILED 4/12/2023
DOCUMENT NO. 02626-2023
FPSC - COMMISSION CLERK

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Deposit Number
000638

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DKT #: 20230051

April 5, 2023

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RE: Point Broadband Fiber Holding, LLC Application for Original Authority to Provide Telecommunications Service in the State of Florida

Please find enclosed an original and one (1) copy of the Point Broadband Fiber Holding, LLC Application for Original Authority to Provide Telecommunications Service in the State of Florida. Also enclosed is the required check (number 4185) in the amount of $500. A SASE is enclosed to confirm receipt of this filing.

Questions concerning this filing may be directed to the undersigned on 301-788-6889 or tfirestein@logicomusa.net.

Respectfully submitted,

/s/ *Terri K. Firestein*
Terri K. Firestein
Consultant on behalf of
Point Broadband Fiber Holding, LLC

Enclosures

10806 Garrison Hollow Road, Clear Spring, MD 21722

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward deposit information to Records.

Initials of person who forwarded check:
MTS
4/12/23

Detail by Entity Name

Foreign Limited Liability Company
POINT BROADBAND FIBER HOLDING, LLC

Filing Information

Document Number	M19000006702
FEI/EIN Number	82-5331550
Date Filed	07/11/2019
State	DE
Status	ACTIVE
Last Event	LC STMNT OF RA/RO CHG
Event Date Filed	02/26/2021
Event Effective Date	NONE

Principal Address

3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Changed: 04/22/2022

Mailing Address

3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Changed: 04/22/2022

Registered Agent Name & Address

URS AGENTS, LLC
3458 LAKESHORE DR
TALLAHASSEE, FL 32312

Name Changed: 02/26/2021

Address Changed: 02/26/2021

Authorized Person(s) Detail

Name & Address

Title Manager

WACHTER, CHAD
3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Title Manager

DEWEESE, NICK
3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Title Manager

HOLT, TODD
3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Title GENERAL COUNSEL

KEMP, JOHN
3120 FREDERICK ROAD, SUITE E
OPELIKA, AL 36801

Annual Reports

Report Year	Filed Date
2021	04/29/2021
2022	04/22/2022
2023	04/10/2023

Document Images

04/10/2023 -- ANNUAL REPORT	View image in PDF format
04/22/2022 -- ANNUAL REPORT	View image in PDF format
04/29/2021 -- ANNUAL REPORT	View image in PDF format
02/26/2021 -- CORLCRACHG	View image in PDF format
04/08/2020 -- ANNUAL REPORT	View image in PDF format
07/11/2019 -- Foreign Limited	View image in PDF format

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April 5, 2023

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RE: Point Broadband Fiber Holding, LLC Application for Original Authority to Provide Telecommunications Service in the State of Florida

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Questions concerning this filing may be directed to the undersigned on 301-788-6889 or tfirestein@logicomusa.net.

Respectfully submitted,

/s/ *Terri K. Firestein*
Terri K. Firestein
Consultant on behalf of
Point Broadband Fiber Holding, LLC

COM ___
AFD ___
APA ___
ECO ___
ENG ___
GCL ___
IDM 1
CLK ___

Enclosures

10806 Garrison Hollow Road, Clear Spring, MD 21722

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward deposit information to Records.

Initials of person who forwarded check:
JTS
4/12/23

APPLICATION

This is an application for (check one):

☒ **Original certificate** (new company)

☐ **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate rather than apply for a new certificate.

Please provide the following:

1. Full name of company, including fictitious name(s), that must match identically with name(s) on file with the Florida Department of State, Division of Corporations registration:
   Point Broadband Fiber Holding, LLC

2. The Florida Secretary of State corporate registration number: **M19000006702**
3. F.E.I. Number: **82-5331550**
4. Structure of organization: **Foreign Limited Liability Company**

The company will be operating as a:
(Check all that apply):

☐ Corporation	☐ General Partnership
☐ Foreign Corporation	☐ Foreign Partnership
☒ Limited Liability Company	☐ Limited Partnership
☐ Sole Proprietorship	☐ Other, please specify below:

____

If a partnership, provide a copy of the partnership agreement.

If a foreign limited partnership, proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS). The Florida registration number is:
____
____

5. Who will serve as point of contact to the Commission in regard to the following?

(a) This application:

Name:	**Terri Firestein**
Title:	**Senior Director, Regulatory Compliance - LogicomUSA**
Street Address:	**10806 Garrison Hollow Road**
Post Office Box:	
City:	**Clear Spring**
State:	**Maryland**
Zip:	**21722**
Telephone No.:	**307-788-6889**
Fax No.:	
E-Mail Address:	**tfirestein@logicomusa.net**

(b) Ongoing operations of the company:
(This company liaison will be the point of contact for FPSC correspondence. This point of contact can be updated if a change is necessary but this must be completed at the time the application is filed).

Name:	**Chad Wachter**
Title:	**General Counsel**
Street Address:	**3120 Frederick Road, Suite E**
Post Office Box:	
City:	**Opelika**
State:	**Alabama**
Zip:	**36801**
Telephone No.:	**844-407-6468**
Fax No.:	
E-Mail Address:	**chad.wachter@point-broadband.com**
Company Homepage:	**https://www.point-broadband.com**

(c) Optional secondary point of contact or liaison:
(This point of contact will not receive FPSC correspondence but will be on file with the FPSC).

Name:	**John Kemp**
Title:	**Associate General Counsel**
Street Address:	**3120 Frederick Road, Suite E**
Post Office Box:	
City:	**Opelika**
State:	**Alabama**
Zip:	**36801**
Telephone No.:	**844-407-6468**
Fax No.:	
E-Mail Address:	**john.kemp@point-broadband.com**

6. Physical address for the applicant that will do business in Florida:

Street address:	**3120 Frederick Road, Suite E**
City:	**Opelika**
State:	**Alabama**
Zip:	**36801**
Telephone No.:	**844-407-6468**
Fax No.:	
E-Mail Address:	

7. List the state(s), and accompanying docket number(s), in which the applicant has:

(a) **operated** as a telecommunications company.

- **Point Broadband Fiber Holding, LLC: Tennessee Public Utility Commission - CPCN – Docket #19-00054**
- **Point Broadband Fiber Holding, LLC: Alabama Public Service Commission - CPCN – Docket #32912**
- **Point Broadband Fiber Holding, LLC: Michigan Public Service Commission - CLEC – Case #U-20716**
- **Point Broadband Fiber Holding, LLC: Michigan Public Service Commission - ETC – Case #U-20720**
- **Point Broadband Fiber Holding, LLC: Maryland Public Service Commission - CLEC - Mail Log #228942**
- **Point Broadband Fiber Holding, LLC: New York Public Service Commission – CPCN - Matter #20-02723**
- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - CLEC – Docket #43116**
- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - ETC – Docket #43705**
- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - IXC – Docket #43876**
- **Point Broadband Fiber Holding, LLC: Ohio Public Utilities Commission - CPCN – Case #20-1563-TP-ACE**
- **Sunset Fiber, LLC (doing business in VA as Sunset Fiber (DE), LLC): Virginia Corporation Commission - CPCN – Case #PUR-2018-00094**
- **Sunset Digital Communications, LLC (doing business in VA as Sunset Digital Communications (DE), LLC): Virginia Corporation Commission - CPCN – Case #PUR-2018-00093**

(b) **applications pending** to be certificated as a telecommunications company.

Texas

(c) **been certificated** to operate as a telecommunications company.

- **Point Broadband Fiber Holding, LLC: Tennessee Public Utility Commission - CPCN – Docket #19-00054**

- **Point Broadband Fiber Holding, LLC: Alabama Public Service Commission - CPCN – Docket #32912**
- **Point Broadband Fiber Holding, LLC: Michigan Public Service Commission - CLEC – Case #U-20716**
- **Point Broadband Fiber Holding, LLC: Michigan Public Service Commission - ETC – Case #U-20720**
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- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - CLEC – Docket #43116**
- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - ETC – Docket #43705**
- **Point Broadband Fiber Holding, LLC: Georgia Public Service Commission - IXC – Docket #43876**
- **Point Broadband Fiber Holding, LLC: Ohio Public Utilities Commission - CPCN – Case #20-1563-TP-ACE**
- **Sunset Fiber, LLC (doing business in VA as Sunset Fiber (DE), LLC): Virginia Corporation Commission - CPCN – Case #PUR-2018-00094**
- **Sunset Digital Communications, LLC (doing business in VA as Sunset Digital Communications (DE), LLC): Virginia Corporation Commission - CPCN – Case #PUR-2018-00093**

(d) **been denied authority** to operate as a telecommunications company and the circumstances involved.

Applicant has not been denied authority to operate in any state.

(e) **had regulatory penalties imposed** for violations of telecommunications statutes and the circumstances involved.

Applicant has not had regulatory penalties imposed for violations in any state.

(f) **been involved in civil court proceedings** with another telecommunications entity, and the circumstances involved.

Applicant has not been involved in civil court proceedings in any state.

8. The following questions pertain to the officers and directors. Have any been:

(a) adjudged bankrupt, mentally incompetent (and not had his or her competency restored), or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings? ☐ Yes ☒ No

If yes, provide explanation.

____

____

(b) granted or denied a certificate in the State of Florida (this includes active and canceled certificates)? ☐ Granted ☐ Denied ☒ Neither

If granted provide explanation and list the certificate holder and certificate number.

____

____

If denied provide explanation.

____

____

(c) an officer, director, and partner in any other Florida certificated telecommunications company? ☐ Yes ☒ No

If yes, give name of company and relationship. If no longer associated with company, give reason why not.

____

____

9. Florida Statute 364.335(1)(a) requires a company seeking a certificate of authority to demonstrate its managerial, technical, and financial ability to provide telecommunications service.

Note: *It is the applicant's burden to demonstrate that it possesses adequate managerial ability, technical ability, and financial ability. Additional supporting information may be supplied at the discretion of the applicant. For the purposes of this application, financial statements MUST contain the balance sheet, income statement, and statement of retained earnings.*

(a) **Managerial ability**: An applicant must provide resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

Please see Exhibit A.

(b) **Technical ability**: An applicant must provide resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

Please see Exhibit A.

(c) **Financial ability**: An applicant must provide financial statements demonstrating financial ability by submitting a balance sheet, income statement, and retained earnings statement. An applicant that has audited financial statements for the most recent three years must provide those financial statements. If a full three years' historical data is not available, the application must include both historical financial data and pro forma data to supplement. An applicant of a newly established company must provide three years' pro forma data. If the applicant does not have audited financial statements, it must be so stated and signed by either the applicant's chief executive officer or chief financial officer affirming that the financial statements are true and correct.

Please see Exhibit B.

10. Where will you officially designate as your place of publicly publishing your schedule a/k/a tariffs or price lists)? (Tariffs or price lists MUST be publicly published to comply with Florida Statute 364.04).

☐ Florida Public Service Commission

☒ Website – Please provide Website address:
https://www.point-broadband.com

☐ Other – Please provide address: ______________________________
____
____
____

THIS PAGE MUST BE COMPLETED AND SIGNED

REGULATORY ASSESSMENT FEE: I understand that all telecommunications companies must pay a regulatory assessment fee. A minimum annual assessment fee, as defined by the Commission, is required.

RECEIPT AND UNDERSTANDING OF RULES: I understand the Florida Public Service Commission's rules, orders, and laws relating to the provisioning of telecommunications company service in Florida.

APPLICANT ACKNOWLEDGEMENT: By my signature below, I, the undersigned owner or officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical ability, managerial ability, and financial ability to provide telecommunications company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules, orders and laws.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, ***"Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."***

I understand that any false statements can result in being denied a certificate of authority in Florida.

COMPANY OWNER OR OFFICER

Print Name: Chad Wachter
Title: General Counsel
Telephone No.: 844-407-6468
E-Mail Address: chad.wachter@point-broadband.com

Signature: ______________ Date: 4/5/23

EXHIBIT A
Managerial & Technical Abilities

Point Broadband Fiber Holding, LLC ("Point") and its subsidiaries, operate fiber-to-the-home /premise networks and offer their customers high speed Internet service and telecommunications service. Point intends to offer telephone service utilizing its geographically redundant Metaswitch, model CH6050 Version 9.3.20., located in Bristol, Virginia at 15022 Lee Highway ("Bristol Metaswitch"). The Bristol Metaswitch is interconnected to the PSTN and Point will seek interconnection agreements with Maryland ILECs as required. ILEC tandems will be utilized for E-911 services, the exchange of local telephone traffic and where applicable the termination of switched access traffic.

The fiber-to-the-home/premise network has fully redundant fiber paths to peering locations in Atlanta and Virginia. Route redundancy, facility protection and disaster recovery are ensured by Point's Network Operations Center. Point utilizes several third-party providers of long distance, toll free and operator services including CenturyLink, Inteliquent, Bandwidth.com, and Toly Digital Networks. Point utilizes a least cost routing system that utilizes multiple carries ranked according to quality of service first and then the wholesale cost for service.

In addition to the Bristol Metaswitch, Point owns a second Metaswitch (model number is VP 3510 Version 8.3.11) located in Opelika, AL and a third Metaswtich located in Duffield, Virginia. The Opelika and Duffield switches are currently being activated. The existing Bristol Metaswitch is sized to provide capacity for the growth anticipated in the Maryland market over the next several years. Point is exploring Metaswitch Network's "switch in the cloud" solution for future growth.

Staff Experience

Todd Holt
CEO
As the former CEO of ITC Capital Partners, President of NASDAQ-traded Knology and President of Synapse, Todd has more than 22 years of experience in the telecommunications sector. As CEO of ITC, Todd was heavily involved in the foundation of Point Broadband, leading the Company since 2017.

Chad Wachter
General Counsel
Chad joined Point Broadband at its founding in 2017 as its General Counsel. Immediately prior, Chad was General Counsel at ITC Capital Partners and held various positions within the ITC family of companies, such as Knology and Powertel. He has 29 years of experience in the telecommunications industry.

Joseph Puckett
Chief Operating Officer
Joseph has over 20 years of experience in the industry. Joseph's primary focus is to expand Point Broadband's super-fast fiber-based broadband network to underserved areas, and to provide solutions that support the "internet of things" throughout customer's homes and businesses. In addition, Joseph and his team are constantly

looking for ways to enhance the Point Broadband customer experience.

Paul Gies
Chief Revenue Officer
For over 28 years, Paul has been a member of multiple senior leadership teams in the telecommunications industry in both the private and public sector. Prior to Point Broadband, Paul led the creation of FiberSouth (a subsidiary of CobbEM) as well as business development, sales, and product management teams at Cbeyond.

David Ficken
Vice President of Strategic Growth
David was a Senior Wholesale Manager at WOW! as well as a National Sales and Marketing Director at Knology, before joining Point Broadband in 2019. With over 30 years of experience in the telecommunications sector, Dave is responsible for Point Broadband's strategic growth initiatives.

Leisa Chastain, SPHR
Vice President of Human Resources
Leisa is responsible for directing a strategic leadership team in the areas of performance management, training and organizational development, compliance and diversity, employment and recruitment, and benefits administration, plus numerous mergers and acquisitions. Leisa was Vice President of Human Resources for Synapse Wireless, an M2M technology services company, and previously Director of Human Resources for Knology, Inc., a publicly held broadband services company. Leisa maintains an SPHR certification and holds a degree in Business Administration from American Intercontinental University.

John Treece
Chief Technology Officer
John has over 26 years of experience in the telecommunications industry. He is an expert for strategic product/network engineering and development. John has extensive leadership experience from former top management mandates at IBASIS as COO, at Knology as CTO, and other technological leadership positions at Syniverse, Level 3 Communications, Comcast, and Juniper.

Nick DeWeese
Chief Financial Officer
Nick has 17 years of industry experience. Before joining the Point Broadband team in 2017, he was an independent Financial Consultant and held various corporate financial leadership positions. Among others, Nick was a VP at WOW! and Director of Financial Planning at Knology.

Tom Ringkamp
Vice President of Fiber Development
Tom has held many different roles in the Cable/Telecom space over the past 30+ years, most recently as VP OSP Construction and Operations for DFS and Senior Director of OSP Construction for the Comcast Central Divisions NET project. He currently is responsible for OSP Construction and PM.

Taylor Nipper
Vice President of Sales and Marketing
Taylor leads the team responsible for overall marketing strategy and execution, product development, sales, marketing communications, B2B marketing strategy and execution, and video programming at Point Broadband. He has extensive experience within the telecommunications space and has been a successful marketing leader with such companies as Comcast Communications, Knology, and Time Warner/Advance Newhouse. He also served as President of 104 Essex LLC, a marketing consulting firm.

EXHIBIT B
Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Point Broadband Acquisition, LLC and Subsidiaries
For the Periods from October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)
With Report of Independent Auditors

Ernst & Young LLP

EY
Building a better working world

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Financial Statements

For the Periods from October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)

Contents

2205-4048225

Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
ey.com

Report of Independent Auditors

The Member
Point Broadband Acquisition, LLC

Opinion

We have audited the consolidated financial statements of Point Broadband Acquisition, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021 (Successor) and the related consolidated statements of operations and comprehensive loss, members' equity and cash flows for the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor), 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, 2021 (Successor), and the results of its operations and its cash flows for the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor)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.

Report of Other Auditors on Prior Period Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2020 (Predecessor) (not presented herein), were audited by other auditors who expressed an unmodified opinion on those statements on April 27, 2021.

Restatement of Prior Period Financial Statements

As discussed in Note 14 to the consolidated financial statements, the consolidated financial statements as of December 31, 2020 (Predecessor) have been restated to correct the Company's accounting for contingent consideration related to acquisitions. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has elected to change its method for accounting for goodwill in 2021. The Company voluntary elected to no longer apply the accounting alternative for goodwill available to private companies and per ASC 250, has retroactively applied ASC 350 to not amortize goodwill and to perform an annual impairment test. Our opinion is not modified with respect to this matter.

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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

May 25, 2022

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Balance Sheet

As of December 31, 2021

		Successor
Assets		
Current assets:		
Cash and cash equivalents	$	16,483,485
Accounts receivable, customers – net of allowance of $898,872		4,092,544
Accounts receivable, other		143,728
Prepayments and other		1,670,686
Total current assets		22,390,443
Non-current assets:		
Goodwill		332,685,399
Other intangible assets, net		127,498,333
Other assets		5,416,914
Total non-current assets		465,600,646
Property, plant, and equipment:		
Property, plant, and equipment		259,504,944
Less: accumulated depreciation		(11,280,450)
Net property, plant, and equipment		248,224,494
Total assets	$	736,215,583
Liabilities and member's equity		
Current liabilities:		
Accounts payable	$	11,704,444
Accrued liabilities		15,655,451
Customer deposits and other prepayments		558,187
Current portion of unearned revenue		2,219,031
Current portion of notes payable		3,736,000
Current portion of capital lease obligations		348,308
Total current liabilities		34,221,421
Non-current liabilities:		
Notes payable, net of current maturities and debt issuance costs		346,044,407
Capital lease obligations, net of current maturities		905,099
Other long-term liabilities		4,557,692
Unearned revenue		107,213
Total non-current liabilities		351,614,411
Total liabilities		385,835,832
Member's equity:		
Common units		375,350,000
Incentive units		413,910
Accumulated deficit		(25,384,159)
Total member's equity		350,379,751
Total liabilities and member's equity	$	736,215,583

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statement of Operations and Comprehensive Loss

	Successor Period from October 1 to December 31, 2021	Predecessor Period from January 1 to September 30, 2021
Revenues:		
Customer revenue	$ 17,071,654	$ 47,640,337
Regulatory revenue	3,382,213	4,919,010
Total revenues	20,453,867	52,559,347
Operating expenses:		
Cost of revenues	3,044,455	9,569,592
Selling, general, and administrative	8,491,366	20,065,801
Depreciation and amortization	16,882,117	21,807,694
Earnout gain	(92,179)	(4,113,886)
Total operating expenses	28,325,759	47,329,201
Operating (loss) income	(7,871,892)	5,230,146
Other expense:		
Interest expense, net	7,503,247	3,865,387
Other expense, net	10,009,020	4,831,431
Total other expense	17,512,267	8,696,818
Net loss	(25,384,159)	(3,466,672)
Noncontrolling interest	–	864,884
Net loss, controlling interest	(25,384,159)	(4,331,556)
Other comprehensive income:		
Unrealized gain on derivatives held as cash flow hedges	–	342,558
Comprehensive loss	$ (25,384,159)	$ (3,988,998)

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statement of Members' Equity

Predecessor	Common Stock Shares	Common Stock Amount	Preferred Stock Series A, B, and C Shares	Preferred Stock Series A, B, and C Amount	Treasury Shares	Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Members' Equity
Balance at December 31, 2020 (Predecessor)	9,526,516	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (8,106,855)	$ (2,477,520)	$ (878,558)	$ 2,723,094	$ 79,529,435
Prior period adjustment – error correction[1]	–	–	–	–	–	(1,152,203)	–	–	–	(1,152,203)
Prior period adjustment – change in accounting principle[2]	–	–	–	–	–	2,919,445	–	–	–	2,919,445
Balance at December 31, 2021 – as adjusted	9,526,515	6,423,480	29,980,303	82,333,294	(487,500)	(6,339,613)	(2,477,520)	(878,558)	2,723,094	81,296,677
Other comprehensive income	–	–	–	–	–	–	–	342,558	–	342,558
Net (loss) income	–	–	–	–	–	(4,331,556)	–	–	864,884	(3,466,672)
Balance at September 30, 2021 (Predecessor)	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (10,671,169)	$ (2,477,520)	$ (536,000)	$ 3,587,978	$ 78,172,563

Successor	Common Units Units	Common Units Amount	Incentive Units Units	Incentive Units Amount	Accumulated Deficit	Total Member's Equity
Balance at October 1, 2021 (Successor)	–	$ –	–	$ –	$ –	$ –
Issuance of units and contributions	100	375,350,000	–	–	–	375,350,000
Share-based compensation	–	–	97,850	413,910	–	413,910
Net loss	–	–	–	–	(25,384,159)	(25,384,159)
Balance at December 31, 2021 (Successor)	100	$ 375,350,000	97,850	$ 413,910	$ (25,384,159)	$ 350,379,751

See accompanying notes to consolidated financial statements.

[1] Refer to Note 14 for further detail
[2] Refer to Note 2 for further details

2205-4048225

FPSC - T20230007

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statement of Cash Flows

	Successor Period from October 1 to December 31, 2021	Predecessor Period from January 1 to September 30, 2021
Cash flow from operating activities		
Net loss	$ (25,384,159)	$ (3,466,672)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	16,882,117	21,807,694
Gain on forgiveness of debt	–	(1,657,956)
Amortization of debt issuance costs	444,111	355,957
Bad debt expense	127,104	314,427
Share-based compensation expense	413,910	–
(Increase) decrease in:		
Receivables	(3,107,987)	1,792,250
Prepayments	222,336	(1,024,859)
Other assets	1,589,712	(1,506,918)
Accounts payable	3,324,610	1,597,433
Unearned revenue	(7,727)	(99,735)
Customer deposits and other customer prepayments	287,463	(330,614)
Other long-term liabilities	–	4,500,000
Accrued liabilities	16,632,656	8,796,541
Net cash provided by operating activities	11,424,146	31,077,548
Cash flow from investing activities		
Acquisition and construction of plant	(38,525,846)	(76,639,173)
Working capital payment	–	(67,000)
Net cash used in investing activities	(38,525,846)	(76,706,173)
Cash flow from financing activities		
Principal payments on notes payable	–	(213,856)
Proceeds from notes payable	–	42,262,484
Payment of debt issuance costs	–	(627,427)
Payments under capital leases	(78,862)	(203,606)
Payment of earnout liability	(1,489,618)	–
Net cash provided by financing activities	(1,568,480)	41,217,595
Net decrease in cash and cash equivalents	(28,670,180)	(4,411,030)
Cash and cash equivalents at beginning of period	45,153,665	11,759,547
Cash and cash equivalents at end of period	$ 16,483,485	$ 7,348,517
Supplemental disclosures		
Significant noncash transaction – acquisition of Fiber South	$ –	$ 6,000,000
Equipment purchased under capital leases	$ 405,730	$ 318,702

See accompanying notes to consolidated financial statements.

1. Nature of Operations and Basis of Presentation

Nature of Operations

Point Broadband Acquisition, LLC (Point Broadband Acquisition or the Company) was formed on March 10, 2021 as a Delaware limited liability company by GTCR, a leading private equity firm and ultimate parent of Point Broadband Acquisition. Point Broadband Acquisition was formed by GTCR for the purpose of enacting the acquisition of Point Broadband Fiber Holding, LLC (Point Broadband Fiber) on October 1, 2021. Point Broadband Acquisition's business operations are conducted through this wholly owned subsidiary.

Point Broadband Fiber is an internet service provider (ISP) serving residential and commercial customers and government entities in mainly rural and suburban regions of the United States. The Company offers internet and voice services in all its markets and in two of its markets also provides video services. The Company's operations are focused in the Mid-Atlantic region, as well as the Southeast, Midwest, and upstate New York. The Company was incorporated in 2016 and is based in Opelika, Alabama.

The Company is a wholly owned subsidiary of Point Broadband Intermediate, LLC and Point Broadband Intermediate, LLC is a wholly owned subsidiary of Point Broadband Holdings, LLC.

Basis of Presentation

Predecessor

On October 1, 2021, Point Broadband Acquisition acquired Point Broadband Fiber. The results of operations for the period January 1, 2021 to September 30, 2021 represent those of Point Broadband Fiber prior to the acquisition. The results for this period represent the Predecessor financial statements.

Successor

On October 1, 2021, Point Broadband Acquisition acquired 100% of the equity interest in Point Broadband Fiber for an aggregate consideration transferred of $674,923,284 (the Acquisition).

1. Nature of Operations and Basis of Presentation (continued)

Point Broadband Acquisition applied acquisition accounting guidance under Accounting Standards Codification (ASC) 805, ***Business Combinations***, and recorded the acquired assets and liabilities of Point Broadband Fiber and its subsidiaries as of October 1, 2021 at fair value. The consolidated cash flows and results of operations and other comprehensive loss after the Acquisition are not comparable with those prior to the Acquisition and therefore have been segregated in the financial statements. The Successor financial statements represent the operations of Point Broadband Fiber, and its subsidiaries under the ownership of Point Broadband Acquisition, for the period commencing after the date of the Acquisition, or October 1, 2021, to December 31, 2021.

The operating entities and subsidiaries of Point Broadband Fiber are as follows:

2021	Ownership Percentage
Point Broadband of Bainbridge, LLC (Bainbridge)	100%
Point Broadband of Alabama, LLC (Opelika, JTM, or Island Fiber)	100
Sunset Digital Communications, LLC	100
Sunset Fiber, LLC (collectively Sunset)	100
Point Broadband of the Piedmont, LLC (Hagerstown)	100
Point Broadband of Ohio, LLC (Ohio)	100
Casair Broadband, LLC (Casair)	100
Point Broadband of Michigan, LLC (VB Fiber)	100
Clarity Fiber Solutions, LLC (Clarity)	100
Point Broadband – Cobb, LLC (NW Georgia)	100
Point Services, LLC	100
Point Broadband Towers, LLC	100
Point Broadband of Mississippi, LLC (Mississippi)	90

2. Summary of Significant Accounting Policies

Consolidation and Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Point Broadband Acquisition and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. The more significant estimates made by management relate to the fair value of the net assets acquired in business combinations, goodwill, impairment of investments, and long-lived tangible and intangible assets.

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Domestic accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per unique non-interest-bearing account number. The Company maintains its cash accounts in commercial banks, which at times may exceed federally insured limits. The Company had approximately $14,093,756 in uninsured cash at December 31, 2021. The Company has not experienced any losses in such accounts. The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company had no short-term investments at December 31, 2021.

2. Summary of Significant Accounting Policies (continued)

Business Combinations

The Company accounts for its business combinations under the acquisition method of accounting. The Company recognizes separately from goodwill, the identifiable assets acquired, and liabilities assumed based on their respective estimated fair values. The excess of the consideration transferred over the estimated fair values of the net assets acquired is recorded as goodwill.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The carrying amount of notes payable approximates its fair value, as interest rates approximate current market rates.

Property and Equipment and Depreciation

Property and equipment is recorded at cost less accumulated depreciation using depreciation methods over estimated useful lives as follows:

Description	Method	Useful Life
Network equipment	Straight-line	5–7 years
Other general equipment	Straight-line	3–7 years
Broadband equipment	Straight-line	5–7 years
Building improvements	Straight-line	Shorter of 15 years or lease term
Office equipment and furniture	Straight-line	5–7 years
Software and licenses	Straight-line	3 years
Vehicles	Straight-line	5–7 years
Land	N/A	N/A

The Company has a policy that any asset valued at $1,000 or greater will be capitalized as a fixed asset. All fixed assets will be assigned a useful life and depreciated accordingly. If similar acquired assets are below the capitalization threshold, they may be grouped together and capitalized if the total amount is above $1,000.

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, in accordance with the provisions of ASC 360, *Property, Plant, and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated. There was no impairment of long-lived assets recognized in the consolidated financial statements.

Goodwill and Intangible Assets

Goodwill is recorded when the consideration transferred for an acquired business is greater than the fair value of the net identifiable assets acquired, and liabilities assumed.

In accordance with ASC 350, *Intangibles – Goodwill and Other*, goodwill and other indefinite-lived intangible assets are assessed for impairment at least annually as of December 31, or more frequently if impairment indicators arise using a qualitative or quantitative approach. Any excess of the carrying amount of the reporting unit over its fair value is recognized as an impairment loss, not to exceed the amount of goodwill assigned to the impaired reporting unit. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows. The Company may use a qualitative or quantitative process to determine if there is an impairment. Prior to performing a quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the carrying amount of the reporting unit exceeds its fair value, the Company must perform a quantitative assessment to calculate the fair value of the reporting unit and compare to its carrying amount and measure an impairment loss.

Debt Issuance Costs

Debt issuance costs consist of the amounts paid to lenders and third parties in connection with the issuance of debt. Debt issuance costs are presented as a reduction to notes payable, net on the consolidated balance sheet. These costs effectively reduce the proceeds of borrowing, thereby increasing the effective interest rate. These costs are amortized using the effective interest method over the borrowing term and are reported within interest expense on the consolidated statement of operations and comprehensive loss.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company earns most of its revenue from contracts with customers, primarily through the provision of internet, voice, and video services.

The Company also earns regulatory revenue from governmental grant payments under the Connect America Fund Phase II (CAF II) and the Rural Digital Opportunity Fund (RDOF) federal programs, neither of which are accounted for under ASC 606, *Revenue from Contracts with Customers*. These programs are provided by the government to help expand access to high-speed broadband to underserved localities. Funds are received under both these programs in equal monthly installments and are recognized as revenue when received. The funds received under these programs are reported as "Regulatory Revenue" under the consolidated statement of operations.

The Company also receives grant payments from various state and local authorities for the expansion of broadband access to unserved and underserved areas. The funds from these state and local grants are received as reimbursement for approved and incurred capital expenditures and are recognized under Other expense, net. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), funds received under these grants totaled $537,749 and $4,749,294, respectively.

The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods and services to a customer.

The Company provides internet, voice, and video services to residential and commercial customers. Residential customers are provided services on a month-to-month basis and are billed monthly. Commercial customer contract terms vary from month to month up to 60 months, and the majority are billed monthly. The Company offers discounts to customers who bundle additional services with broadband. All revenue is recognized when services are provided to the customer, irrespective of the billing period.

2. Summary of Significant Accounting Policies (continued)

The Company evaluates whether it has an enforceable contract with a customer. An enforceable contract states the contractual terms, including the parties' rights and the payment terms related to the goods and services to be transferred; and there is the ability and intention to pay the Company for the contracted product or service. The Company also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation. Multiple promises in a contract are typically separated if they are distinct, both individually and in the context of the contract.

Performance obligations are satisfied either over time or at a point in time. The appropriate measure of progress for revenue recognition is based on the nature of the performance obligation and other pertinent contract terms.

In the normal course of business, the Company provides assurance-type warranties for services with agreed-upon specifications.

Contract Costs

The Company pays sales commissions to its employees for the execution of a contract and contract renewals. Sales commissions represent "costs to obtain a contract," as they meet the criteria in ASC 340-40, *Contracts with Customers (Other Assets and Deferred Costs)*. Sales commissions are incremental costs to obtaining a contract as the costs would not be incurred if the contract was not executed. Further, the Company expects to recover these costs through the gross margin earned on the sale of its services.

Any commissions related to residential customers are expensed when incurred per the practical expedient present in ASC 340-25-4 which states that costs related to contracts with a duration of one year or less may be expensed as incurred. All residential customers are on month-to-month contracts. The commission plan related to commercial customers is based off of a specific contract type and length for each successful new contract with a customer as well as renewal contracts with current customers. Service upgrades for commercial customers are also eligible for commissions.

Company contracts for commercial customers often contain renewal options or provisions that may be automatic or elective. Commissions paid for renewals are much lower than the initial commission for new customers and therefore, commissions are not commensurate during the entire contract period, inclusive of renewals. As a result, commissions costs are amortized over the average customer life of commercial customers.

2. Summary of Significant Accounting Policies (continued)

The Company used current historical information to estimate the average life of its customers. The Company evaluated initial contract start dates, and how long they have been customers.

Based on this analysis, the Company amortizes commissions costs related to new contracts over the average customer life of seven years. Management will continue to monitor and update this average customer life on an annual basis as more historical data is collected. Management also reviews contract assets annually to assess whether any impairment is necessary.

Advertising Costs

The Company expenses advertising costs as they are incurred. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 1, 2021 (Predecessor), advertising costs totaled $342,781 and $620,631 respectively. Advertising costs were expensed and included in selling, general and administrative expenses in the consolidated statements of operations.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes, with income taxes payable by the members. Accordingly, no provision has been made in these financial statements for federal and state income taxes for the Company. As a limited liability company, each member's liability is limited to amounts reflected in their respective member's equity accounts in accordance with the Limited Liability Company Agreement. The income allocable to each member is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the members could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Recently issued accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of operations. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Company is currently evaluating the effect that the standard will have on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The guidance is effective for the Company beginning January 1, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. A prospective transition approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date. We do not anticipate this standard to have a material impact on the Company's financial statements.

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the net assets of businesses acquired in a business combination. Prior to the current fiscal year, the Company applied the alternative provisions of accounting for goodwill that are permitted for private companies. Under the alternative, goodwill was amortized on a straight-line basis over ten years and goodwill impairment testing was performed at the entity level only when a triggering event indicates that the carrying value of the entity's goodwill may exceed its estimated fair value.

The GTCR acquisition (Note 3) changed the potential exit strategies that would be reasonably available to the current investors. The Company's investors have determined that several reasonably possible exit strategies include options in which the use of the private company accounting alternative is prohibited. This was unlikely prior to the GTCR acquisition.

With the changed circumstances, the Company determined that a voluntary change in accounting treatment regarding the amortization of goodwill would be preferable and justifiable should an exit event require financial statements to be prepared under accounting standards required for public companies. Under the Company's new policy, goodwill is not amortized but tested as described above.

The voluntary change in accounting principle was accounted for retrospectively as required by ASC 250, *Accounting Changes and Error Corrections*, as of the beginning of the earliest period presented (the year ended December 31, 2021), resulting in a $2,919,445 credit to accumulated deficit for the cumulative effect of the change in accounting principle. Because of this voluntary change, the Company tested for impairment retrospectively for the years ended December 31, 2020, 2019, and 2018, respectively. No impairments were recorded as a result of the tests performed.

3. Business Combinations

Point Broadband Fiber Holding, LLC Acquisition

On March 12, 2021, a Membership Interest Purchase Agreement (the Point Broadband Purchase Agreement) was entered into between Point Broadband Acquisition (the Buyer), Point Broadband, LLC, a Georgia limited liability company (Parent), Point Broadband Capital, LLC, a Delaware limited liability company (the Seller), Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Company, and together with Parent and Seller, the Seller Parties). Through the Point Broadband Purchase Agreement, the Seller Parties agreed to transfer all ownership in the Company to the Buyer. Collectively this represents "The Acquisition," which closed on October 1, 2021.

The total purchase consideration was $674,923,284, comprised of $482,047,875 in cash, $136,079,159 in funded indebtedness (old debt that was paid-off at closing), $53,846,250 in rollover equity, and $2,950,000 in additional equity that was issued as a result of the JTM Broadband, LLC and Camp Fox, LLC Acquisitions (discussed below). See Note 10 for discussion on the third-party debt that was entered into during the Acquisition.

The Company applied purchase accounting guidance under ASC 805 to record the acquired assets and liabilities at fair value as of the acquisition date. The consolidated cash flows and results of operations and other comprehensive loss after the Acquisition are not comparable with those prior to the Acquisition and therefore have been segregated in the financial statements. The excess of the purchase price over the net assets acquired was allocated to goodwill. The Company recorded $332,685,399 of goodwill on the December 31, 2021, consolidated balance sheet. The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash, net	$ 482,047,875
Funded indebtedness	136,079,159
Rollover equity	53,846,250
Additional equity	2,950,000
Total consideration	$ 674,923,284

3. Business Combinations (continued)

Net assets acquired	
Cash and cash equivalents	$ 7,348,588
Accounts receivable	1,255,389
Other current assets	1,893,022
Property, plant, and equipment	220,573,368
Other non-current assets	7,006,626
Intangible assets	133,100,000
Goodwill	332,685,399
Total assets	703,862,392
Net liabilities assumed	
Accounts payable	(8,379,835)
Other current liabilities	(10,756,039)
Unearned revenue	(2,604,696)
Other long-term liabilities	(7,198,538)
Total liabilities assumed	(28,939,108)
Total net assets acquired	$ 674,923,284

Intangible assets acquired consist of customer relationships of $101,500,000 and trade names of $31,600,000. Trade Names are amortized on a straight-line basis over their useful lives of 15 years, while Customer Relationships are amortized on a straight-line basis over their useful lives of 5 years. Refer to Note 6 for further details on these intangible assets. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available through GTCR's management to accelerate and expand the business. Sell-side transaction expenses totaled $8,657,946 and were recorded in the consolidated statement of operations for the period from January 1 to September 30, 2021 (Predecessor) within Other expense, net. Buy-side transaction expenses totaled $10,243,627 and were recorded in the consolidated statement of operations for the period from October 1 to December 31, 2021 (Successor).

The disclosure above includes the fair value of assets acquired under other acquisitions in the current year. The Company acquired Fiber South Broadband, LLC (wholly owned subsidiary of Cobb Electric Membership Corporation) in April 2021. Additionally, the Company completed the acquisitions of Camp Fox, LLC (d/b/a Island Fiber) and JTM Broadband, LLC on October 1, 2021. See below for further detail on those acquisitions.

3. Business Combinations (continued)

Fiber South Broadband, LLC Acquisition

On April 30, 2021, an Asset Purchase Agreement (the Fiber South Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer), Fiber South Broadband, LLC (the Seller) and Cobb EMC, parent of Fiber South Broadband, LLC. Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Fiber South Acquisition, which closed on April 30, 2021.

The acquisition was completed in the form of a $6,000,000 note payable earnout obligation to the Seller, which was the aggregate consideration transferred. As part of the fair value assessment on October 1, 2021, for the GTCR Acquisition above, the third-party valuation specialist estimated that the fair value of the earnout was $4,500,000. This is included in "Other long-term liabilities" on the consolidated balance sheet. The fair market value of the obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted growth rates. These fair value measurements are directly impacted by the Company's estimates. As of December 31, 2021, there were no significant changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition.

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Contingent consideration	$ 4,500,000
Total consideration	$ 4,500,000

3. Business Combinations (continued)

Tangible assets	
Cash	$ –
Working capital	29,000
Property, plant, and equipment	4,117,000
Other net assets	–
Net tangible assets	4,146,000
Intangible assets	
Trade name	20,000
Customer relationships	70,000
Goodwill	264,000
Net intangible assets	354,000
Total net assets acquired	$ 4,500,000

Camp Fox, LLC (d/b/a Island Fiber) Acquisition

On August 23, 2021, an Asset Purchase Agreement (the Island Fiber Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Island Fiber, an Alabama limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Island Fiber Acquisition, which closed on October 1, 2021.

Point Broadband Fiber acquired the assets of the Seller for $5,500,000, plus working capital/closing adjustments. The Island Fiber Acquisition was funded by $5,200,000 of cash on hand from Point Broadband Fiber, as well as $300,000 of consideration in rollover equity.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,200,000
Rollover equity	300,000
Cash adjustment	7,000
Working capital adjustment	74,000
Total consideration	$ 5,581,000
Tangible assets	
Cash	$ 7,000
Working capital	89,000
Property, plant, and equipment	1,794,000
Other net assets	26,000
Net tangible assets	1,916,000
Intangible assets	
Trade name	20,000
Customer relationships	600,000
Goodwill	3,045,000
Net intangible assets	3,665,000
Total net assets acquired	$ 5,581,000

JTM Broadband, LLC Acquisition

On August 20, 2021, an Asset Purchase Agreement (the JTM Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and JTM Broadband LLC, a Tennessee Corporation (the Seller). Through the Purchase Agreement, the Seller Parties agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the JTM Acquisition, which closed on October 1, 2021.

3. Business Combinations (continued)

Point Broadband Fiber acquired the assets of the Seller for $15,000,000 plus working capital/closing adjustments. The JTM Acquisition was funded by $13,350,000 of cash on hand from Point Broadband Fiber, as well as $1,650,000 of consideration in rollover equity.

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 13,350,000
Rollover equity	1,650,000
Cash adjustment	459,000
Working capital adjustment	(121,000)
Total consideration	$ 15,338,000
Tangible assets	
Cash	$ 459,000
Working capital	(35,000)
Property, plant, and equipment	9,456,000
Other net assets	40,000
Net tangible assets	9,920,000
Intangible assets	
Trade name	90,000
Customer relationships	2,160,000
Goodwill	3,168,000
Net intangible assets	5,418,000
Total net assets acquired	$ 15,338,000

4. Revenue Recognition

Nature of Services

The Company is an internet service provider (ISP) serving residential and commercial customers and government entities in mainly rural and suburban America. The Company offers internet and voice services in all its markets and in two of its markets also provides video services. The Company's operations are focused in the Mid-Atlantic region, as well as the Southeast, Midwest, and upstate New York. The Company was incorporated in 2016 and is based in Opelika, Alabama.

Disaggregation of Revenue

The table below presents revenue disaggregated by revenue stream:

	For the Period from October 1 to December 31, 2021 (Successor)	For the Period from January 1 to September 30, 2021 (Predecessor)
Customer revenue:		
Internet	$ 13,087,329	$ 34,151,760
Voice	1,715,291	5,342,682
Video	1,407,571	5,268,977
Other	861,463	2,876,918
Regulatory revenue	3,382,213	4,919,010
	$ 20,453,867	$ 52,559,347

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company enters into contracts with customers that will sometimes include promises to deliver multiple services which may be capable of being distinct and distinct within the context of the contract. Thus, they can be accounted for as separate performance obligations. Determining whether services are performance obligations often requires the exercise of judgment by management. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service.

4. Revenue Recognition (continued)

All service revenue is satisfied over-time while commercial installation revenue is satisfied at a point in time, as installation is considered a separate performance obligation for commercial customers. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), commercial installation revenue totaled $48,463 and $225,000, respectively. The performance obligation is satisfied once installation is complete, at which point revenue is recognized.

Determining the Transaction Price

Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transfer of service to a customer. When determining the transaction price, the Company estimates variable consideration to the extent that it is probable that a significant amount of cumulative revenue will not be reduced in the future.

Measure of Progress

The nature of the Company's monthly recurring and non-recurring revenue directly corresponds with the value to the customer for any given monthly period and thus the Company has concluded the output method is the most appropriate for recognizing its revenue. All service (phone, internet, cable) revenue streams are measured by the output method because the amounts on the stated invoices directly correspond to the value of the performance obligation provided at the stated contractual rate.

Principal vs. Agent Considerations

The Company evaluates whether it promises to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on the evaluation of the control model, the Company determined it acts as the principal within the business model rather than as an agent within the revenue arrangements.

4. Revenue Recognition (continued)

Costs to Obtain and Fulfill a Contract

The Company capitalizes certain costs to obtain and fulfill a new contract and contract renewals. These costs primarily relate to sales commissions on commercial customers that are related to the execution of customer contracts. These capitalized costs related to commercial contracts are amortized on a straight-line basis over the average customer life, which is seven years.

5. Goodwill

Beginning balance – December 31, 2020 (Predecessor)	$ 16,567,526
Prior period adjustment – error correction[1]	5,987,459
Prior period adjustment – change in accounting principle[2]	2,919,445
Working capital payment	67,000
Ending balance – September 30, 20201 (Predecessor)	$ 25,541,430
Beginning balance – October 1, 2021 (Successor)	$ –
Goodwill recorded	332,685,399
Ending balance – December 31, 2021 (Successor)	$332,685,399

[1] Refer to Note 14 for further detail
[2] Refer to Note 2 for further detail

Goodwill recorded in the consolidated balance sheet totaled $332,685,399 at December 31, 2021 (Successor). At December 31, 2021, the Company performed a qualitative assessment of its goodwill. Based on its assessment, it was determined that it was more likely than not that the carrying amount of the reporting unit exceeded its fair value and, thus, no goodwill impairment was recognized in the consolidated statement of operations and comprehensive loss.

6. Intangible Assets, Net

Intangible assets at December 31, 2021 (Successor) included the following:

	Useful Lives	Gross Carrying Amount at December 31, 2021	Accumulated Amortization	Net Carrying Amount as of December 31, 2021
Trade name	15 years	$ 31,600,000	$ (526,667)	$ 31,073,333
Customer relationships	5 years	101,500,000	(5,075,000)	96,425,000
Total intangible assets		$ 133,100,000	$ (5,601,667)	$ 127,498,333

Amortization expense related to intangibles totaled $5,601,667 for the period from October 1, 2021 to December 31, 2021 (Successor). Amortization expense related to intangible assets for the period from January 1 to September 30, 2021 (Predecessor) totaled $5,872,169.

The following table summarizes the future aggregate amortization expense of the Company's intangible assets with finite lives:

	Total
For the years ending December 31:	
2022	$ 22,406,666
2023	22,406,666
2024	22,406,667
2025	22,406,667
2026	17,331,667
Thereafter	20,540,000
	$ 127,498,333

No impairment indicators were identified for the period from October 1, 2021 to December 31, 2021 (Successor) or the period from January 1 to September 30, 2021 (Predecessor).

7. Property, Plant and Equipment, Net

Below are the major classes of property, plant, and equipment as of December 31, 2021:

	2021
Network equipment	$ 187,047,912
Other general equipment	17,562,852
Video and broadband equipment	4,708,535
Building improvements	3,623,012
Office equipment and furniture	357,175
Software and licenses	3,281,542
Vehicles	2,664,108
Construction-in-process	14,294,402
Inventory	25,747,569
Land	217,837
Total property, plant, and equipment	259,504,944
Less: accumulated depreciation	(11,280,450)
Property, plant, and equipment, net	$ 248,224,494

Depreciation expense for the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), totaled $11,280,450 and $15,854,953, respectively. Amortization of assets recorded under capital lease is included in depreciation expense.

8. Related-Party Transactions

The Company received certain chaplain services and insurance brokerage services during the predecessor period from a shareholder, ITC Capital Partners, LLC. The Company also charged the shareholder for certain HR and legal services performed. The expenses are recorded at amounts invoiced for the services provided and were payable quarterly. Total expenses related to services received from the shareholder for the period from January 1 to September 30, 2021 (Predecessor) was $27,864. Total income from services provided to the shareholder for the same period was $46,008. Following the acquisition by GTCR (Note 3), ITC Capital Partners, LLC was no longer considered a related party.

8. Related-Party Transactions (continued)

Additionally, the Company also pays rent to certain employees and spouses of employees. The Company also receives professional and other services from certain employees and members and pays some of these related parties for installation and network maintenance related activities as well. Expenses related to these members and employees totaled $500,896 for the period from October 1 to December 31, 2021 (Successor) and $698,414 for the period from January 1 to September 30, 2021 (Predecessor).

9. Accrued Liabilities

Accrued liabilities consists of the following as of December 31, 2021:

	December 31, 2021
Accrued interest	$ 6,694,527
Accrued payroll	771,700
Accrued taxes	571,987
Accrued earnout provision	712,213
Other accrued expenses	6,905,024
Total accrued liabilities	$ 15,655,451

The prior period acquisitions of Crystal Automation Systems, Inc. (Casair) on September 1, 2020, and Hagerstown Fiber Internet, LLC (Hagerstown) on January 31, 2020 by Point Broadband Fiber, included earnout payments to the sellers at a future point in time if certain performance metrics were achieved. The fair value of the related earnout provisions were measured on December 31, 2020, September 30, 2021 (Predecessor), and December 31, 2021 (Successor). The Company recorded fair value adjustments related to any changes in fair value between measurement periods. The Company did not recognize a liability for these earnout provisions as of December 31, 2020. An adjustment was made in the current year to recognize the fair value of the earnout liability for both entities as of December 31, 2020. See Note 14 for further details on the impact of this adjustment.

9. Accrued Liabilities (continued)

The Casair acquisition included an earnout provision whereby the Company would make two additional payments contingent on the performance of the acquired company. The Company calculates the earnout amounts within 60 days following the one-year and two-year anniversary of the closing date. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted EBITDA. These fair value measurements are directly impacted by the Company's estimates. The year one payout was made in October 2021, for a total amount of $2,221,386. The year two payout is expected to be made in October of 2022. As of December 31, 2021, there were no significant changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition.

The Hagerstown acquisition included an earnout provision whereby the Company would have to make an additional payment contingent on the net increase in incremental subscribers installed and added to the fiber network that exists as of the Closing Date (current passings) through a minimum of 18 months after Closing. The earnout shall be payable after the closing date on the later of, (1) the date when 10% subscriber penetration rate has been obtained on an incremental 15,000 passings constructed post acquisition, (2) the 18-month anniversary of the closing date. Based on current build plans, the Company expects the incremental 15,000 passings will be fully constructed by June of 2023. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. These fair value measurements are directly impacted by the Company's estimates. As of December 31, 2021, there were no significant changes in the range of outcomes for the contingent consideration recognized as a result of these prior period acquisitions.

The change in fair value and payment for both earnouts is as follows:

Casair earnout – Beginning balance – December 31, 2020	$ 6,296,580
Change in fair value	(3,684,243)
Ending balance – September 30, 2021	2,612,337
Payment on October 26, 2021	(2,221,386)
Change in fair value	(78,734)
Ending balance – December 31, 2021	$ 312,217

9. Accrued Liabilities (continued)

Hagerstown earnout – Beginning balance – December 31, 2020	$ 843,082
Change in fair value	(429,643)
Ending balance – September 30, 2021	413,439
Change in fair value	(13,443)
Ending balance – December 31, 2021	$ 399,996

The fair value of the related earnout provisions were measured on September 30, 2021 (Predecessor) and December 31, 2021 (Successor), with a gain recorded within operating expenses on the consolidated statement of operations. For the period from January 1 to September 30, 2021 (Predecessor), the Company recorded a gain of $4,113,886 related to the change in fair value of the earnout provisions. For the period from October 1, 2021, to December 31, 2021 (Successor), the Company recorded a gain of $92,179 related to the change in fair value of the earnout provisions.

10. Notes Payable

Notes payable, long term consists of the following at December 31, 2021:

	December 31, 2021
Virginia Tobacco Commission Loan	$ 1,500,000
Tobacco Region Revitalization Commission	136,000
GSO/Benefit Street Term Loan	356,400,000
Less: debt issuance costs	(11,991,593)
	$ 346,044,407

10. Notes Payable (continued)

The current portion of notes payable consists of the following at December 31, 2021:

	December 31, 2021
GSO/Benefit Street Term Loan	$ 3,600,000
Tobacco Region Revitalization Commission	136,000
	$ 3,736,000

As of December 31, 2021 (Successor), future maturities of debt are as follows:

2022	$ 3,736,000
2023	3,736,000
2024	3,900,000
2025	3,900,000
2026	3,900,000
Thereafter	342,600,000
	$ 361,772,000

Borrowings under the GSO/Benefit Street Term Loan are subject to certain financial covenants. As of December 31, 2021 (Successor), the Company was in compliance with all of its covenants.

As described previously, on October 1, 2021 (the Acquisition Date), GTCR and other investors, through the wholly owned subsidiary, Point Broadband Acquisition, acquired 100% of the equity interest in Point Broadband Fiber, for a stated purchase price of $520,000,000 plus working capital/closing adjustments. Financing of the transaction was obtained in a Credit Agreement containing an Initial Term Commitment (Initial Term Loan) in an aggregate principal amount of $360,000,000, a Delayed Draw Term Loan Commitment (Delayed Draw Term Loan) in an aggregate principal amount of $150,000,000, a Revolving Commitment (Revolver) in an aggregate principal amount of up to $50,000,000, and a Letter of Credit Commitment (LOC or Letter of Credit) totaling $43,750,000. At the time of the acquisition, and as of December 31, 2021, the only loan outstanding was the Initial Term Loan of $360,000,000.

10. Notes Payable (continued)

The Credit Agreement (Agreement) is dated as of October 1, 2021 between Point Broadband Acquisition, LLC (the Borrower), Point Broadband Intermediate, LLC (Holdings) and the Lenders and Issuing Banks, GSO Capital Partners (GSO, Blackstone), Benefit Street Partners (Benefit Street) and Ally Bank (Ally) party hereto and Wilmington Trust, National Associates, as an Administrative Agent and Collateral Agent.

The Company incurred debt origination costs of approximately $12,378,011 related to the new debt. Amortization expense related to debt issuance costs totaled $386,418 for the period from October 1 to December 31, 2021 (Successor period), which is recorded as interest expense on the consolidated statement of operations. Amortization of debt issuance costs for the period from January 1 to September 30, 2021 (Predecessor) totaled $355,957, which was associated with old debt that was extinguished on the Acquisition Date.

Paycheck Protection Program Loan (Predecessor)

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Company applied for a loan under the Program and received from its bank a loan in the amount of $1,657,957 on April 10, 2020. The loan is forgivable if the Company meets certain criteria as established under the Program. The Company filed an application for forgiveness on March 16, 2021 and in June 2021, the entire balance was forgiven. The Company recorded a gain on forgiveness of debt during the period from January 1 to September 30, 2021 which is reported under other income on the consolidated statement of operations within other expense, net.

CoBank Credit Agreement (Predecessor)

Prior to the Acquisition, the Company had an outstanding credit agreement with CoBank. As part of the credit agreement, the Company had a combined amount outstanding on a term loan, delayed draw term loan, and revolving credit facility of $135,262,484.

The Company had an available revolving loan commitment with CoBank on which it may have borrowed up to $20,000,000. Borrowings of $2,262,484 were outstanding on the revolving loan prior to the Acquisition.

10. Notes Payable (continued)

The Company had an available delayed draw term loan with CoBank on which it could have borrowed an additional $45,000,000. Borrowings of $40,000,000 were outstanding on the delayed draw term loan prior to the Acquisition.

On October 1, 2021 as part of the acquisition by Point Broadband Acquisition the entire debt to CoBank was paid off and the agreement was extinguished. The net payoff amount was $135,986,850, which included a payment of $135,262,484 for principal, $43,148 for interest and breakage, $536,000 for obligations pursuant to a secured hedge, and $145,218 for a commitment fee.

11. Capital Lease Obligations

The Company has acquired vehicles through capital lease agreements with Altec Capital and Farm Credit Leasing. Obligations under capital lease have been recorded at the present value of future minimum lease payments using interest rates from 0% to 8.39%. The capitalized cost of $1,864,245 less accumulated depreciation of $465,644 is included in property, plant, and equipment at December 31, 2021.

Scheduled future minimum lease payments under capital leases together with present value of the net minimum lease payments are as follows:

For the years ending:		
December 31, 2022	$	348,308
December 31, 2023		322,518
December 31, 2024		254,649
December 31, 2025		203,734
December 31, 2026		124,197
Thereafter		–
Total minimum lease payments		1,253,406
Less current portion		(348,307)
Long-term obligation	$	905,099

12. Commitments and Contingencies

The Company has pledged to guaranty letters of credit to cover reimbursement obligations issued to Universal Service Administrative Company related to CAF II and RDOF grants as well as to Empire State Development to cover New York state grants. No liability is required to be recorded by the Company. The balance on the letters of credit at December 31, 2021 was $16,026,799.

The Company leases office space and certain equipment under noncancelable operating leases which expire at various dates through 2030. In addition to the monthly payments under the leases, the Company is responsible for real estate taxes, insurance, maintenance and operating costs. Future minimum lease payments (not including common area maintenance and taxes) under these lease agreements at December 31, 2021 are approximately as follows:

For the years ending:	
December 31, 2022	$ 1,782,823
December 31, 2023	1,573,742
December 31, 2024	1,468,899
December 31, 2025	818,304
December 31, 2026	573,494
Thereafter	862,810
Total	$ 7,080,072

Rent expense for the period from October 1 to December 31, 2021 (Successor) and for the period from January 1 to September 30, 2021 (Predecessor) was approximately $861,567 and $2,111,917, respectively.

13. Members' Equity

Successor

The equity structure of the Company in the successor period is a result of a contribution of $375,350,000 from Point Broadband Holdings, LLC as part of the Acquisition. The Company is an indirect wholly owned subsidiary of Point Broadband Holdings, LLC. The contribution amount is comprised of $56,796,250 of rollover equity and a $318,553,750 cash investment from GTCR and other investors. Point Broadband Acquisition's equity structure is described within the Limited Liability Company Agreement (LLC Agreement). The LLC Agreement permits the issuance of one hundred units of limited liability company interest, all of which shall be of one class and shall be designated as Common Units and all of which shall be issued to the Member. Point Broadband Intermediate, LLC is the Member of the LLC Agreement and is also a wholly owned subsidiary of Point Broadband Holdings, LLC.

Share-Based Compensation

On October 1, 2021, the amended and restated LLC Agreement for Point Broadband Holdings, LLC put in place a plan to issue Management Incentive units. Point Broadband Holdings, LLC may, subject to the approval of the Board of Directors, issue or sell Class C Units to any existing or new employee, officer, director, consultant, or other Person or service provider of Point Broadband Holdings, LLC or any of its Subsidiaries (including any Management Holdco) pursuant to a Senior Management Agreement approved by the Board of Directors, which agreement shall contain such provisions as the Board of Directors shall determine. Under the Incentive Plan, Point Broadband Holdings, LLC provides share-based compensation awards to employees including time vesting incentive units (collectively, the Incentive Units or C Units). C Units are defined within the Point Broadband Holdings, LLC Agreement as a Unit representing a fractional part of the interest of a Unitholder in Profits, Losses, and Distributions and having the rights, powers, and obligations specified with respect to the Class C Units. Stock-based compensation expense related to the Company's employees has been recorded in the consolidated financial statements.

As part of the Point Broadband Holdings, LLC Agreement, Section 3.1, Point Broadband Holdings, LLC is authorized to issue unlimited Incentive Units. As of December 31, 2021, Point Broadband Holdings, LLC has issued 97,850 Class C units to 35 employees.

13. Members' Equity (continued)

The Class C Units are structured as time vesting incentive units that become vested at 20% on each of the first five anniversaries of the effective date and requires the employee to remain employed from the effective date through the applicable anniversary date. No units were vested as of December 31, 2021. Upon the occurrence of a sale of the Company in the future, all Incentive Units which have not become vested shall become vested as of the date of consummation of the sale. In the event of a separation, all unvested Incentive Units automatically will be forfeited and deemed canceled and no longer outstanding without any payment and all vested Incentive Units will be subject to a right of repurchase at fair value by Point Broadband Holdings, LLC. Point Broadband Holdings, LLC may assign its repurchase rights to any person. Total share-based compensation expense of $413,910 was recognized in operating expenses on the consolidated statement of operations and comprehensive loss for the period from October 1, 2021 to December 31, 2021 (Successor).

To determine the fair value of units issued in 2021, the Company used a third-party valuation specialist to calculate the enterprise value as determined by discounted cash flow, guideline public company, and merger and acquisition valuation methodologies. The specialist allocated the Company's aggregate equity value among the securities that comprise the capital structure of the Company using the Option-Pricing Method.

The incentive units are service condition awards only; as such, the Company has elected to account for forfeitures as they occur and adjust compensation expense, accordingly, as permitted by ASU 2016-09. As of December 31, 2021, there were zero units forfeited.

Refer to the table below for a summary of significant inputs and assumptions used to value the Class C Incentive Units:

	December 31, 2021
Assumed value of equity	$ 390,064,000
Risk-free rate of interest	0.9%
Expected time to a liquidity event (in years)	5
Expected volatility of equity	47.5%
Discount for lack of marketability	31.0%

13. Members' Equity (continued)

Refer to the table below for a summary of the Level 3 fair value measurements:

	Level 3 Fair Value Measurement		
	Class C Incentive Units	Weighted Average Grant Date Fair Value Per Unit	Fair Value Per Unit
Balance at October 1, 2021	–	$ –	$ –
Granted	97,850	84.60	122.61
Forfeited or cancelled	–	–	–
Balance at December 31, 2021	97,850	$ 84.60	$ 122.61

Predecessor

Prior to the Acquisition, Point Broadband Fiber Holding, LLC had five classes of shares outstanding – Series A, B, and C Preferred Shares, as well as a class of common shares, and Series E restricted shares.

The Preferred Series A, B, and C shares were convertible into 1.0 common shares. The Series A shares had a liquidation preference of $1.94 per share. The Series B shares had a liquidation preference of $2.53 per share. The 7,776,600 Series C shares issued in 2019 had a liquidation preference of $3.00 per share. The 8,750,001 Series C shares issued in 2020 had a liquidation preference of $4.00 per share.

In the event of a distribution of capital proceeds, the liquidation preference of the Series A, Series B, and Series C Preferred shares would have been applied with the following priority: first to Series C shares, second to Series A shares and Series B shares combined on a pro rata basis.

As part of the acquisition by Point Broadband Acquisition, all predecessor equity was retired. Refer to successor period discussion for the new equity structure.

14. Prior Period Restatement

The prior period acquisitions of Crystal Automation Systems, Inc. (Casair) on September 1, 2020, and Hagerstown Fiber Internet, LLC (Hagerstown) on January 31, 2020, included earnout payments to the sellers at a future point in time if certain performance metrics were achieved.

The Company did not recognize a liability for these earnout provisions as of December 31, 2020. An adjustment was made in the current year to recognize the fair value of the earnout liability for both entities as of December 31, 2020. By correcting the error, goodwill increased by $5,987,459 and accrued liabilities increased by $7,139,662 as of December 31, 2020, and Earnout expense (gain) and net loss increased by $1,152,203 for the year ending December 31, 2020. The effect of these errors has been reflected as an adjustment to opening accumulated deficit in the consolidated statement of members' equity as of January 1, 2021.

15. Subsequent Events

The Company has evaluated subsequent events through May 25, 2022, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2021, have been incorporated into these consolidated financial statements.

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Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Filing Information

Name: **POINT BROADBAND FIBER HOLDING, LLC**

General Information

SOS Control #	**000988106**	Formation Locale:	DELAWARE
Filing Type:	Limited Liability Company - Foreign 10/02/2018 12:08 PM	Date Formed:	03/19/2018
		Fiscal Year Close	12
Status:	Active	Member Count:	1
Duration Term:	Perpetual		
Managed By:	Manager Managed		

Registered Agent Address
URS AGENTS, LLC
STE B
992 DAVIDSON DR
NASHVILLE, TN 37205-1051

Principal Address
STE E
3120 FREDERICK RD
OPELIKA, AL 36801-7133

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed	Filing Description	Image #
02/20/2023	2022 Annual Report	B1340-5289

Member Count Changed From: 3 To: 1

03/02/2022	2021 Annual Report	B1169-9574

Principal Address 1 Changed From: 1791 OG SKINNER DR To: 3120 FREDERICK RD

Principal Address 2 Changed From: STE A To: STE E

Principal City Changed From: WEST POINT To: OPELIKA

Principal State Changed From: GA To: AL

Principal Postal Code Changed From: 31833-1900 To: 36801-7133

04/08/2021	Registered Agent Change (by Entity)	B1019-0478

Registered Agent Organization Name Changed From: NATIONAL REGISTERED AGENTS, INC. To: URS AGENTS, LLC

Registered Agent Physical Address 1 Changed From: 300 MONTVUE RD To: 992 DAVIDSON DR

Registered Agent Physical Address 2 Changed From: No Value To: STE B

Registered Agent Physical City Changed From: KNOXVILLE To: NASHVILLE

Registered Agent Physical County Changed From: KNOX COUNTY To: DAVIDSON COUNTY

Registered Agent Physical Postal Code Changed From: 37919-5546 To: 37205-1051

03/29/2021	2020 Annual Report	B1007-6916

Alabama Secretary of State

Point Broadband Fiber Holding, LLC	
Entity ID Number	000 - 597 - 409
Entity Type	Foreign Limited Liability Company
Principal Address	1791 O G SKINNER DRIVE STE A WEST POINT, GA 31833
Principal Mailing Address	1791 O G SKINNER DRIVE STE A WEST POINT, GA 31833
Status	Exists
Place of Formation	Delaware
Formation Date	10/11/2018
Qualify Date	01/09/2020
Registered Agent Name	URS AGENTS LLC
Registered Office Street Address	2724 10TH AVENUE SE HUNTSVILLE, AL 35805
Registered Office Mailing Address	2724 10TH AVENUE SE HUNTSVILLE, AL 35805
Nature of Business	
Doing Business in AL Since	01/01/2020

Annual Reports

Annual Report information is filed and maintained by the Alabama Department of Revenue.
If you have questions about any of these filings, please contact Revenue's Business Privilege Tax Division at 334-242-1170 or www.revenue.alabama.gov. The Secretary of State's Office cannot answer questions about or make changes to these reports.

Report Year	2021

Transactions

Transaction Date	02/26/2021
Agent Mailing Address Changed From	NATIONAL REGISTERED AGENTS INC 2 NORTH JACKSON STREET STE 605 MONTGOMERY, AL 36104
Transaction Date	02/26/2021
Registered Agent Changed From	NATIONAL REGISTERED AGENTS INC 2 NORTH JACKSON STREET STE 605 MONTGOMERY, AL 36104

Scanned Documents

Purchase Document Copies

Document Date / Type / Pages	01/09/2020 Certificate of Formation 3 pgs.
Document Date / Type / Pages	02/26/2021 Registered Agent Change 2 pgs.

FPSC - T20230007

LARA Corporations Online Filing System
Department of Licensing and Regulatory Affairs

ID Number: 802409309 Request certificate Return to Results New search

Summary for: POINT BROADBAND FIBER HOLDING, LLC

The name of the FOREIGN LIMITED LIABILITY COMPANY: POINT BROADBAND FIBER HOLDING, LLC

Entity type: FOREIGN LIMITED LIABILITY COMPANY

Identification Number: 802409309

Date of Qualification in Michigan: 01/27/2020

Organized under the laws of: the state of Delaware

Purpose:

Term: Perpetual

The name and address of the Resident Agent:

Resident Agent Name:	URS AGENTS INC.		
Street Address:	40600 ANN ARBOR ROAD E STE 200		
Apt/Suite/Other:			
City:	PLYMOUTH	State: MI	Zip Code: 48170

Registered Office Mailing address:

P.O. Box or Street Address:	40600 ANN ARBOR ROAD E STE 200		
Apt/Suite/Other:	SUITE 350		
City:	PLYMOUTH	State: MI	Zip Code: 48170

Acts Subject To: 023-1993 Michigan Limited Liability Company Act

View filings for this business entity:

ALL FILINGS
ANNUAL REPORT/ANNUAL STATEMENTS
CERTIFICATE OF CORRECTION
CERTIFICATE OF CHANGE OF REGISTERED OFFICE AND/OR RESIDENT AGENT
RESIGNATION OF RESIDENT AGENT
CERTIFICATE OF ASSUMED NAME

View filings

Comments or notes associated with this business entity:

POINT BROADBAND FIBER HOLDING, LLC: Z20274221

Department ID Number:
Z20274221

Business Name:
POINT BROADBAND FIBER HOLDING, LLC

Principal Office:
SUITE A
1791 O.G. SKINNER DRIVE
WEST POINT GA 31833

Resident Agent:
URS AGENTS, INC. OF MARYLAND
245 W CHASE STREET
BALTIMORE MD 21201-2264

Status:
ACTIVE

Good Standing:
THIS BUSINESS IS IN GOOD STANDING

Business Type:
FOREIGN LLC

Business Code:
20 ENTITIES OTHER THAN CORPORATIONS

Date of Formation/ Registration:
02/05/2020

State of Formation:
DE

Stock Status:
N/A

Close Status:
N/A

Department of State
Division of Corporations

Entity Information

Return to Results Return to Search

Entity Details

ENTITY NAME: POINT BROADBAND FIBER HOLDING, LLC
DOS ID: 5685827
FOREIGN LEGAL NAME:
FICTITIOUS NAME:
ENTITY TYPE: FOREIGN LIMITED LIABILITY COMPANY
DURATION DATE/LATEST DATE OF DISSOLUTION:
SECTIONOF LAW: 802 LLC - LIMITED LIABILITY COMPANY LAW
ENTITY STATUS: ACTIVE
DATE OF INITIAL DOS FILING: 01/09/2020
REASON FOR STATUS:
EFFECTIVE DATE INITIAL FILING: 01/09/2020
INACTIVE DATE:
FOREIGN FORMATION DATE: 03/19/2018
STATEMENT STATUS: CURRENT
COUNTY: NEW YORK
NEXT STATEMENT DUE DATE: 01/31/2024
JURISDICTION: DELAWARE, UNITED STATES
NFP CATEGORY:

ENTITY DISPLAY

Service of Process on the Secretary of State as Agent

The Post Office address to which the Secretary of State shall mail a copy of any process against the corporation served upon the Secretary of State by personal delivery:

Name: C/O URS AGENTS INC.

Address: ONE COMMERCE PLAZA, 99 WASHINGTON AVE., STE 805A, ALBANY, NY, UNITED STATES, 12210

Electronic Service of Process on the Secretary of State as agent: Not Permitted

Chief Executive Officer's Name and Address

Name:

GEORGIA CORPORATIONS DIVISION

GEORGIA SECRETARY OF STATE
BRAD RAFFENSPERGER

HOME (/)

BUSINESS SEARCH

BUSINESS INFORMATION

Business Name:	**Point Broadband Fiber Holding, LLC**	Control Number:	**19100883**
Business Type:	**Foreign Limited Liability Company**	Business Status:	**Active/Compliance**
NAICS Code:	**Any legal purpose**	NAICS Sub Code:	
Principal Office Address:	**3120 FREDERICK ROAD, SUITE E, OPELIKA, AL, 36801, USA**	Date of Formation / Registration Date:	**7/25/2019**
Jurisdiction:	**Delaware**	Last Annual Registration Year:	**2023**
Principal Record Address:	**1791 O.G. SKINNER DRIVE, SUITE A, WEST POINT, GA, 31833, USA**		

REGISTERED AGENT INFORMATION

Registered Agent Name:	**URS AGENTS, INC. (CA)**
Physical Address:	**3675 Crestwood Pkwy., Suite 350, Duluth, GA, 30096, USA**
County:	**Gwinnett**

Back Filing History Name History Return to Business Search

Frank LaRose
Ohio Secretary of State

Mon Apr 24 2023

Entity#:	4493864
Filing Type:	FOREIGN LIMITED LIABILITY COMPANY
Original Filing Date:	06/25/2020
Location:	--
Business Name:	POINT BROADBAND FIBER HOLDING, LLC
Status:	Active
Exp. Date:	-

Agent/Registrant Information

URS AGENTS INC.
4568 MAYFIELD ROAD, SUITE 204
CLEVELAND OH 44121
03/05/2021
Active

Filings

Filing Type	Date of Filing	Document ID
FOREIGN LLC – CERTIFICATE OF REGISTRATION	06/25/2020	202017703724
FOREIGN LLC - CERTIFICATION OF CORRECTION	03/05/2021	202106401596

UNITED STATES OF AMERICA
STATE OF OHIO
OFFICE OF SECRETARY OF STATE

I, Frank LaRose, Secretary of State of the State of Ohio, do hereby certify that this is a list of all records approved on this business entity and in the custody of the Secretary of State.

SEAL OF THE SECRETARY OF STATE OF

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 24th of April, A.D. 2023

Ohio Secretary of State

FPSC - T20230007

Entity Information

Entity Information

Entity Name:	Sunset Fiber, LLC
Entity ID:	S5452273
Entity Type:	Limited Liability Company
Entity Status:	**Active**
Series LLC:	No
Reason for Status:	Active
Formation Date:	02/10/2015
Status Date:	12/02/2021
VA Qualification Date:	02/10/2015
Period of Duration:	Perpetual
Industry Code:	0 - General
Annual Report Due Date:	N/A
Jurisdiction:	VA
Charter Fee:	N/A
Registration Fee Due Date:	Not Required

Registered Agent Information

RA Type:	Entity
Locality:	LEE COUNTY
RA Qualification:	BUSINESS ENTITY THAT IS AUTHORIZED TO TRANSACT BUSINESS IN VIRGINIA
Name:	SUNSET DIGITAL COMMUNICATIONS, INC.
Registered Office Address:	342 Elswick Dr, Jonesville, VA, 24263, USA

Principal Office Address

Address:	342 Elswick Dr, Jonesville, VA, 24263 - 0000, USA

Certified Public Accountants
& Consultants

JACKSON THORNTON

Point Broadband, LLC and Subsidiaries
December 31, 2020
Consolidated Financial Statements

JACKSON THORNTON

Point Broadband, LLC and Subsidiaries

Index

JACKSON
THORNTON

Independent Auditor's Report

The Board of Directors
Point Broadband, LLC and Subsidiaries
West Point, Georgia

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Point Broadband, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Point Broadband, LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Restatement

As discussed in Note 15 to the consolidated financial statements, the Company restated the December 31, 2019 consolidated balance sheets and consolidated statements of income and comprehensive income to record the fair value of the interest rate swap. Our opinion is not modified with respect to this matter.

Jackson Thornton & Co. PC

Montgomery, Alabama
April 27, 2021

Point Broadband, LLC and Subsidiaries
Consolidated Balance Sheets
At December 31, 2020 and 2019

Assets

	2020	2019 (Restated)
Current Assets		
Cash and cash equivalents	$ 11,759,546	$ 6,318,831
Accounts receivable		
Customers, net of allowance of $582,448 and $434,067, respectively	2,640,297	2,284,983
Other	1,211,918	2,451,121
Prepayments and other	868,160	925,469
Total current assets	16,479,921	11,980,404
Noncurrent Assets		
Goodwill, net	15,688,969	8,974,465
Other intangible assets, net	33,375,864	6,836,652
Interest rate swap		227,865
Other assets	3,999,709	1,666,691
Total noncurrent assets	53,064,542	17,705,673
Property, Plant, and Equipment		
Telecommunications plant in service	139,959,743	86,897,573
Construction and premise inventory	8,944,047	1,495,964
	148,903,790	88,393,537
Less accumulated depreciation	28,100,794	14,069,039
Net property, plant, and equipment	120,802,996	74,324,498
Total assets	$ 190,347,459	$ 104,010,575

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

Liabilities and Shareholders' Equity

	2020	2019 (Restated)
Current Liabilities		
Current maturities on notes payable	$ 227,710	$ 251,434
Current maturities on capital lease obligations	214,206	164,743
Current maturities on Paycheck Protection Program loan	1,109,982	
Accounts payable - trade	7,034,104	2,764,120
Unearned revenue	1,791,213	1,819,011
Customer deposits and other customer prepayments	601,338	426,794
Accrued liabilities	5,522,400	3,420,209
Total current liabilities	16,500,953	8,846,311
Noncurrent Liabilities		
Notes payable, net of current maturities	94,814,872	60,042,581
Less debt issuance costs	3,164,063	1,265,567
Capital lease obligations, net of current maturities	597,236	531,263
Paycheck Protection Program loan, net of current maturities	547,975	
Interest rate swap	878,558	
Unearned revenue	642,493	485,133
Total noncurrent liabilities	94,317,071	59,793,410
Total liabilities	110,818,024	68,639,721
Shareholders' Equity		
Common stock	6,423,480	123,480
Contributed capital - Series A, B, and C	82,333,294	47,333,290
Treasury stock	(487,500)	(397,500)
Accumulated deficit	(8,106,855)	(10,249,142)
Additional paid-in capital	(2,477,520)	(2,477,520)
Accumulated other comprehensive income (loss)	(878,558)	227,865
Total Point Broadband, LLC shareholders' equity	76,806,341	34,560,473
Noncontrolling interest	2,723,094	810,381
Total shareholders' equity	79,529,435	35,370,854
Total liabilities, noncontrolling interest, and shareholders' equity	$ 190,347,459	$ 104,010,575

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2020 and 2019

	2020	2019 (Restated)
Operating Revenues		
Revenue from contracts with customers		
Internet	$ 33,603,547	$ 24,801,471
Video	9,980,563	10,266,995
Voice	7,072,128	6,984,700
Other	562,657	165,418
Other noncustomer revenue	5,209,440	1,895,326
Total operating revenues	56,428,335	44,113,910
Operating Expenses		
Direct costs	14,156,302	14,245,918
Selling, general, and administrative	20,855,337	17,535,756
Depreciation and amortization	19,418,109	13,099,463
Total operating expenses	54,429,748	44,881,137
Operating Income (Loss)	1,998,587	(767,227)
Nonoperating Revenues (Expenses)		
Interest expense	(3,930,317)	(6,002,548)
Government grant revenue	6,028,676	5,762,480
Other nonoperating expenses	(1,041,946)	(1,744,388)
Total nonoperating revenues (expenses)	1,056,413	(1,984,456)
Net Income (Loss)	3,055,000	(2,751,683)
Noncontrolling Interest	(912,713)	(223,208)
Net Income (Loss), Controlling Interest	2,142,287	(2,974,891)
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on derivatives held as cash flow hedges	(1,106,423)	227,865
Comprehensive Income (Loss)	$ 1,035,864	$ (2,747,026)

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive Income (Loss)	Noncontrolling	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-in Capital	(As Restated)	Interest	Equity
Balance at December 31, 2018	6,800,000	$ 123,480	10,453,702	$ 24,003,493		$ (7,274,251)			$ (1,890,347)	$ 14,962,375
Series C shares issued			7,776,600	23,329,797						23,329,797
Common shares issued in exchange for 7.5% interest held by an investor in Sunset	1,151,515									
Transfer of minority interest upon acquisition of remaining 40.5% of Sunset							$ (2,477,520)		2,477,520	
132,500 membership shares repurchased; $3.00 per share					$ (397,500)					(397,500)
Other comprehensive income								$ 227,865		227,865
Net income (loss)						(2,974,891)			223,208	(2,751,683)
Balance at December 31, 2019, as Restated	7,951,515	123,480	18,230,302	47,333,290	(397,500)	(10,249,142)	(2,477,520)	227,865	810,381	35,370,854
Series C shares issued			8,750,001	35,000,004						35,000,004
190,000 shares of Clarity stock issued to noncontrolling interest shareholder									1,000,000	1,000,000
Common shares issued in business combinations	1,575,000	6,300,000								6,300,000
30,000 membership shares repurchased; $3.00 per share					(90,000)					(90,000)
Other comprehensive loss								(1,106,423)		(1,106,423)
Net income						2,142,287			912,713	3,055,000
Balance at December 31, 2020	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (8,106,855)	$ (2,477,520)	$ (878,558)	$ 2,723,094	$ 79,529,435

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive Income (Loss)	Noncontrolling	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-in Capital	(As Restated)	Interest	Equity
Balance at December 31, 2018	6,800,000	$ 123,480	10,453,702	$ 24,003,493		$ (7,274,251)			$ (1,890,347)	$ 14,962,375
Series C shares issued			7,776,600	23,329,797						23,329,797
Common shares issued in exchange for 7.5% interest held by an investor in Sunset	1,151,515									
Transfer of minority interest upon acquisition of remaining 40.5% of Sunset							$ (2,477,520)		2,477,520	
132,500 membership shares repurchased; $3.00 per share					$ (397,500)					(397,500)
Other comprehensive income								$ 227,865		227,865
Net income (loss)						(2,974,891)			223,208	(2,751,683)
Balance at December 31, 2019, as Restated	7,951,515	123,480	18,230,302	47,333,290	(397,500)	(10,249,142)	(2,477,520)	227,865	810,381	35,370,854
Series C shares issued			8,750,001	35,000,004						35,000,004
190,000 shares of Clarity stock issued to noncontrolling interest shareholder									1,000,000	1,000,000
Common shares issued in business combinations	1,575,000	6,300,000								6,300,000
30,000 membership shares repurchased; $3.00 per share					(90,000)					(90,000)
Other comprehensive loss								(1,106,423)		(1,106,423)
Net income						2,142,287			912,713	3,055,000
Balance at December 31, 2020	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (8,106,855)	$ (2,477,520)	$ (878,558)	$ 2,723,094	$ 79,529,435

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive Income (Loss)	Noncontrolling	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-in Capital	(As Restated)	Interest	Equity
Balance at December 31, 2018	6,800,000	$ 123,480	10,453,702	$ 24,003,493		$ (7,274,251)			$ (1,890,347)	$ 14,962,375
Series C shares issued			7,776,600	23,329,797						23,329,797
Common shares issued in exchange for 7.5% interest held by an investor in Sunset	1,151,515									
Transfer of minority interest upon acquisition of remaining 40.5% of Sunset							$ (2,477,520)		2,477,520	
132,500 membership shares repurchased; $3.00 per share					$ (397,500)					(397,500)
Other comprehensive income								$ 227,865		227,865
Net income (loss)						(2,974,891)			223,208	(2,751,683)
Balance at December 31, 2019, as Restated	7,951,515	123,480	18,230,302	47,333,290	(397,500)	(10,249,142)	(2,477,520)	227,865	810,381	35,370,854
Series C shares issued			8,750,001	35,000,004						35,000,004
190,000 shares of Clarity stock issued to noncontrolling interest shareholder									1,000,000	1,000,000
Common shares issued in business combinations	1,575,000	6,300,000								6,300,000
30,000 membership shares repurchased; $3.00 per share					(90,000)					(90,000)
Other comprehensive loss								(1,106,423)		(1,106,423)
Net income						2,142,287			912,713	3,055,000
Balance at December 31, 2020	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (8,106,855)	$ (2,477,520)	$ (878,558)	$ 2,723,094	$ 79,529,435

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

Point Broadband, LLC and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From (Used For) Operating Activities		
Net income (loss)	$ 3,055,000	$ (2,751,683)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	19,418,109	13,099,463
Amortization of debt issuance costs	286,361	1,072,132
Bad debt expense	381,790	194,616
Decrease (increase) in operating assets and increase (decrease) in operating liabilities		
Receivables	821,651	(1,663,717)
Prepayments	109,145	(136,974)
Other assets	(2,333,018)	(25,518)
Accounts payable	4,082,455	314,912
Unearned revenue	54,562	(4,504)
Customer deposits and other customer prepayments	478	(19,944)
Accrued expenses	1,561,308	(177,354)
Total adjustments	24,382,841	12,653,112
Net cash from operating activities	27,437,841	9,901,429
Cash Flows Used For Investing Activities		
Acquisition and construction of plant	(39,569,143)	(15,322,946)
Acquisition of Hagerstown Fiber	(1,185,310)	
Acquisition of Intelliwave, LLC	(16,293,798)	
Acquisition of Crystal Automation Systems, Inc.	(30,380,275)	
Acquisition of Vergennes Broadband, LLC	(4,518,239)	
Investment in Resound		(1,536,866)
Net cash used for investing activities	(91,946,765)	(16,859,812)
Cash Flows From (Used For) Financing Activities		
Principal payments on notes payable	(251,432)	(825,710)
Principal payments on capital lease obligations	(182,032)	(165,889)
Proceeds from notes payable	35,000,000	
Proceeds from Paycheck Protection Program loan	1,657,956	
Debt issuance costs	(2,184,857)	(1,345,667)
Series C shares issued	35,000,004	23,329,797
Treasury shares repurchased	(90,000)	(397,500)
Clarity shares issued to noncontrolling interest	1,000,000	
Acquisition of remaining 40.5% of Sunset shares		(15,200,000)
Net cash from financing activities	69,949,639	5,395,031
Net Increase (Decrease) in Cash and Cash Equivalents	5,440,715	(1,563,352)
Cash and Cash Equivalents at Beginning of Period	6,318,831	7,882,183
Cash and Cash Equivalents at End of Period	$ 11,759,546	$ 6,318,831
Supplemental Cash Flows Information		
Cash paid for interest	$ 3,400,796	$ 4,961,447
Supplemental Noncash Financing Transactions		
Equipment purchased under capital lease	297,468	813,304
Equity value of common shares issued in business combinations	6,300,000	

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

Note 1 - Summary of Significant Accounting Policies

Organization - Point Broadband, LLC (the Company) was formed on September 16, 2016. The shares are owned 28.5% by Stephens Capital Partners, LLC, 20.6% by ITC Capital Partners, LLC, 10.3% by Kinetic Ventures SPV, and the remaining 40.6% by various investors, none of which own more than 10% of the Company. The Company owns 100% of Point Broadband Capital, LLC. Point Broadband Capital, LLC owns 100% of Point Broadband Fiber Holding, LLC. All operating entities of the Company are under Point Broadband Fiber Holding, LLC. The operating entities and wholly-owned subsidiaries of Point Broadband Fiber Holding, LLC are as follows:

2020	Ownership Percentage	2019	Ownership Percentage
Point Broadband of Bainbridge, LLC (Bainbridge)	100%	Point Broadband of Bainbridge, LLC (Bainbridge)	100%
Point Broadband of Opelika, LLC (Opelika)	100%	Point Broadband of Opelika, LLC (Opelika)	100%
Sunset Digital Communications, LLC	100%	Sunset Digital Communications, LLC	100%
Sunset Fiber, LLC (Collectively Sunset)	100%	Sunset Fiber, LLC (Collectively Sunset)	100%
Point Broadband of the Piedmont, LLC (Hagerstown)	100%	Point Broadband of Mississippi, LLC (Mississippi)	90%
Point Broadband of Ohio, LLC (Ohio)	100%	Clarity Fiber Solutions, LLC (Clarity)	80%
Casair Broadband, LLC (Casair)	100%		
VB Fiber, LLC (VB Fiber)	100%		
Point Broadband of Mississippi, LLC (Mississippi)	90%		
Clarity Fiber Solutions, LLC (Clarity)	80%		

Nature of business - The Company's principal lines of business are providing telecommunications, internet, and video services to local residential and business customers residing in its primary service area, which includes parts of Alabama, Georgia, Virginia, Tennessee, Maryland, Ohio, Michigan, Mississippi, and New York.

Basis of presentation - The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its partly-owned subsidiaries. All intercompany account balances and transactions have been eliminated in consolidation.

Cash equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable - The Company extends credit to its customers who are located in its primary service area. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable do not accrue interest and are written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recorded when received.

Goodwill - The Company previously elected the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. During 2020, the Company recognized $8,152,727 of goodwill as a result of the Company's business combinations. During the years ended December 31, 2020 and 2019, no triggering events occurred requiring impairment testing. As such, no impairment loss was recorded.

Other intangible assets - The Company acquired the customer lists of BVU Authority - OptiNet and Sunset Digital Communications, Inc. upon the acquisition of Sunset. The Company also acquired the customer lists of Opelika Power Services One upon the acquisition of Opelika. The customer base intangibles are being amortized on the straight-line basis over five years.

Note 1 - Summary of Significant Accounting Policies (continued)
During 2020, the Company acquired the customer lists of Hagerstown Fiber, Intelliwave, LLC, Crystal Automation Systems, Inc., and Vergennes Broadband, LLC. The customer base intangibles are being amortized on the straight-line basis over three years.

The Company also acquired the Connect America Fund II (CAF II) grant contract of Crystal Automation Systems, Inc. upon acquisition of Casair. The grant intangible is being amortized on the straight-line basis over ten years.

Taxes - The Company collects and remits gross receipts taxes from its customers as required on behalf of the states in which it operates. The revenue presentation is net of gross receipts taxes in the consolidated statements of income and comprehensive income.

Income taxes - The Company is treated as a partnership for federal and state income tax purposes, with income taxes payable by the shareholders. Accordingly, no provision has been made in these financial statements for federal and state income taxes for the Company. As a limited liability company, each shareholder's liability is limited to amounts reflected in their respective shareholder equity accounts in accordance with the Limited Liability Company Agreement. The income allocable to each shareholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the shareholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these consolidated financial statements.

Depreciation - Depreciation is computed using the straight-line method.

Recognition of revenue from customers - The Company provides telecommunication services to residential customers on a month to month basis and to commercial customers on either a month to month basis or a contract basis with contract periods ranging from 24 months to 60 months. Revenues are recognized when provided to the customer regardless of the period in which they are billed.

Compensation for broadband, internet, telephone, and video services is received through monthly charges to customers that subscribe to these services. Most customers are billed monthly for services and payment is due within 20 days to 30 days of the invoice date. A few commercial customers are billed upfront on an annual basis and payment is due within 20 days to 30 days of the invoice date. Compensation for usage based services such as video on demand, video pay per view, and telephone long distance are charged to the customer as incurred and billed in arrears. Revenue for usage based services is recognized in the period in which it is incurred.

Discounts are offered to customers that bundle other services with broadband internet access. The discount offered for the bundle services is applied against the broadband internet access revenue charged.

Unearned revenue - Unearned revenue represents amounts received in advance of providing services. Amounts are recognized in revenue when services are provided.

Government grant revenue - Sunset, Clarity, and Casair have been awarded grants to provide for both the construction of broadband plant and subsidize operating costs. Grants related to construction of plant are recorded as non-operating revenue. Grants related to subsidizing operating costs are recorded as operating revenue. These grants have certain criteria that have to be met throughout the award period. If any of the criteria are not met, the entity may be subject to recapture provisions.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements - In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Company is currently evaluating the effect that the standard will have on the consolidated financial statements.

Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2 - Cash and Cash Equivalents

The Company maintains its cash accounts in commercial banks, which at times may exceed federally insured limits. The Company had approximately $10,353,200 and $5,288,000 in uninsured cash at December 31, 2020 and 2019, respectively. The Company has not experienced any losses in such accounts.

Note 3 - Contract Receivables and Liabilities

Contract receivables and liabilities from contracts with customers for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019	
	End of Year	**End of Year**	**Beginning of Year**
Receivables			
Customers	$ 2,640,297	$ 2,284,983	$ 3,267,003
Contract Liabilities			
Unearned revenue	2,433,706	2,304,144	2,308,647

Note 4 - Goodwill
The changes in the carrying amount of goodwill and accumulated amortization for the years ended December 31, 2020 and 2019 are as follows:

Carrying Amount	**2020**	**2019**
Beginning balance	$ 10,455,687	$ 10,455,687
Goodwill recognized	8,152,727	
Ending balance	18,608,414	10,455,687
Accumulated Amortization		
Beginning balance	1,481,222	435,653
Goodwill amortization	1,438,223	1,045,569
Ending balance	2,919,445	1,481,222
Goodwill, net	$ 15,688,969	$ 8,974,465

Note 5 - Other Intangible Assets
A customer base intangible of $21,106,064 was recorded and is being amortized on the straight-line basis over three to five years. Amortization expense for the years ended December 31, 2020 and 2019 was $3,087,371 and $1,955,306, respectively. Accumulated amortization for the years ended December 31, 2020 and 2019 was $5,619,585 and $2,532,214, respectively.

During 2020, a grant contract intangible of $18,590,929 was recorded and is being amortized on the straight-line basis over ten years. Amortization expense and accumulated amortization for the year ended December 31, 2020 was $701,544.

Estimated future amortization expense for other intangible assets as of December 31, 2020 is as follows:

December 31, 2021	$ 7,937,956
December 31, 2022	7,922,877
December 31, 2023	5,954,626
December 31, 2024	2,104,633
December 31, 2025	2,104,633
Thereafter	7,366,216

Note 6 - Property, Plant, and Equipment
Listed below are the major classes of the telecommunications plant as of December 31, 2020 and 2019:

	Plant Balance		
	2020	2019	Annual Rate Range
Network equipment	$ 106,937,741	$ 65,771,713	14.00%
Other general equipment	6,586,784	6,549,102	10.00%
Video and broadband equipment	20,082,190	10,142,455	20.00%
Building improvements	3,240,864	2,615,013	6.67%
Office equipment and furniture	142,854	55,096	20.00%
Software and licenses	1,080,870	709,813	33.33%
Vehicles	1,779,493	1,054,381	20.00%
Land	108,947		
Total telecommunications plant in service	$ 139,959,743	$ 86,897,573	

Construction and premise inventory - Inventories are priced at the lower of cost or market and include customer premise equipment and certain plant construction materials. Cost is determined on the average cost method. These items are transferred to telecommunications plant in service when installed. Inventory is presented net of an allowance for obsolete inventory of $443,987 at December 31, 2020 and 2019.

Note 7 - Related Party Transactions
The Company receives certain shared services from a shareholder. The expenses are recorded at fair value of the services provided and are payable quarterly. Total expenses related to management and shared services for the period ended December 31, 2020 and 2019 was $970,200 and $963,490, respectively.

Total shareholder liability for shared services at December 31, 2020 and 2019 was $59,257 and $99,445, respectively, due to ITC Capital Partners, LLC.

Note 8 - Accrued Liabilities
Accrued liabilities consist of the following as of December 31, 2020 and 2019:

	2020	2019
Accrued interest	$ 679,537	$ 436,376
Accrued payroll and employee related	1,651,637	801,857
Accrued expenses - shareholders	59,257	99,445
Accrued taxes	435,640	459,191
Other accrued expenses	2,696,329	1,623,340
Total accrued liabilities	$ 5,522,400	$ 3,420,209

Note 9 - Notes Payable

Description	2020	2019
Mortgage notes payable - CoBank; variable interest rate of 3.90% to 4.25%; quarterly principal payments begin December 2022 through September 2027.	$ 93,000,000	$ 58,000,000
Virginia Tobacco Commission - variable interest rate of 5.50%; principal payments begin August 2024 through August 2028.	1,500,000	1,500,000
Tobacco Region Revitalization Commission - zero percent interest; semi-annual principal payments through August 2023.	408,000	544,000
Diverse Power - 5.00% interest; monthly principal payments through December 2022.	97,637	149,738
SW VA Fiber - zero percent interest; monthly principal payments through July 2021.	36,945	100,277
Less current maturities	227,710	251,434
Total	$ 94,814,872	$ 60,042,581

The CoBank loan agreement contains restrictive covenants relating to certain financial ratios.

The Company incurred $3,322,266 and $1,345,667 of debt issuance costs related to the CoBank loan which were capitalized during 2020 and 2019, respectively. Amortization of the debt issuance costs was $286,361 and $80,100 for December 31, 2020 and 2019, respectively, and was recognized as interest expense in the consolidated statements of income and comprehensive income.

Paycheck Protection Program Loan - On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Company applied for a loan under the Program and received from its bank a loan in the amount of $1,657,957 on April 10, 2020. The loan is forgivable if the Company meets certain criteria as established under the Program. The Company filed an application for forgiveness on March 16, 2021. The Company anticipates there may be further guidance issued by the Small Business Administration (SBA), the United States Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any amount of the loan not forgiven under the Program will be due April 10, 2022 with interest at 1.0%. The loan is unsecured and does not require personal guarantees.

Estimated maturities on long-term debt for the next five years are as follows:

December 31, 2021	$	1,337,692
December 31, 2022		1,308,095
December 31, 2023		3,042,250
December 31, 2024		4,950,000
December 31, 2025		4,950,000
Thereafter		81,112,502

The Company has an available revolving loan commitment with CoBank on which it may borrow up to $20,000,000. The Company may borrow up to $2,500,000 of the revolving loan commitment as swing line loans. At December 31, 2020 and 2019, the Company had used $8,531,117 and $2,957,502, respectively, of its revolving loan commitment for issued but undrawn letters of credit. At December 31, 2020 and 2019, the Company had $11,468,883 and $9,042,498, respectively, of available borrowings under its revolving loan commitment.

The Company has an available delayed draw term loan with CoBank on which it may borrow an additional $15,000,000. At December 31, 2020, no borrowings were outstanding on the delayed draw term loan.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. An interest rate swap was entered into to manage interest rate risk associated with the Company's floating rate borrowings and is designated as a cash flow hedge.

The Company has an interest rate swap agreement with CoBank that acts to fix $43,500,000 of the floating rate debt of the CoBank loan agreement. The interest rate swap agreement terminates September 1, 2022. Under the terms of the interest rate swap agreement, the Company pays CoBank a fixed rate of 1.325% on a notational amount of $43,500,000 and CoBank pays the Company a floating rate of 1 month LIBOR on a notational amount of $43,500,000. Payments on the interest rate swap agreement are made each month until the termination date. The net payment on the interest rate swap is recorded as interest expense on the consolidated statements of income and comprehensive income.

The effective portion of the gain or loss on the interest rate swap is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the interest rate swap representing either hedged ineffectiveness or excluded from the assessment of hedge effectiveness are recognized in current earnings. As of December 31, 2020, $0 of the deferred net gains on the interest rate swaps accumulated in other comprehensive income are expected to be reclassified to earnings during the next 12 months.

As of December 31, 2020, the fair value of the interest rate swap of $878,558 was reported as a noncurrent liability on the consolidated balance sheets with the effective portion of the loss reported as a component of other comprehensive income of $878,558. As of December 31, 2019, the fair value of the interest rate swap of $227,865 was reported as a noncurrent asset on the consolidated balance sheets, with the effective portion of the gain reported as a component of other comprehensive income of $227,865.

Note 10 - Capital Lease Obligations

The Company has acquired vehicles through capital lease agreements with Altec and Ford Motor Credit. Obligations under capital lease have been recorded at the present value of future minimum lease payments using interest rates from 0% to 8.39%. The capitalized cost of $1,053,281 less accumulated depreciation of $374,463 is included in property, plant, and equipment at December 31, 2020. Depreciation expense for the equipment was approximately $199,576 and $123,225 in 2020 and 2019, respectively.

Scheduled future minimum lease payments under capital leases together with present value of the net minimum lease payments are as follows:

For the Years Ending	
December 31, 2021	$ 225,989
December 31, 2022	230,086
December 31, 2023	196,751
December 31, 2024	118,710
December 31, 2025	61,643
Thereafter	22,892
Total minimum lease payments	856,071
Less amount representing interest	44,629
	811,442
Less current portion	214,206
Long-term obligation	$ 597,236

Note 11 - Contingent Liabilities
The Company has pledged to guaranty letters of credit to cover reimbursement obligations issued to Universal Service Administrative Company related to Connect America Fund Phase II (CAF II) grants. No liability is required to be recorded by the Company. The balance of the letters of credit at December 31, 2020 and 2019 were $8,531,117 and $2,957,502, respectively.

Note 12 - Shareholders' Equity
The Company has raised equity capital through the issuance of common shares and preferred shares. Shares authorized, issued, and outstanding at December 31, 2020 and 2019 are summarized below:

	Common Stock	Preferred Series A	Preferred Series B	Preferred Series C
Shares authorized	50,000,000	4,500,000	6,500,000	30,000,000
Shares issued and outstanding				
At December 31, 2018	6,800,000	4,121,213	6,332,489	
Shares issued during 2019	1,151,515			7,776,600
At December 31, 2019	7,951,515	4,121,213	6,332,489	7,776,600
Shares issued during 2020	1,575,000			8,750,001
At December 31, 2020	9,526,515	4,121,213	6,332,489	16,526,601

Note 12 - Shareholders' Equity (continued)
The Preferred Series A, B and C shares are convertible into 1.0 common shares. The Series A shares have a liquidation preference of $1.94 per share. The Series B shares have a liquidation preference of $2.53 per share. The 7,776,600 Series C shares issued in 2019 have a liquidation preference of $3.00 per share. The 8,750,001 Series C shares issued in 2020 have a liquidation preference of $4.00 per share.

In the event of a distribution of capital proceeds, the liquidation preference of the Series A, Series B, and Series C Preferred shares is applied with the following priority: first to Series C shares, second to Series A shares and Series B shares combined on a pro rata basis.

In March 2019, the Company paid $15,200,000 to acquire the remaining 40.5% of Sunset. Prior to the acquisition, the Company issued 1,151,515 common shares and 7,776,600 Series C shares at $3.00 per share to purchase the remaining interests in Sunset not owned by the Company and for general corporate purposes.

In February 2020, the Company issued 125,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Hagerstown Fiber (See note 13).

In May 2020, the Company issued 2,250,000 Series C shares at a value of $4.00 per share raising $9,000,000. The proceeds were used to purchase the telecommunications assets of Intelliwave, LLC in July 2020 and for general corporate purposes.

In June 2020, the Company issued 3,750,001 Series C shares at $4.00 per share raising $15,000,004. The proceeds were used to purchase the telecommunications assets of Intelliwave, LLC in July 2020 and for general corporate purposes.

In July 2020, the Company issued 450,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Intelliwave, LLC (See Note 13).

In September 2020, the Company issued 750,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Casair (See note 13).

In October 2020, Clarity Fiber Solutions, LLC issued 190,000 shares of its stock to the existing minority shareholder raising $1,000,000. The proceeds were used to fund the buildout of the Clarity telecommunications plant network.

In October 2020, the Company issued 1,330,645 Series C shares at a value of $4.00 per share raising $5,322,580. The proceeds were used to purchase the telecommunications assets of Vergennes Broadband, LLC in December 2020 and for general corporate purposes.

In November 2020, the Company issued 1,419,355 Series C shares at a value of $4.00 per share raising $5,677,420. The proceeds were used to purchase the telecommunications assets of Vergennes Broadband, LLC in December 2020 and for general corporate purposes.

In December 2020, the Company issued 250,000 common shares at a value of $4.00 per share as partial consideration for the acquisition of the telecommunications assets of Vergennes Broadband, LLC (See note 13).

Note 12 - Shareholders' Equity (continued)

Series E restricted shares - The Company had 4,500,000 shares authorized, 3,980,375 shares issued and uncancelled, 162,500 shares repurchased, and 3,817,875 shares outstanding at December 31, 2020. The Company had 4,500,000 shares authorized, 1,942,000 shares issued, 132,500 shares repurchased, and 1,809,500 shares outstanding at December 31, 2019. The Series E shares are nonvoting restricted shares issued to employees, board members and consultants. Series E shares are granted as an award by the Board of Directors. Series E shares granted prior to May 2020 vest over a 5 year period with 25% of the grant vesting 2 years after the grant date and then 25% of the grant vesting each year for the following 3 years. Series E shares granted in May 2020 and thereafter vest over a 4 year period with 50% of the grant vesting 2 years after the grant date and then 25% of the grant vesting each year for the following 2 years. Each Series E unit has a floor amount which is a per share amount for which the Series E shares do not have a value unless the Company's price per share exceeds that floor amount. The floor amount for a Series E award is set by the Board of Directors when the Series E award is granted.

The number of Series E shares vested, unvested, and the floor price at December 31, 2020 is summarized below:

Floor Price	Series E Vested	Series E Unvested	Total Series E
$0.00	646,313	215,437	861,750
4.71	51,500	53,250	104,750
1.94	80,688	240,187	320,875
2.53	89,750	269,250	359,000
3.00		95,000	95,000
4.00		2,076,500	2,076,500
	868,251	2,949,624	3,817,875

The number of Series E shares vested, unvested, and the floor price at December 31, 2019 is summarized below:

Floor Price	Series E Vested	Series E Unvested	Total Series E
$0.00	445,875	445,875	891,750
4.71	25,000	81,000	106,000
1.94		322,750	322,750
2.53		376,500	376,500
3.00		112,500	112,500
	470,875	1,338,625	1,809,500

Note 13 - Asset Purchases

Hagerstown Fiber

On January 31, 2020, the Company entered into an agreement to purchase the telecommunications assets of Hagerstown Fiber Internet, LLC, New Frontiers Internet Services, Inc. and New Frontiers Telecommunications, Inc. (collectively, Hagerstown Fiber) in a business combination. Hagerstown Fiber provides telecommunications and related services, including but not limited to, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 700 customers in north Maryland. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Hagerstown Fiber became a wholly owned subsidiary of the Company. The Company formed Point Broadband of the Piedmont, LLC upon closing of this asset purchase agreement.

The Company used operating cash for the purchase of Hagerstown Fiber.

The consideration for acquiring Hagerstown Fiber consisted of the following:

Equity interest	$	500,000
Cash		1,185,310
Liabilities assumed		182,815
	$	1,868,125

Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$	75,000
Goodwill		929,579
Customer base		138,546
Telecommunications plant		725,000
	$	1,868,125

Intelliwave, LLC

On June 30, 2020, the Company entered into an agreement to purchase the telecommunications assets of Intelliwave, LLC (Intelliwave) in a business combination. Intelliwave provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 5,300 customers in central Ohio. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Intelliwave became a wholly owned subsidiary of the Company. The Company formed Point Broadband of Ohio, LLC upon closing of this asset purchase agreement.

The Company raised $16,000,000 from shareholders to finance the purchase.

The consideration for acquiring Intelliwave consisted of the following:

Equity interest	$	1,800,000
Cash		16,293,798
Liabilities assumed		202,754
	$	18,296,552

Note 13 - Asset Purchases (continued)
Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$	14,796
Prepaid expenses		14,641
Goodwill		6,148,851
Customer base		5,143,277
Telecommunications plant		6,974,987
	$	18,296,552

Crystal Automation Systems, Inc.
On September 1, 2020, the Company entered into an agreement to purchase the telecommunications assets of Crystal Automation Systems, Inc. (Casair) in a business combination. Casair provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 12,000 customers in central Michigan. Management decided merging the two entities would provide cost savings and other business synergies. As a result, Casair became a wholly owned subsidiary of the Company. The Company formed Casair Broadband, LLC upon closing of this asset purchase agreement.

The Company received a term loan from CoBank in the amount of $35,000,000 to finance the purchase.

The consideration for acquiring Casair consisted of the following:

Equity interest	$	3,000,000
Cash		30,380,275
Liabilities assumed		571,566
	$	33,951,841

Based on the fair values at the acquisition date, consideration was allocated to:

Accounts receivable	$	229,756
Prepaid expenses		37,195
Intangibles		22,664,304
Telecommunications plant		11,020,586
	$	33,951,841

Vergennes Broadband, LLC
On December 31, 2020, the Company entered into an agreement to purchase the telecommunications assets of Vergennes Broadband, LLC (VB Fiber) in a business combination. VB Fiber provides telecommunications and related services, including but not limited to fixed wireless, fiberoptic wireline, internet services, voice over internet protocol, and long distance services to approximately 1,600 customers in central Michigan. Management decided merging the two entities would provide cost savings and other business synergies. As a result, VB Fiber became a wholly owned subsidiary of the Company. The Company formed VB Fiber, LLC upon closing of this asset purchase agreement.

The Company raised $4,500,000 from shareholders to finance the purchase.

The consideration for acquiring VB Fiber consisted of the following:

Equity interest	$	1,000,000
Cash		4,518,239
Liabilities assumed		20,343
	$	5,538,582

Based on the fair values at the acquisition date, consideration was allocated to:

Goodwill	$	1,074,297
Intangibles		2,520,546
Telecommunications plant		1,943,739
	$	5,538,582

The Company incurred acquisition costs of $1,647,127 which are recognized as nonoperating expenses in the consolidated statements of income and comprehensive income.

Note 14 - Noncash investing and Financing Transactions
Noncash transactions consisting of the cost of acquiring Hagerstown Fiber, Intelliwave, Casair, and VB Fiber have been included in assets and liabilities in the accompanying consolidated financial statements at December 31, 2020. The following tables summarize the noncash transactions at December 31, 2020:

Acquisition of Hagerstown Fiber		
Working capital	$	(107,815)
Telecommunications plant		725,000
Goodwill		929,579
Intangibles		138,546
Equity interest		(500,000)
Cash paid for acquistion of Hagerstown Fiber	$	1,185,310
Acquisition of Intelliwave, LLC		
Working capital	$	(173,317)
Telecommunications plant		6,974,987
Goodwill		6,148,851
Intangibles		5,143,277
Equity interest		(1,800,000)
Cash paid for acquisition of Intelliwave, LLC	$	16,293,798
Acquisition of Crystal Automation Systems, Inc.		
Working capital	$	(304,615)
Telecommunications plant		11,020,586
Intangibles		22,664,304
Equity interest		(3,000,000)
Cash paid for acquistion of Crystal Automation Systems, Inc.	$	30,380,275

Acquisition of Vergennes Broadband, LLC

Working capital	$ (20,343)
Telecommunications plant	1,943,739
Goodwill	1,074,297
Intangibles	2,520,546
Equity interest	(1,000,000)
Cash paid for acquistion of Vergennes Broadband, LLC	$ 4,518,239

Note 15 - Prior Period Restatement

The December 31, 2019 consolidated balance sheets and consolidated statements of income and comprehensive income were restated to report the fair value of the interest rate swap. The restatement is summarized below:

Interest rate swap, as previously stated	
Correction of error	$ 227,865
Adjusted interest rate swap	$ 227,865
Accumulated other comprehensive income, as previously stated	
Correction of error	$ 227,865
Adjusted accumulated other comprehensive income	$ 227,865
Comprehensive loss, as previously stated	$ (2,974,891)
Correction of error	227,865
Adjusted comprehensive loss	$ (2,747,026)

Note 16 - Subsequent Events

The Company has evaluated subsequent events through April 27, 2021, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020 have been incorporated into these consolidated financial statements.

On March 12, 2021, the Company entered into a purchase agreement with a buyer to sell substantially all of the operating assets of the Company. Management anticipates closing of the purchase agreement to occur during the third quarter of 2021.

CONSOLIDATED FINANCIAL STATEMENTS

Point Broadband Acquisition, LLC and Subsidiaries
For the Year Ended December 31, 2022 and for the
Periods From October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)
With Report of Independent Auditors

Ernst & Young LLP

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working world

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Financial Statements

For the Year Ended December 31, 2022 and for the
Periods From October 1, 2021 to December 31, 2021 (Successor)
and January 1, 2021 to September 30, 2021 (Predecessor)

Contents

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Building a better working world

Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
ey.com

Report of Independent Auditors

The Member
Point Broadband Acquisition, LLC

Opinion

We have audited the consolidated financial statements of Point Broadband Acquisition, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 (Successor), and the related consolidated statements of operations and comprehensive loss, member's equity and cash flows for the year ended December 31, 2022, the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor), 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, 2022 and December 31, 2021 (Successor), and the results of its operations and its cash flows for the year ended December 31, 2022, the period from October 1, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through September 30, 2021 (Predecessor) 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.

Adoption of ASU No. 842, Leases

As discussed in Note 2 to the financial statements, on January 1, 2022 the Company adopted new accounting guidance and changed its method for accounting for leases as a result of the modified retrospective adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No. 842, Leases. Our opinion is not modified with respect to this matter.

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 26, 2023

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Balance Sheets

		As of December 31, 2022		Successor As of December 31, 2021
Assets				
Current assets:				
Cash and cash equivalents	$	**9,455,681**	$	16,483,485
Accounts receivable– net of allowance of $1,236,827 and $898,872 as of December 31, 2022 and 2021, respectively		**4,632,117**		4,236,272
Prepayments and other		**1,975,035**		1,670,686
Derivative asset		**9,871,343**		–
Total current assets		**25,934,176**		22,390,443
Non-current assets:				
Property and equipment, net		**391,893,260**		248,224,494
Goodwill		**340,070,481**		332,685,399
Other intangible assets, net		**109,877,892**		127,498,333
Operating lease right-of-use assets		**7,909,317**		–
Other assets		**5,640,496**		5,416,914
Total assets	$	**881,325,622**	$	736,215,583
Liabilities and member's equity				
Current liabilities:				
Accounts payable	$	**7,182,797**	$	11,704,444
Accrued liabilities		**33,404,731**		15,655,451
Customer deposits and other prepayments		**511,594**		558,187
Current portion of unearned revenue		**2,399,694**		2,219,031
Current portion of notes payable		**4,482,088**		3,736,000
Current portion of finance or capital lease obligations		**689,083**		348,308
Current portion of operating lease liabilities		**2,055,340**		–
Total current liabilities		**50,725,327**		34,221,421
Non-current liabilities:				
Notes payable, net of current maturities and debt issuance costs		**414,620,523**		346,044,407
Finance or capital lease obligations, net of current maturities		**2,370,179**		905,099
Operating lease liabilities, net of current maturities		**6,057,109**		–
Other long-term liabilities		**4,851,096**		4,664,905
Total non-current liabilities		**427,898,907**		351,614,411
Total liabilities		**478,624,234**		385,835,832
Member's equity:				
Common units		**454,939,909**		375,350,000
Incentive units		**1,837,498**		413,910
Accumulated deficit		**(54,076,019)**		(25,384,159)
Total member's equity		**402,701,388**		350,379,751
Total liabilities and member's equity	$	**881,325,622**	$	736,215,583

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

		Successor	Predecessor
	Year Ended December 31, 2022	**Period From October 1, to December 31, 2021**	**Period From January 1, to September 30, 2021**
Revenues:			
Customer revenue	**$ 75,814,034**	$ 17,071,654	$ 47,640,337
Regulatory revenue	**13,528,851**	3,382,213	4,919,010
Total revenues	**89,342,885**	20,453,867	52,559,347
Operating expenses:			
Cost of revenues	**13,944,728**	3,044,455	9,569,592
Selling, general, and administrative	**30,721,534**	8,491,366	20,065,801
Depreciation and amortization	**65,795,711**	16,882,117	21,807,694
Other operating expense (income)	**772,238**	(92,179)	(4,113,886)
Total operating expenses	**111,234,211**	28,325,759	47,329,201
Operating (loss) income	**(21,891,326)**	(7,871,892)	5,230,146
Other expense:			
Interest expense, net	**35,738,670**	7,503,247	3,865,387
Other (income) expense, net	**(28,938,136)**	10,009,020	4,831,431
Total other expense	**6,800,534**	17,512,267	8,696,818
Net loss	**(28,691,860)**	(25,384,159)	(3,466,672)
Noncontrolling interest	**–**	–	864,884
Net loss, controlling interest	**(28,691,860)**	(25,384,159)	(4,331,556)
Other comprehensive income:			
Unrealized gain on derivatives held as cash flow hedges	**–**	–	342,558
Comprehensive loss	**$ (28,691,860)**	$ (25,384,159)	$ (3,988,998)

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Member's Equity

Predecessor	Common Stock		Preferred Stock Series A, B, and C		Treasury	Accumulated	Additional	Accumulated Other Comprehensive	Noncontrolling	Total Member's
	Shares	Amount	Shares	Amount	Shares	Deficit	Paid-In Capital	Income (Loss)	Interest	Equity
Balance at January 1, 2021 (Predecessor)	9,526,515	6,423,480	29,980,303	82,333,294	(487,500)	(6,339,613)	(2,477,520)	(878,558)	2,723,094	81,296,677
Other comprehensive income	–	–	–	–	–	–	–	342,558	–	342,558
Net (loss) income	–	–	–	–	–	(4,331,556)	–	–	864,884	(3,466,672)
Balance at September 30, 2021 (Predecessor)	9,526,515	$ 6,423,480	26,980,303	$ 82,333,294	$ (487,500)	$ (10,671,169)	$ (2,477,520)	$ (536,000)	$ 3,587,978	$ 78,172,563

Successor	Common Units		Incentive Units		Accumulated	Total Member's
	Units	Amount	Units	Amount	Deficit	Equity
Balance at October 1, 2021 (Successor)	–	$ –	–	$ –	$ –	$ –
Issuance of units and contributions	100	375,350,000	–	–	–	375,350,000
Share-based compensation	–	–	97,850	413,910	–	413,910
Net loss	–	–	–	–	(25,384,159)	(25,384,159)
Balance at December 31, 2021 (Successor)	100	375,350,000	97,850	413,910	(25,384,159)	350,379,751
Additional invested capital	–	79,589,909	–	–	–	79,589,909
Share-based compensation expense	–	–	(5,220)	1,423,588	–	1,423,588
Net loss	–	–	–	–	(28,691,860)	(28,691,860)
Balance at December 31, 2022	100	$ 454,939,909	92,630	$ 1,837,498	$ (54,076,019)	$ 402,701,388

See accompanying notes to consolidated financial statements.

Point Broadband Acquisition, LLC and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2022	Successor Period From October 1, to December 31, 2021	Predecessor Period From January 1, to September 30, 2021
Cash flow from operating activities			
Net loss	**$ (28,691,860)**	$ (25,384,159)	$ (3,466,672)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	**65,795,711**	16,882,117	21,807,694
Non-cash operating lease expense	**1,351,021**	–	–
Gain on forgiveness of debt	–	–	(1,657,956)
Amortization of debt issuance costs	**2,978,163**	444,111	355,957
Bad debt expense	**625,558**	127,104	314,427
Share-based compensation expense	**1,423,588**	413,910	–
(Increase) decrease in:			
Receivables	**(1,021,403)**	(3,107,987)	1,792,250
Prepayments	**(304,349)**	222,336	(1,024,859)
Derivative asset	**(9,159,343)**	–	–
Other assets	**(223,583)**	1,589,712	(1,506,918)
Accounts payable	**(4,521,647)**	3,324,610	1,597,433
Unearned revenue	**73,449**	(7,727)	(99,735)
Operating lease liabilities	**(1,147,889)**	–	–
Customer deposits and other customer prepayments	**(46,593)**	287,463	(330,614)
Accrued liabilities	**6,231,657**	16,632,656	8,796,541
Other long-term liabilities	**293,404**	–	4,500,000
Net cash provided by operating activities	**33,655,884**	11,424,146	31,077,548
Cash flow from investing activities			
Acquisition and construction of fixed assets	**(159,226,276)**	(38,525,846)	(76,639,173)
Cash paid for acquisition, net of cash acquired	**(25,179,744)**	–	–
Working capital payment	–	–	(67,000)
Net cash used in investing activities	**(184,406,020)**	(38,525,846)	(76,706,173)
Cash flow from financing activities			
Net proceeds from credit agreement borrowings	**67,315,000**	–	–
Principal payments on notes payable	–	–	(213,856)
Proceeds from notes payable	–	–	42,262,484
Payment of debt issuance costs	**(887,500)**	–	(627,427)
Finance leases and notes payable payments	**(649,906)**	(78,862)	(203,606)
Borrowings under finance leases and notes payable	**21,506**	–	–
Payment of earnout liability	**(954,676)**	(1,489,618)	–
Purchase of interest rate cap contract	**(712,000)**	–	–
Contributions from member	**79,589,908**	–	–
Net cash provided by financing activities	**143,722,332**	(1,568,480)	41,217,595
Net decrease in cash and cash equivalents	**(7,027,804)**	(28,670,180)	(4,411,030)
Cash and cash equivalents at beginning of period	**16,483,485**	45,153,665	11,759,547
Cash and cash equivalents at end of period	**$ 9,455,681**	$ 16,483,485	$ 7,348,517
Non-cash supplemental disclosures			
Accrued capital expenditures in accrued liabilities	**$ 12,175,583**	$ 6,905,024	$ 3,988,138
Cash paid for interest on loans	**$ 29,807,342**	$ 658,428	$ 3,953,358
Significant noncash transaction – acquisition of Fiber South	**$ –**	$ –	$ 6,000,000
Equipment purchased under finance or capital leases	**$ 2,314,710**	$ 405,730	$ 318,702

See accompanying notes to consolidated financial statements.

1. Nature of Operations and Basis of Presentation

Nature of Operations

Point Broadband Acquisition, LLC (Point Broadband Acquisition or the Company) was formed on March 10, 2021 as a Delaware limited liability company by GTCR, a leading private equity firm and ultimate parent of Point Broadband Acquisition. Point Broadband Acquisition was formed by GTCR for the purpose of enacting the acquisition of Point Broadband Fiber Holding, LLC (Point Broadband Fiber) on October 1, 2021. Point Broadband Acquisition's business operations are conducted through this wholly owned subsidiary.

Point Broadband Fiber is an internet service provider (ISP) serving residential and commercial customers and government entities in mainly rural and suburban regions of the United States. The Company offers internet and voice services in all its markets and in two of its markets also provides video services. The Company's operations are focused in the Mid-Atlantic region, as well as the Southeast, Midwest, upstate New York and Texas. The Company was incorporated in 2016 and is based in Opelika, Alabama.

The Company is a wholly owned subsidiary of Point Broadband Intermediate, LLC and Point Broadband Intermediate, LLC is a wholly owned subsidiary of Point Broadband Holdings, LLC.

Basis of Presentation

Predecessor

On October 1, 2021, Point Broadband Acquisition acquired Point Broadband Fiber. The results of operations for the period January 1, 2021 to September 30, 2021 represent those of Point Broadband Fiber prior to the acquisition. The results for this period represent the Predecessor financial statements.

Successor

On October 1, 2021, Point Broadband Acquisition acquired 100% of the equity interest in Point Broadband Fiber for an aggregate consideration transferred of $674,923,284 (the Acquisition).

1. Nature of Operations and Basis of Presentation (continued)

Point Broadband Acquisition applied acquisition accounting guidance under Accounting Standards Codification (ASC) 805, *Business Combinations*, and recorded the acquired assets and liabilities of Point Broadband Fiber and its subsidiaries as of October 1, 2021 at fair value. The consolidated cash flows and results of operations and other comprehensive loss after the Acquisition are not comparable with those prior to the Acquisition and therefore have been segregated in the financial statements. The Successor financial statements represent the operations of Point Broadband Fiber, and its subsidiaries under the ownership of Point Broadband Acquisition, for the period commencing after the date of the Acquisition, or October 1, 2021, to December 31, 2021 and for the year ended December 31, 2022.

The operating entities and subsidiaries of Point Broadband Fiber are as follows:

2021	Ownership Percentage
Point Broadband of Bainbridge, LLC (Bainbridge)	100%
Point Broadband of Alabama, LLC (Opelika, JTM, or Island Fiber, Monster)	100
Sunset Digital Communications, LLC	100
Sunset Fiber, LLC (collectively Sunset)	100
Point Broadband of the Piedmont, LLC (Hagerstown)	100
Point Broadband of Ohio, LLC (Ohio)	100
Casair Broadband, LLC (Casair)	100
Point Broadband of Michigan, LLC (VB Fiber, West Michigan, M-33)	100
Clarity Fiber Solutions, LLC (Clarity)	100
Point Broadband – Cobb, LLC (NW Georgia)	100
Point Services, LLC	100
Point Broadband Towers, LLC	100

2. Summary of Significant Accounting Policies

Consolidation and Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Point Broadband Acquisition and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. The more significant estimates made by management relate to the fair value of the net assets acquired in business combinations, goodwill, useful lives of long-lived tangible and intangible assets, valuation of long-lived tangible and intangible assets, incremental borrowing rates for leases, and share-based compensation.

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Domestic accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per unique non-interest-bearing account number. The Company maintains its cash accounts in commercial banks, which at times may exceed federally insured limits. The Company had approximately $14,093,756 and $7,290,677 in uninsured cash for the years December 31, 2021 and 2022, respectively. The Company has not experienced any losses in such accounts. The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company had no short-term investments at December 31, 2022.

2. Summary of Significant Accounting Policies (continued)

Business Combinations

The Company accounts for its business combinations under the acquisition method of accounting. The Company recognizes separately from goodwill, the identifiable assets acquired, and liabilities assumed based on their respective estimated fair values. The excess of the consideration transferred over the estimated fair values of the net assets acquired is recorded as goodwill.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The carrying amount of notes payable approximates its fair value, as interest rates approximate current market rates.

Accounts Receivable, Net

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments and is estimated based on the aging of accounts receivable, industry trends and economic indicators, as well as reviews of recent payment history for specific customers.

Fair Value Measurements

The Company measures assets and liabilities requiring fair value presentation and reporting using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclose such amounts according to the level of valuation inputs under the following hierarchy:

Level 1 — quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;

2. Summary of Significant Accounting Policies (continued)

Level 2 — quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 — unobservable inputs that are significant to the fair value measurement and are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The Company measures certain assets, including property and equipment, intangible assets, and goodwill, at fair value on a nonrecurring basis when they are deemed to be impaired. The fair value of these assets is determined with valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow models.

Share-Based Compensation

The Company accounts for equity awards in accordance with ASC 718, *Compensation – Stock Compensation* (ASC 718). ASC 718 requires employee equity awards to be accounted for under the fair value method. It also requires the measurement of compensation cost at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Accordingly, share-based compensation is measured at the grant date based on the fair value of the award. The Company uses the straight-line method to recognize share-based compensation over the service period of the award, which is generally equal to the vesting period. See Note 15 for further discussion regarding the fair value of the Company's share-based compensation.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment is recorded at cost less accumulated depreciation using depreciation methods over estimated useful lives as follows:

Description	Method	Useful Life
Network equipment	Straight-line	5–7 years
Other general equipment	Straight-line	3–7 years
Broadband equipment	Straight-line	5–7 years
Building improvements	Straight-line	Shorter of 15 years or lease term
Office equipment and furniture	Straight-line	5–7 years
Software and licenses	Straight-line	3 years
Vehicles	Straight-line	5–7 years
Land	N/A	N/A

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, in accordance with the provisions of ASC 360, *Property, Plant, and Equipment* (ASC 360). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset or asset group to future undiscounted cash flows expected to be generated. There was no impairment of long-lived assets recognized in the consolidated financial statements.

Goodwill and Intangible Assets

Goodwill is recorded when the consideration transferred for an acquired business is greater than the fair value of the net identifiable assets acquired, and liabilities assumed.

In accordance with ASC 350, *Intangibles – Goodwill and Other* (ASC 350), goodwill and other indefinite-lived intangible assets are assessed for impairment at least annually as of October 1, or more frequently if impairment indicators arise using a qualitative or quantitative approach. Any

2. Summary of Significant Accounting Policies (continued)

excess of the carrying amount of the reporting unit over its fair value is recognized as an impairment loss, not to exceed the amount of goodwill assigned to the impaired reporting unit. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows. The Company may use a qualitative or quantitative process to determine if there is an impairment. Prior to performing a quantitative evaluation, an assessment of qualitative factors may be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the carrying amount of the reporting unit exceeds its fair value, the Company must perform a quantitative assessment to calculate the fair value of the reporting unit and compare to its carrying amount and measure an impairment loss.

Debt Issuance Costs

Debt issuance costs consist of the amounts paid to lenders and third parties in connection with the issuance of debt. Debt issuance costs are presented as a reduction to notes payable, net on the consolidated balance sheets. These costs effectively reduce the proceeds of borrowing, thereby increasing the effective interest rate. These costs are amortized using the effective interest method over the borrowing term and are reported within interest expense on the consolidated statements of operations and comprehensive loss.

Leases

On January 1, 2022, the Company adopted ASC 842, *Leases*, with modified retrospective application. As a result of the adoption of ASC 842, the Company recorded a right-of-use asset of $9,027,889, which represents the lease liability reduced for deferred rent amounts of $232,449 and a lease liability of $9,260,338, which represents the present value of remaining lease payments, discounted using the Company's incremental borrowing rates based on the remaining lease terms. The Company leases towers, office space, dark fiber, and equipment under operating lease arrangements and vehicles under finance lease arrangements. Right-of-use assets and lease liabilities for operating leases are recorded on the balance sheet and the related lease expense is recorded on a straight-line basis over the lease term in operating expenses. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. For financial reporting purposes, right-of-use assets held under finance leases are amortized over their estimated useful lives on the same basis as owned assets, and leasehold

2. Summary of Significant Accounting Policies (continued)

improvements associated with assets utilized under finance or operating leases are amortized by the straight-line method over the shorter of the remaining lease term or the asset's useful life. Amortization of assets under finance leases is included in depreciation expense. Obligations under the finance lease arrangements are included in current portion of finance lease obligations and finance lease obligations, net of current maturities.

The Company has elected the short-term lease recognition exemption such that the Company will not recognize right of use assets (ROU) or lease liabilities for leases with a term of less than 12 months from the commencement date. The Company elected the short-term lease exemption for all classes of assets to include towers, buildings, vehicles and equipment. Our lease agreements do not contain any residual value guarantees.

The Company adopted the policy election as a lessee for all classes of assets to account for each lease component and its related non-lease component as a single lease component. In determining the discount rate, the Company uses the incremental borrowing rate unless the rate implicit in the lease is readily determinable when entering into a lease as a lessee. The incremental borrowing rate is determined based on market yields on similarly secured and similarly rated credit.

As part of the adoption, the Company has elected the package of three practical expedients, which includes the following: an entity may elect not to reassess whether expired or existing contracts contain a lease under the revised definition of a lease; an entity may elect not to reassess the lease classification for expired or existing leases; and an entity may elect not to reassess whether previously capitalized initial direct costs would qualify for capitalization. In addition, the Company elected the hindsight expedient, which allows the use hindsight in assessing lease term, and the land easement expedient, which allowed the Company to apply the guidance prospectively at adoption for land easements on existing agreements.

An assessment is made on or after the effective date of newly signed contracts as to whether the contract is, or contains, a lease at the inception of a contract. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset; (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period; and (3) whether the Company has the right to direct the use of the asset. The operating right-of-use asset is measured as the initial amount of the operating lease liability, plus any initial direct costs incurred, less any prepayments prior to commencement or lease incentives received.

2. Summary of Significant Accounting Policies (continued)

The operating lease liability is initially measured at the present value of the lease payments, discounted using the Company's secured incremental borrowing rate for the same term as the underlying lease unless the interest rate implicit in the lease is readily determined, then the implicit rate will be used. Lease payments included in the measurement of the lease liability are comprised of the following: (1) the fixed noncancelable lease payments, (2) payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and (3) payments for early termination options unless it is reasonably certain the lease will not be terminated early. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement and included in the measurement of the initial lease liability. Additional payments based on the change in an index or rate are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability.

Derivative Instruments

The Company accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*. The Company is exposed to certain risks related to its ongoing business operations, primarily interest rate risk. During 2022, an interest rate cap was entered into to limit a portion of the cash flow exposure associated with the Company's variable-rate term loan. The Company does not use any derivative instruments for trading or speculative purposes.

As required by ASC 815, the fair value of the Company's interest rate cap is reported as an asset or liability on the balance sheet. The Company has accounted for the interest rate cap using the mark-to-market approach and the gain or loss on the derivative is reported in Other (income) expense, net in the consolidated statements of operations and comprehensive loss. See Note 11 for further discussion regarding the fair value of the Company's interest rate cap.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company earns most of its revenue from contracts with customers, primarily through the provision of internet, voice, and video services.

The Company also earns regulatory revenue from governmental grant payments under the Connect America Fund Phase II (CAF II) and the Rural Digital Opportunity Fund (RDOF) federal programs, neither of which are accounted for under ASC 606, *Revenue from Contracts with Customers*. These programs will provide financial support to the Company over the course of ten years in return for the Company's commitment to make high-speed broadband available to households in underserved localities within six years. Funds are received under both these programs in equal monthly installments and are recognized as revenue when received. The funds received under these programs are reported as "Regulatory Revenue" under the consolidated statements of operations and comprehensive loss.

The Company also receives grant payments from various state and local authorities for the expansion of broadband access to unserved and underserved areas. The funds from these state and local grants are received as reimbursement for approved and incurred capital expenditures and are recognized in Other (income) expense, net. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), funds received under these grants totaled $537,749 and $4,749,294, respectively. For the year ended December 31, 2022, funds received under these grants totaled $26,180,899.

The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods and services to a customer.

The Company provides internet, voice, and video services to residential and commercial customers. Residential customers are provided services on a month-to-month basis and are billed monthly. Commercial customer contract terms vary from month to month up to 60 months, and the majority are billed monthly. The Company offers discounts to customers who bundle additional services with broadband. All revenue is recognized when services are provided to the customer, irrespective of the billing period.

2. Summary of Significant Accounting Policies (continued)

The Company evaluates whether it has an enforceable contract with a customer. An enforceable contract states the contractual terms, including the parties' rights and the payment terms related to the goods and services to be transferred; and there is the ability and intention to pay the Company for the contracted product or service. The Company also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation. Multiple promises in a contract are typically separated if they are distinct, both individually and in the context of the contract.

Performance obligations are satisfied either over time or at a point in time. The appropriate measure of progress for revenue recognition is based on the nature of the performance obligation and other pertinent contract terms.

Contract Costs

The Company pays sales commissions to its employees for the execution of a contract and contract renewals. Sales commissions represent "costs to obtain a contract," as they meet the criteria in ASC 340-40, *Contracts with Customers (Other Assets and Deferred Costs)*. Sales commissions are incremental costs to obtaining a contract as the costs would not be incurred if the contract was not executed. Further, the Company expects to recover these costs through the gross margin earned on the sale of its services.

Any commissions related to residential customers are expensed when incurred per the practical expedient present in ASC 340-25-4 which states that costs related to contracts with a duration of one year or less may be expensed as incurred. All residential customers are on month-to-month contracts. The commission plan related to commercial customers is based off of a specific contract type and length for each successful new contract with a customer as well as renewal contracts with current customers. Service upgrades for commercial customers are also eligible for commissions.

Company contracts for commercial customers often contain renewal options or provisions that may be automatic or elective. Commissions paid for renewals are much lower than the initial commission for new customers and therefore, commissions are not commensurate during the entire contract period, inclusive of renewals. As a result, commissions costs are amortized over the average customer life of commercial customers. The Company used current historical information to estimate the average life of its customers. The Company evaluated initial contract start dates, and how long they have been customers.

2. Summary of Significant Accounting Policies (continued)

Based on this analysis, the Company amortizes commissions costs related to new contracts over the average customer life of seven years. Management will continue to monitor and update this average customer life on an annual basis as more historical data is collected. Management also reviews contract assets annually to assess whether any impairment is necessary.

Advertising Costs

The Company expenses advertising costs as they are incurred. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 1, 2021 (Predecessor), advertising costs totaled $342,781 and $620,631 respectively. For the year ended December 31, 2022 advertising costs totaled $1,257,238 and are included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes, with income taxes payable by the members. Accordingly, no provision has been made in these financial statements for federal and state income taxes for the Company. As a limited liability company, each member's liability is limited to amounts reflected in their respective member's equity accounts in accordance with the Limited Liability Company Agreement. The income allocable to each member is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the members could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The guidance is effective for the Company beginning January 1, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. A prospective transition approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date. We do not anticipate this standard to have a material impact on the Company's financial statements.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* (ASU 2021-10), which requires annual disclosures (e.g., terms and conditions, accounting treatment, impacted financial statement lines), in the notes to the financial statements, about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other guidance. The Company adopted ASU 2021-10 effective for the annual reporting period ended December 31, 2022, as required, under prospective application, with no required updates to our disclosures.

Change in Accounting Principle

During 2022, the Company voluntarily changed the date of the annual goodwill impairment test from December 31 to October 1. This voluntary change is preferable under the circumstances as it provides the Company with additional time to complete its annual goodwill impairment testing in advance of its year-end reporting and results in better alignment with the timing of the Company's annual strategic planning and forecasting process. The voluntary change in accounting principle related to the annual testing date will not delay, accelerate or avoid an impairment charge. Retrospective application of this accounting change to prior periods is impracticable as the Company is unable to objectively determine, without the use of hindsight, the significant assumptions and estimates that would be used in those earlier periods. Accordingly, the change will be applied prospectively.

3. Business Combinations

Point Broadband Fiber Holding, LLC Acquisition

On March 12, 2021, a Membership Interest Purchase Agreement (the Point Broadband Purchase Agreement) was entered into between Point Broadband Acquisition (the Buyer) – wholly owned subsidiary of Point Broadband Holdings, Point Broadband, LLC, a Georgia limited liability company (Parent), Point Broadband Capital, LLC, a Delaware limited liability company (the Seller), Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Company, and together with Parent and Seller, the Seller Parties). Through the Point Broadband Purchase Agreement, the Seller Parties agreed to transfer all ownership in the Company to the Buyer. Collectively this represents "The Acquisition," which closed on October 1, 2021.

The total purchase consideration was $674,923,284, comprised of $482,047,875 in cash, $136,079,159 in funded indebtedness (old debt that was paid-off at closing), $53,846,250 in rollover equity, and $2,950,000 in additional equity that was issued as a result of the JTM Broadband, LLC and Camp Fox, LLC Acquisitions (discussed below). See Note 10, Notes Payable, for discussion on the third-party debt that was entered into during the Acquisition.

3. Business Combinations (continued)

The excess of the purchase price over the net assets acquired was allocated to goodwill. The Company recorded $332,685,399 of goodwill on the December 31, 2021 consolidated balance sheet. The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash, net	$ 482,047,875
Funded indebtedness	136,079,159
Rollover equity	53,846,250
Additional equity	2,950,000
Total consideration	$ 674,923,284
Net assets acquired	
Cash and cash equivalents	$ 7,348,588
Accounts receivable	1,255,389
Other current assets	1,893,022
Property and equipment	220,573,368
Other non-current assets	7,006,626
Intangible assets	133,100,000
Goodwill	332,685,399
Total assets	703,862,392
Net liabilities assumed	
Accounts payable	(8,379,835)
Other current liabilities	(10,756,039)
Unearned revenue	(2,604,696)
Other long-term liabilities	(7,198,538)
Total liabilities assumed	(28,939,108)
Total net assets acquired	$ 674,923,284

3. Business Combinations (continued)

Intangible assets acquired consist of customer relationships of $101,500,000 and trade names of $31,600,000. Trade Names are amortized on a straight-line basis over their useful lives of 15 years, while Customer Relationships are amortized on a straight-line basis over their useful lives of 5 years. Refer to Note 6 for further details on these intangible assets. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available through GTCR's management to accelerate and expand the business. Buy-side transaction expenses totaled $10,243,627 and were recorded in the consolidated statement of operations within Other (income) expense, net for the period ended December 31, 2021.

The disclosure above includes the fair value of assets acquired under other acquisitions during the year ended December 31, 2021. The Company completed the acquisitions of Camp Fox, LLC (d/b/a Island Fiber) and JTM Broadband, LLC on October 1, 2021. See below for further detail on those acquisitions.

Camp Fox, LLC (d/b/a Island Fiber) Acquisition

On August 23, 2021, an Asset Purchase Agreement (the Island Fiber Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Island Fiber, an Alabama limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Island Fiber Acquisition, which closed on October 1, 2021.

Point Broadband Fiber acquired the assets of the Seller for $5,500,000, plus working capital/closing adjustments. The Island Fiber Acquisition was funded by $5,200,000 of cash on hand from Point Broadband Fiber, as well as $300,000 of consideration in rollover equity.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,200,000
Rollover equity	300,000
Cash adjustment	7,000
Working capital adjustment	74,000
Total consideration	$ 5,581,000
Tangible assets	
Cash	$ 7,000
Working capital	89,000
Property and equipment	1,794,000
Other net assets	26,000
Net tangible assets	1,916,000
Intangible assets	
Trade name	20,000
Customer relationships	600,000
Goodwill	3,045,000
Net intangible assets	3,665,000
Total net assets acquired	$ 5,581,000

JTM Broadband, LLC Acquisition

On August 20, 2021, an Asset Purchase Agreement (the JTM Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and JTM Broadband LLC, a Tennessee Corporation (the Seller). Through the Purchase Agreement, the Seller Parties agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the JTM Acquisition, which closed on October 1, 2021.

Point Broadband Fiber acquired the assets of the Seller for $15,000,000, plus working capital/closing adjustments. The JTM Acquisition was funded by $13,350,000 of cash on hand from Point Broadband Fiber, as well as $1,650,000 of consideration in rollover equity.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 13,350,000
Rollover equity	1,650,000
Cash adjustment	459,000
Working capital adjustment	(121,000)
Total consideration	$ 15,338,000
Tangible assets	
Cash	$ 459,000
Working capital	(35,000)
Property and equipment	9,456,000
Other net assets	40,000
Net tangible assets	9,920,000
Intangible assets	
Trade name	90,000
Customer relationships	2,160,000
Goodwill	3,168,000
Net intangible assets	5,418,000
Total net assets acquired	$ 15,338,000

West Michigan Broadband, LLC Acquisition

On May 27, 2022, an Asset Purchase Agreement (the West Michigan Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and West Michigan Broadband, LLC, a Michigan limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the West Michigan Acquisition, which closed on June 10, 2022.

3. Business Combinations (continued)

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $9,302,000, plus working capital/closing adjustments. The West Michigan Acquisition was funded by $5,056,238 of cash on hand from Point Broadband Fiber, $1,543,762 in funded indebtedness (old debt that was paid-off at closing), $1,900,000 in rollover equity and $802,000 related to an earnout.

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,056,238
Funded indebtedness	1,543,762
Rollover equity	1,900,000
Earnout	802,000
Total consideration	$ 9,302,000
Tangible assets	
Property and equipment	$ 5,357,081
Working capital	(41,081)
Net tangible assets	5,316,000
Intangible assets	
Customer relationships	1,020,000
Goodwill	2,966,000
Net intangible assets	3,986,000
Total net assets acquired	$ 9,302,000

3. Business Combinations (continued)

Intangible assets acquired consist of customer relationships that have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The West Michigan acquisition resulted in the recognition of $2,966,000 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $25,992 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

Monster Broadband, Inc. Acquisition

On November 11, 2022, an Asset Purchase Agreement (the Monster Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Monster Broadband, Inc., a Tennessee corporation (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the Monster Acquisition, which closed on November 14, 2022.

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $10,462,744, plus working capital/closing adjustments. The Monster Acquisition was funded by $5,812,100 of cash on hand from Point Broadband Fiber, $1,610,478 in funded indebtedness (old debt that was paid-off at closing), $1,877,166 in rollover equity and $1,163,000 related to an earnout.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 5,812,100
Funded indebtedness	1,610,478
Rollover equity	1,877,166
Earnout	1,163,000
Total consideration	$ 10,462,744
Tangible assets	
Property and equipment	$ 3,368,750
Notes payable	(36,088)
Working capital	(100,000)
Total assets	3,232,662
Intangible assets	
Customer relationships	3,410,000
Goodwill	3,820,082
Net intangible assets	7,230,082
Total net assets acquired	$ 10,462,744

Intangible assets acquired consist of customer relationships and have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The Monster acquisition resulted in the recognition of $3,820,082 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $10,301 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

3. Business Combinations (continued)

Customer Software, Inc. Acquisition

On November 23, 2022, an Asset Purchase Agreement (the M-33 Asset Purchase Agreement) was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Custom Software, Inc. (M-33), a Colorado corporation (the Seller). Through the Purchase Agreement, the Seller Parties agreed to transfer all ownership in the assets of the Seller to the Buyer. Collectively this represents the M-33 Acquisition, which closed on November 30, 2022.

The purchase was determined to be a business combination under ASC 805, *Business Combinations*. The assets acquired and liabilities assumed were recorded at their respective fair values as of the date of the acquisition with the excess of the purchase price over those fair values recorded as goodwill. The determination of the fair values of the acquired assets and assumed liabilities required significant judgment, including estimates impacting the determination of estimated lives of tangible and intangible assets, and the calculation of the fair value of Property and equipment and customer relationships. The fair values were determined considering the income approach, using Level 3 inputs as defined by ASC 820.

Point Broadband Fiber Holding, LLC acquired the assets of the Seller for $5,415,000, plus working capital/closing adjustments. The M-33 Acquisition was funded by $2,994,979 of cash on hand from Point Broadband Fiber, $955,021 in funded indebtedness (old debt that was paid-off at closing), $1,000,000 of consideration in rollover equity and $465,000 related to an earnout.

3. Business Combinations (continued)

The following table summarizes the purchase price consideration and the fair values of net assets recorded by the Company at the acquisition date:

Total contributions	
Cash consideration	$ 2,994,979
Funded indebtedness	955,021
Rollover equity	1,000,000
Earnout	465,000
Total consideration transferred	$ 5,415,000
Tangible assets	
Property and equipment	$ 4,371,636
Working capital	(155,636)
Net tangible assets	4,216,000
Intangible assets	
Customer relationships	600,000
Goodwill	599,000
Net intangible assets	1,199,000
Total net assets acquired	$ 5,415,000

Intangible assets acquired consist of customer relationships and have a useful life of 5 years. No residual value is assigned to the acquired customer relationships and are amortized on a straight-line basis.

The M-33 acquisition resulted in the recognition of $599,000 of goodwill, which is not deductible for tax purposes. Goodwill is related to the application of purchase accounting on the Company's financial statements and represents the synergistic benefits available to accelerate and expand the business. Buyer transaction expenses totaled $5,010 and were recorded on the consolidated statements of operations and comprehensive loss within Other (income) expense, net for the period ended December 31, 2022.

4. Revenue Recognition

Disaggregation of Revenue

The table below presents revenue disaggregated by revenue stream:

	For the Year Ended December 31, 2022	For the Period From October 1 to December 31, 2021 (Successor)	For the Period From January 1 to September 30, 2021 (Predecessor)
Customer revenue:			
Internet	$ 61,491,129	$ 13,087,329	$ 34,151,760
Voice	4,340,369	1,715,291	5,342,682
Video	6,838,632	1,407,571	5,268,977
Other	3,143,904	861,463	2,876,918
Regulatory revenue	13,528,851	3,382,213	4,919,010
	$ 89,342,885	$ 20,453,867	$ 52,559,347

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company enters into contracts with customers that will sometimes include promises to deliver multiple services which may be capable of being distinct and distinct within the context of the contract. Thus, they can be accounted for as separate performance obligations. Determining whether services are performance obligations often requires the exercise of judgment by management. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service.

All service revenue is satisfied over-time while commercial installation revenue is satisfied at a point in time, as installation is considered a separate performance obligation for commercial customers. For the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), commercial installation revenue totaled $48,463 and $225,000, respectively. For the year ended December 31, 2022, commercial installation revenue totaled $282,611. The performance obligation is satisfied once installation is complete, at which point revenue is recognized.

4. Revenue Recognition (continued)

Determining the Transaction Price

Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transfer of service to a customer. When determining the transaction price, the Company estimates variable consideration to the extent that it is probable that a significant amount of cumulative revenue will not be reduced in the future.

Measure of Progress

The nature of the Company's monthly recurring and non-recurring revenue directly corresponds with the value to the customer for any given monthly period and thus the Company has concluded the output method is the most appropriate for recognizing its revenue. All service (phone, internet, cable) revenue streams are measured by the output method because the amounts on the stated invoices directly correspond to the value of the performance obligation provided at the stated contractual rate.

Principal vs. Agent Considerations

The Company evaluates whether it promises to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on the evaluation of the control model, the Company determined it acts as the principal within the business model rather than as an agent within the revenue arrangements.

Costs to Obtain and Fulfill a Contract

The Company capitalizes certain costs to obtain and fulfill a new contract and contract renewals. These costs primarily relate to sales commissions on commercial customers that are related to the execution of customer contracts. These capitalized costs related to commercial contracts are amortized on a straight-line basis over the average customer life, which is seven years.

5. Goodwill

Beginning balance – December 31, 2021	$332,685,399
Goodwill recorded	7,385,082
Ending balance – December 31, 2022	$340,070,481

Goodwill recorded in the consolidated balance sheet totaled $332,685,399 and $340,070,481 at December 31, 2021 (Successor) and December 31, 2022, respectively. At October 1, 2022, the Company performed a quantitative assessment of its goodwill. Based on the assessment, the Company's enterprise value exceeded the carrying value and no goodwill impairment was recognized in the consolidated statements of operations and comprehensive loss

6. Intangible Assets, Net

Intangible assets at December 31, included the following:

		2022			2021		
	Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade name	15 years	$31,600,000	$(2,633,333)	$28,966,667	$31,600,000	$(526,667)	$31,073,333
Customer relationships	5 years	106,530,000	(25,618,775)	80,911,225	101,500,000	(5,075,000)	96,425,000
Total intangible assets		$138,130,000	$(28,252,108)	$109,877,892	$133,100,000	$(5,601,667)	127,498,333

6. Intangible Assets, Net (continued)

Amortization expense related to intangible assets for the period from January 1 to September 30, 2021 (Predecessor) totaled $5,872,169. Amortization expense related to intangibles totaled $5,601,667 and $22,650,442 for the period from October 1, 2021 to December 31, 2021 (Successor) and December 31, 2022, respectively.

The following table summarizes the future aggregate amortization expense of the Company's intangible assets with finite lives:

	Total
For the years ending December 31:	
2023	$ 23,412,667
2024	23,412,667
2025	23,412,667
2026	18,337,667
2027	2,868,891
Thereafter	18,433,333
	$ 109,877,892

No impairment indicators were identified for the period ended December 31, 2022.

7. Property and Equipment, Net

Below are the major classes of property and equipment as of December 31:

	2022	2021
Network equipment	$ 247,769,103	$ 187,047,912
Other general equipment	115,711,423	17,562,852
Video and broadband equipment	19,224,621	4,708,535
Building improvements	3,653,462	3,623,012
Office equipment and furniture	998,037	357,175
Software and licenses	3,767,584	3,281,542
Vehicles	5,902,815	2,664,108
Construction-in-process	34,773,577	14,294,402
Construction materials	14,294,402	25,747,569
Land	217,837	217,837
Total property and equipment	442,396,149	259,504,944
Less: Accumulated depreciation	(54,419,601)	(11,280,450)
Property and equipment, net	$ 391,893,260	$ 248,224,494

Depreciation expense for the periods from October 1 to December 31, 2021 (Successor) and January 1 to September 30, 2021 (Predecessor), totaled $11,280,450 and $15,854,953, respectively. Depreciation expense for the period ended December 31, 2022 totaled $43,145,269. Amortization of assets recorded under finance leases is included in depreciation expense.

8. Related-Party Transactions

The Company received certain chaplain services and insurance brokerage services during the predecessor period from a shareholder, ITC Capital Partners, LLC. The Company also charged the shareholder for certain HR and legal services performed. The expenses are recorded at amounts invoiced for the services provided and were payable quarterly. Total expenses related to services received from the shareholder for the period from January 1 to September 30, 2021 (Predecessor) was $27,864. Total income from services provided to the shareholder for the same period was $46,008. Following the acquisition by GTCR (Note 3), ITC Capital Partners, LLC was no longer considered a related party.

8. Related-Party Transactions (continued)

Additionally, the Company also pays rent to certain employees and spouses of employees. The Company also receives professional and other services from certain employees and members and pays some of these related parties for installation and network maintenance related activities as well. Expenses related to these members and employees totaled $500,896 for the period from October 1 to December 31, 2021 (Successor) and $698,414 for the period from January 1 to September 30, 2021 (Predecessor). Expenses related to these members and employees totaled $1,608,404 for the period ended December 31, 2022, respectively.

9. Accrued Liabilities

Accrued liabilities consists of the following as of December 31:

	2022	2021
Accrued interest	$ 9,416,952	$ 6,694,527
Accrued payroll	1,432,289	771,700
Accrued taxes	515,109	571,987
Accrued earnout provision	2,959,774	712,213
Accrued equipment purchases	19,080,607	6,905,024
Total accrued liabilities	$ 33,404,731	$ 15,655,451

The prior period acquisitions of Crystal Automation Systems, Inc. (Casair) on September 1, 2020, and Hagerstown Fiber Internet, LLC (Hagerstown) on January 31, 2020 by Point Broadband Fiber, included earnout payments to the sellers at a future point in time if certain performance metrics were achieved. The Company recorded fair value adjustments related to any changes in fair value between measurement periods. The Company did not recognize a liability for these earnout provisions as of December 31, 2020. An adjustment was made during 2021 to recognize the fair value of the earnout liability for both entities as of December 31, 2020.

9. Accrued Liabilities (continued)

The Casair acquisition included an earnout provision whereby the Company would make two additional payments contingent on the performance of the acquired company. The Company calculates the earnout amounts within 60 days following the one-year and two-year anniversary of the closing date. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted earnings before interest, taxes, depreciation and amortization (EBITDA). These fair value measurements are directly impacted by the Company's estimates. The year one payout was made in October 2021, for a total amount of $2,221,386. The year two payout was made in October 2022, for a total amount of $954,676. As of December 31, 2022, the earnout liability balance related to the Casair acquisition is zero.

The Hagerstown acquisition included an earnout provision whereby the Company would have to make an additional payment contingent on the net increase in incremental subscribers installed and added to the fiber network that exists as of the Closing Date (current passings) through a minimum of 18 months after Closing. The earnout shall be payable after the closing date on the later of, (1) the date when 10% subscriber penetration rate has been obtained on an incremental 15,000 passings constructed post-acquisition, (2) the 18-month anniversary of the closing date. Based on current build plans, the Company expects the incremental 15,000 passings will be fully constructed by April of 2023. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. The Company recorded fair value adjustments related to any changes in fair value between measurement periods.

The West Michigan acquisition included an earnout provision whereby the Company is required to make an additional payment contingent upon the Company (1) achieving 3,800 serviceable fiber passings and (2) serving 2,850 fiber customers. The earnout is required to be paid within 30 days of achieving the described targets. Based on current estimates, the Company expects the targets will be met by November of 2025. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. The Company considers fair value adjustments related to any changes in fair value between measurement periods. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on June 10, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the West Michigan acquisition was $802,000.

9. Accrued Liabilities (continued)

The Monster acquisition included an earnout provision whereby the Company is required to make an additional payment of no greater than $1,336,860 and no less than $400,000, contingent upon the amount of backhaul reductions achieved in the six months following the acquisition. The first installment of the earnout, in the amount of $400,000, was expected to be paid on February 14, 2023, while the remaining balance will be paid on May 15, 2023. The February 2023 milestone was not reached. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted backhaul reductions. The Company considers fair value adjustments related to any changes in fair value between measurement periods. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on November 14, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the Monster acquisition was $1,163,000.

The M-33 acquisition included an earnout provision whereby the Company is required to make an additional payment of $500,000 on the latter of May 31, 2023, or once the Company has added four hundred fiber customers to its existing network as of the date of acquisition. Based on current estimates, the Company expects the target will be met by September of 2023. The fair market value of the earnout obligation is based on significant inputs not observable in the market (Level 3 fair value inputs), including forecasted subscriber penetration rates. There was no fair value adjustment recorded as there were no significant changes to the earnout targets from the acquisition date on November 30, 2022 to December 31, 2022. As of December 31, 2022, the earnout liability balance related to the M-33 acquisition was $465,000.

The change in fair value and payment for earnouts is as follows:

Casair earnout – Beginning balance – December 31, 2020	$ 6,296,580
Change in fair value	(3,684,243)
Ending balance – September 30, 2021	2,612,337
Payment on October 26, 2021	(2,221,386)
Change in fair value	(78,734)
Ending balance – December 31, 2021	$ 312,217
Change in fair value	642,459
Payout on October 31, 2022	(954,676)
Ending balance – December 31, 2022	$ –

9. Accrued Liabilities (continued)

Hagerstown earnout – Beginning balance – December 31, 2020	$	843,082
Change in fair value		(429,643)
Ending balance – September 30, 2021		413,439
Change in fair value		(13,443)
Ending balance – December 31, 2021	$	399,996
Change in fair value		129,779
Ending balance – December 31, 2022	$	529,775

The fair value of the related earnout provisions were measured on September 30, 2021 (Predecessor) and December 31, 2021 (Successor), with a gain recorded within operating expenses on the consolidated statements of operations and comprehensive loss. For the period from January 1 to September 30, 2021 (Predecessor), the Company recorded a gain of $4,113,886 related to the change in fair value of the earnout provisions. For the period from October 1, 2021, to December 31, 2021 (Successor), the Company recorded a gain of $92,179 related to the change in fair value of the earnout provisions. For the year ended December 31, 2022, the Company recorded a loss of $772,238 related to the change in fair value of the earnout within operating expenses on the consolidated statements of operations and comprehensive loss.

10. Notes Payable

Notes payable, long term consists of the following at December 31:

	2022	2021
Virginia Tobacco Commission Loan	$ 1,500,000	$ 1,500,000
Tobacco Region Revitalization Commission	–	136,000
GSO/Benefit Street Term Loans and other delayed draw	423,005,000	356,400,000
Vehicle and equipment notes payable	16,453	–
Less: debt issuance costs	(9,900,930)	(11,991,593)
	$ 414,620,523	$ 346,044,407

The current portion of notes payable consists of the following at December 31:

	2022	2021
GSO/Benefit Street Term Loan	$ 4,310,000	$ 3,600,000
Tobacco Region Revitalization Commission	136,000	136,000
Vehicle and equipment notes payable	36,088	–
	$ 4,482,088	$ 3,736,000

As of December 31, 2022, future maturities of debt are as follows:

2023	$ 4,482,088
2024	4,610,000
2025	4,610,000
2026	4,610,000
2027	4,610,000
Thereafter	406,081,453
	$ 429,003,541

Borrowings under the GSO/Benefit Street Term Loan are subject to certain financial covenants. As of December 31, 2022, the Company was in compliance with all of its covenants.

10. Notes Payable (continued)

As described previously, on October 1, 2021 (the Acquisition Date), GTCR and other investors, through the wholly owned subsidiary, Point Broadband Acquisition, acquired 100% of the equity interest in Point Broadband Fiber, for a stated purchase price of $520,000,000 plus working capital/closing adjustments. Financing of the transaction was obtained in a Credit Agreement containing an Initial Term Commitment (Initial Term Loan) in an aggregate principal amount of $360,000,000, a Delayed Draw Term Loan Commitment (Delayed Draw Term Loan) in an aggregate principal amount of $150,000,000, a Revolving Commitment (Revolver) in an aggregate principal amount of up to $50,000,000, and a Letter of Credit Commitment (LOC or Letter of Credit) totaling $43,750,000. At December 31, 2022, loans outstanding consisted of the Initial Term Loan of $356,400,000 and $70,915,000 of additional Delayed Draw Term Loans the Company obtained during 2022.

The Credit Agreement (Agreement) is dated as of October 1, 2021 between Point Broadband Acquisition, LLC (the Borrower), Point Broadband Intermediate, LLC (Holdings) and the Lenders and Issuing Banks, GSO Capital Partners (GSO, Blackstone), Benefit Street Partners (Benefit Street) and Ally Bank (Ally) party hereto and Wilmington Trust, National Associates, as an Administrative Agent and Collateral Agent. The Agreement is secured by a blanket lien on all assets of the Company.

The Company incurred debt origination costs of approximately $12,378,011 related to the new debt. Amortization expense related to debt issuance costs totaled $386,418 and $2,978,163 for the period from October 1 to December 31, 2021 (Successor period) and December 31, 2022, respectively, which is recorded as within Interest Expense, net on the consolidated statements of operations and comprehensive loss. Amortization of debt issuance costs for the period from January 1 to September 30, 2021 (Predecessor) totaled $355,957, which was associated with old debt that was extinguished on the Acquisition Date.

10. Notes Payable (continued)

The Company has certain derivative instruments, loans and investment securities indexed to LIBOR to calculate the loan interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month USD LIBOR tenors on December 31, 2021, and the remaining USD LIBOR tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate, or SOFR). The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may result in our incurring significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. At December 31, 2022, we had variable rate loans indexed to LIBOR totaling $427,315,000. The Company did not have any other investments, brokered deposits or borrowings indexed to LIBOR as of December 31, 2022. On February 17, 2023, the Company's credit agreement was amended to replace LIBOR with Secured Overnight Financing Rate (SOFR).

Paycheck Protection Program Loan (Predecessor)

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Company applied for a loan under the Program and received from its bank a loan in the amount of $1,657,957 on April 10, 2020. The loan is forgivable if the Company meets certain criteria as established under the Program. The Company filed an application for forgiveness on March 16, 2021 and in June 2021, the entire balance was forgiven. The Company recorded a gain on forgiveness of debt during the period from January 1 to September 30, 2021 which is reported under other income on the consolidated statements of operations and comprehensive loss within other expense, net.

10. Notes Payable (continued)

CoBank Credit Agreement (Predecessor)

Prior to the Acquisition, the Company had an outstanding credit agreement with CoBank. As part of the credit agreement, the Company had a combined amount outstanding on a term loan, delayed draw term loan, and revolving credit facility of $135,262,484.

The Company had an available revolving loan commitment with CoBank on which it may have borrowed up to $20,000,000. Borrowings of $2,262,484 were outstanding on the revolving loan prior to the Acquisition.

The Company had an available delayed draw term loan with CoBank on which it could have borrowed an additional $45,000,000. Borrowings of $40,000,000 were outstanding on the delayed draw term loan prior to the Acquisition.

On October 1, 2021 as part of the acquisition by Point Broadband Acquisition the entire debt to CoBank was paid off and the agreement was extinguished. The net payoff amount was $135,986,850, which included a payment of $135,262,484 for principal, $43,148 for interest and breakage, $536,000 for obligations pursuant to a secured hedge, and $145,218 for a commitment fee.

11. Derivative Instruments

On January 31, 2022, the Company entered into an interest rate cap with an effective date of January 1, 2022 and a termination date of January 1, 2024. The notional value of this cap was $353,700,000. This interest rate cap effectively fixed the variable interest rate on the notional amount of this cap at 2.5%. The Company elected to not apply hedge accounting for the interest rate cap and account for the interest rate cap using the mark-to-market approach. Therefore, the fair value of the cap will be carried on the balance sheet as an asset or liability and any changes in the fair value of this cap are reflected in the consolidated statements of operations and comprehensive loss as Other (income) expense, net.

11. Derivative Instruments (continued)

The objective of the interest rate cap is to eliminate variability of the Company's cash flows in the interest payments associated with the first $353,700,000 of variable rate debt, the source of which is partially due to changes in the LIBOR benchmark interest rate above the strike rate of 2.5%. This interest rate cap involved the Company paying the derivative provider an amount of $712,000 representing the fair value of the interest rate cap on January 31, 2022 in exchange for the derivative provider paying the borrower the excess of the floating interest rate payment above a strike rate, in the event that the floating interest rate is greater than the strike rate during the period between the effective date and maturity date.

As of December 31, 2022, the cumulative unrealized gain for the interest rate cap was reported as a component of Other (income) expense, net in the amount of $9,159,343.

The fair values for the Company's derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. The following table presents the aggregate fair value of the Company's derivative instruments by balance sheet location:

		Fair Value
	Balance Sheet Location	December 31, 2022
Assets		
Interest rate cap	Derivative Asset	$ 9,871,343
Total assets		$ 9,871,343

On March 3, 2023, the interest rate cap was extended to January 1, 2026. The transaction was also amended to replace LIBOR with SOFR and the strike rate was increased from 2.5% to 4.31%.

12. Commitments and Contingencies

The Company has pledged to guarantee letters of credit to cover reimbursement obligations issued to Universal Service Administrative Company related to CAF II and RDOF grants as well as to Empire State Development to cover New York state grants. No liability is required to be recorded by the Company. The balance on the letters of credit at December 31, 2021 and 2022 was $16,026,799 and $17,121,604, respectively.

13. Leases

The Company leases towers, office space, dark fiber, and equipment under operating lease arrangements and vehicles under finance lease arrangements.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected remaining lease term. We use our incremental borrowing rate based on information available at commencement date. Our lease terms may include options to extend or terminate the lease, which are included in the calculation of ROU assets when it is reasonably certain that we will exercise those options.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. All fixed lease and non-lease component payments are combined in determining the right-of-use asset and lease liability. We have lease agreements with lease and non-lease components, which are generally not accounted for separately. Additionally, for certain leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities as the leases are similar in nature and have nearly identical contract provisions.

The components of operating lease expense were as follows:

	Year Ended December 31, 2022
Operating Lease Expense	2,415,662
Short-term Lease Expense	1,140,862
Variable Lease Expense	480,628
Total operating lease expense	4,037,152

The components of finance lease expense were as follows:

	Year Ended December 31, 2022
Finance lease cost:	
Amortization of right-of-use assets	541,960
Interest on lease liabilities	88,219
Total finance lease cost	630,179

13. Leases (continued)

For fiscal year 2022, cash paid for leases included in our operating cash flow activities were $4,397,061 and our financing cash outflow activities were $508,854. Non-cash activities of ROU assets in exchange for lease liabilities were $11,762,482.

Supplemental balance sheet information related to operating and finance leases is as follows:

	December 31, 2022
Operating right-of-use assets	7,909,316
Operating lease liabilities (current)	(2,055,340)
Operating lease liabilities (long-term)	(6,057,109)
Total operating lease liabilities	**(8,112,449)**
Finance right-of-use assets	2,793,966
Finance lease liabilities (current)	(689,083)
Finance lease liabilities (long-term)	(2,154,900)
Total finance lease liabilities	**(2,843,983)**

Maturities of lease liabilities at December 31, 2022 were as follows:

	Finance leases	Operating leases
2023	827,005	2,540,870
2024	751,713	2,297,247
2025	689,043	1,690,431
2026	593,528	1,312,965
2027	294,922	596,041
Thereafter	46,994	1,149,504
Total lease payments	3,203,205	9,587,058
Less: imputed interest	(359,222)	(1,474,609)
Present value of lease liabilities	2,843,983	8,112,449

13. Leases (continued)

	Financing leases
	December 31, 2022
Weighted average remaining lease term (years)	4.25
Weighted average discount rate	5.61%

	Operating leases
	December 31, 2022
Weighted average remaining lease term (years)	4.62
Weighted average discount rate	7.03%

14. Leases (prior to adoption of ASC 842)

The Company leases office space and certain equipment under noncancelable operating leases which expire at various dates through 2030. In addition to the monthly payments under the leases, the Company is responsible for real estate taxes, insurance, maintenance, and operating costs. Future minimum lease payments (not including common area maintenance and taxes) under these lease agreements at December 31, 2021 were approximately as follows:

For the years ending:	
December 31, 2022	$ 1,782,823
December 31, 2023	1,573,742
December 31, 2024	1,468,899
December 31, 2025	818,304
December 31, 2026	573,494
Thereafter	862,810
Total	$ 7,080,072

Rent expense for the period ended December 31, 2021, was approximately $861,567.

The Company acquired vehicles through capital lease agreements with Altec Capital and Farm Credit Leasing. Obligations under capital lease were recorded at the present value of future minimum lease payments using interest rates from 0% to 8.39%. The capitalized cost of $1,864,245 less accumulated depreciation of $465,644 is included in property and equipment at December 31, 2021.

14. Leases (prior to adoption of ASC 842) (continued)

Scheduled future minimum lease payments under capital leases together with present value of the net minimum lease payments were as follows as of December 31, 2021:

For the years ending:	
December 31, 2022	$ 348,308
December 31, 2023	322,518
December 31, 2024	254,649
December 31, 2025	203,734
December 31, 2026	124,197
Thereafter	–
Total minimum lease payments	1,253,406
Less current portion	(348,307)
Long-term obligation	$ 905,099

15. Member's Equity

Successor

The equity structure of the Company in the successor period is a result of a contribution of $375,350,000 and $454,939,909 from investors as of December 31, 2021 and 2022, respectively, from Point Broadband Holdings, LLC as part of the Acquisition. The Company is an indirect wholly owned subsidiary of Point Broadband Holdings, LLC. The contribution amount is comprised of $56,796,250 and $39,443,024 of rollover equity as of December 31, 2021 and 2022, respectively, as well as a $318,553,750 and $415,496,885 cash investment from GTCR and other investors as of December 31, 2021 and 2022, respectively.

Point Broadband Acquisition's equity structure is described within the Limited Liability Company Agreement (LLC Agreement). The LLC Agreement permits the issuance of one hundred units of limited liability company interest, all of which shall be of one class and shall be designated as Common Units and all of which shall be issued to the Member. Point Broadband Intermediate, LLC is the Member of the LLC Agreement and is also a wholly owned subsidiary of Point Broadband Holdings, LLC.

15. Member's Equity (continued)

Share-Based Compensation

On October 1, 2021, the amended and restated LLC Agreement for Point Broadband Holdings, LLC put in place a plan to issue Management Incentive units. Point Broadband Holdings, LLC may, subject to the approval of the Board of Directors, issue or sell Class C Units to any existing or new employee, officer, director, consultant, or other Person or service provider of Point Broadband Holdings, LLC or any of its Subsidiaries (including any Management Holdco) pursuant to a Senior Management Agreement approved by the Board of Directors, which agreement shall contain such provisions as the Board of Directors shall determine. Under the Incentive Plan, Point Broadband Holdings, LLC provides share-based compensation awards to employees including time vesting incentive units (collectively, the Incentive Units or C Units). C Units are defined within the Point Broadband Holdings, LLC Agreement as a Unit representing a fractional part of the interest of a Unitholder in Profits, Losses, and Distributions and having the rights, powers, and obligations specified with respect to the Class C Units. Stock-based compensation expense related to the Company's employees has been recorded in the consolidated financial statements.

As part of the Point Broadband Holdings, LLC Agreement, Section 3.1, Point Broadband Holdings, LLC is authorized to issue unlimited Incentive Units. As of December 31, 2021 and 2022, Point Broadband Holdings, LLC had 97,850 and 92,630 Class C units issued and outstanding, respectively.

The Class C Units are structured as time vesting incentive units that become vested at 20% on each of the first five anniversaries of the effective date and requires the employee to remain employed from the effective date through the applicable anniversary date. No units were vested as of December 31, 2021. Upon the occurrence of a sale of the Company in the future, all Incentive Units which have not become vested shall become vested as of the date of consummation of the sale. In the event of a separation, all unvested Incentive Units automatically will be forfeited and deemed canceled and no longer outstanding without any payment and all vested Incentive Units will be subject to a right of repurchase at fair value by Point Broadband Holdings, LLC. Point Broadband Holdings, LLC may assign its repurchase rights to any person. Total share-based compensation expense of $413,910 and $1,423,588 was recognized in selling, general and administrative on the consolidated statements of operations and comprehensive loss for the period from October 1, 2021 to December 31, 2021 (Successor) and December 31, 2022, respectively.

15. Member's Equity (continued)

To determine the fair value of units issued in 2021 and 2022, the Company calculated the enterprise value as determined by discounted cash flow, guideline public company, and merger and acquisition valuation methodologies. The Company allocated the aggregate equity value among the securities that comprise the capital structure of the Company using the Option-Pricing Method.

The incentive units are service condition awards only; as such, the Company has elected to account for forfeitures as they occur and adjust compensation expense, accordingly, as permitted by ASU 2016-09. As of December 31, 2021 and 2022, there were zero units and 16,520 units forfeited, respectively.

Refer to the table below for a summary of significant inputs and assumptions used to value the Class C Incentive Units:

	December 31, 2022	**December 31, 2021**
Assumed value of equity	$ 452,921,000	$ 390,064,000
Risk-free rate of interest	4.2%	0.9%
Expected time to a liquidity event (in years)	4	5
Expected volatility of equity	57.5%	47.5%
Discount for lack of marketability	31.0%	31.0%

15. Member's Equity (continued)

Refer to the table below for a summary of the Level 3 fair value measurements:

	Level 3 Fair Value Measurement		
	Class C Incentive Units	Weighted Average Grant Date Fair Value Per Unit	Fair Value Per Unit
Balance at October 1, 2021	–	$ –	$ –
Granted	97,850	84.60	122.61
Forfeited or cancelled	–	–	–
Balance at December 31, 2021	97,850	84.60	122.61
Granted	11,300	116.52	168.86
Forfeited or cancelled	(16,520)	84.60	122.61
Balance at December 31, 2022	92,630	$ 116.52	$ 168.86

Predecessor

Prior to the Acquisition, Point Broadband Fiber Holding, LLC had five classes of shares outstanding – Series A, B, and C Preferred Shares, as well as a class of common shares, and Series E restricted shares.

The Preferred Series A, B, and C shares were convertible into 1.0 common shares. The Series A shares had a liquidation preference of $1.94 per share. The Series B shares had a liquidation preference of $2.53 per share. The 7,776,600 Series C shares issued in 2019 had a liquidation preference of $3.00 per share. The 8,750,001 Series C shares issued in 2020 had a liquidation preference of $4.00 per share.

In the event of a distribution of capital proceeds, the liquidation preference of the Series A, Series B, and Series C Preferred shares would have been applied with the following priority: first to Series C shares, second to Series A shares and Series B shares combined on a pro rata basis.

As part of the acquisition by Point Broadband Acquisition, all predecessor equity was retired. Refer to successor period discussion for the new equity structure.

16. Subsequent Events

The Company has evaluated subsequent events through April 26, 2023, which is the date these consolidated financial statements were available to be issued.

Equity Raise

On January 29, 2023, the Company entered into a Unit Purchase Agreement (the Agreement), which authorized the Company to issue 350,000 shares of its Class A preferred stock and 5,250,000 shares of its Class B common stock to B.P. Broadband Aggregator, LP (Investor). As of the date these financials were issued, this offering had not yet closed and no proceeds had been raised in relation to the Agreement.

North Georgia Network Purchase Agreement

On December 27, 2022, an Asset Purchase Agreement was entered into between Point Broadband Fiber Holding, LLC, a Delaware limited liability company (the Buyer) and Appalachian Broadband Technologies, LLC, a Georgia limited liability company (the Seller). Through the Purchase Agreement, the Seller agreed to transfer all ownership in the assets of the Seller to the Buyer for $10,214,911. The acquisition closed on January 12, 2023.

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