



PRINCIPLES & INTERESTS

Knowing When to Step Off the Merry-Go-Round

June 4, 2026

“I bought everything on credit. I didn’t take much risk. It’s the banks that lent everything.”

— Patrick Drahi, Founder and controlling shareholder of Optimum Communications, in a 2016 speech to Polytechnique students

The Setup

Optimum Communications is a U.S. broadband and cable provider with an overleveraged balance sheet. Like most of the cable industry, Optimum has faced pressure from cord-cutting and increasing broadband competition, such as from Verizon Fios and Starlink. For highly leveraged cable operators, remaining competitive often requires ongoing network investment and pricing concessions, both of which can be difficult to sustain when free cash flow¹ is already burdened by debt service obligations.

By late 2024, a large group of creditors — representing 99% of Optimum’s debt — executed what’s called a “cooperation agreement.” This agreement was designed to prevent “creditor-on-creditor warfare” — a situation where one group of lenders cuts a deal with the company at the expense of everyone else. With 99% of creditors bound together, Optimum couldn’t simply pursue a “divide & conquer” approach among lenders. The cooperation agreement did exactly what it was designed to do: it created a unified front that the Company could not easily circumvent.

However, the cooperation agreement could not prevent Optimum from refinancing a portion of its debt with a third-party.

The Workaround: One Loan Protecting Everyone — Until It Didn’t

Not all debt in Optimum’s capital structure was identical. One specific borrowing — the Term Loan B6 — carried the most restrictive covenant package of the entire debt structure. The

¹ Free cash flow is defined as Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) minus Capital Expenditures

cooperation agreement indirectly extended these protections to the entire creditor base as long as the Term Loan B6 remained outstanding.

Cleverly, in November 2025, Optimum refinanced the Term Loan B6 — replacing it with new secured debt that is not a party to the existing cooperation agreement. With the removal of the Term Loan B6, the most significant stop-gap to protect prior lenders was removed. The Company's deliberate actions opened the door to increased flexibility and the future lining of shareholders' pockets.

What followed was a textbook example of value leakage away from legacy creditors. The Company transferred its highest-quality assets — the Northeast cable operations, which generate roughly two-thirds of total cash flow — into an unrestricted subsidiary. Then, Optimum raised approximately \$3 billion of new secured debt (UnSub Term Loan Facility due in 2028 or "UnSub Term Loan") to refinance the Term Loan B6. This asset-stripping from legacy creditors along with the newly issued debt, resulted in significant deterioration in the position of legacy creditors. Some of the assets protecting lenders' claims had been repositioned, and the remaining restricted credit group was left with a smaller, weaker asset base carrying the same substantial debt load.

The Market's Bet: The Refinancing Will Save Everyone

Despite this clear deterioration in the credit quality of the legacy debt, the market continued to assign high valuations to Optimum's bonds maturing in 2027. In January 2026, those bonds were trading in the low 90s, while longer-dated, pari passu debt (ranked equally in priority), were trading in the 60s.

The logic behind this gap was straightforward: speculators believed Optimum would use the new unrestricted structure — which had excess borrowing capacity — to refinance the 2027 maturities and kick the can down the road.

On the surface, this seemed logical. But it was ultimately a bet on management behavior. The flaw was a fundamental mis-alignment of interest between management's large equity holdings and lenders' desire to get paid back.

CrossingBridge Approach

We chose not to make that bet.

Instead of purchasing the 2027 bonds in the low 90s and relying on a clean refinancing, we invested in the newly issued UnSub Term Loan due 2028 at yields of approximately 9%². In comparison, the return looked substantially lower. In practice, the investment was built on a fundamentally different foundation.

The UnSub Term Loan is directly secured by the Northeast cable assets — the same assets that had been deliberately repositioned into the unrestricted subsidiary. The UnSub Term Loan has a hard claim on the collateral that actually mattered, not a residual claim on whatever remains in the legacy credit group.

² As of 5/31/2026, advised and sub-advised Funds of CrossingBridge Advisors, LLC held a position in Cablevision of Litchfield LLC 9% Term Loan due 11/27/28. Fund holdings are subject to change. Please refer to individual fund pages for holdings.

Leverage on these assets is less than $2x^3$, a conservative level even by cable standards. In a downside scenario, we believe there is meaningful coverage between the value of the assets and the amount of debt we are owed.

The covenants protecting the UnSub Term Loan are also stronger than what remains in the legacy structure. We are not hoping the Company acts in our best interest — we have contractual protections limiting what they can do.

Ultimately, our investment thesis does not require Optimum to do anything. We are relying on the value of specific collateral and our structural position within the capital structure — not on a favorable outcome from a refinancing negotiation we have no control over.

The Unraveling

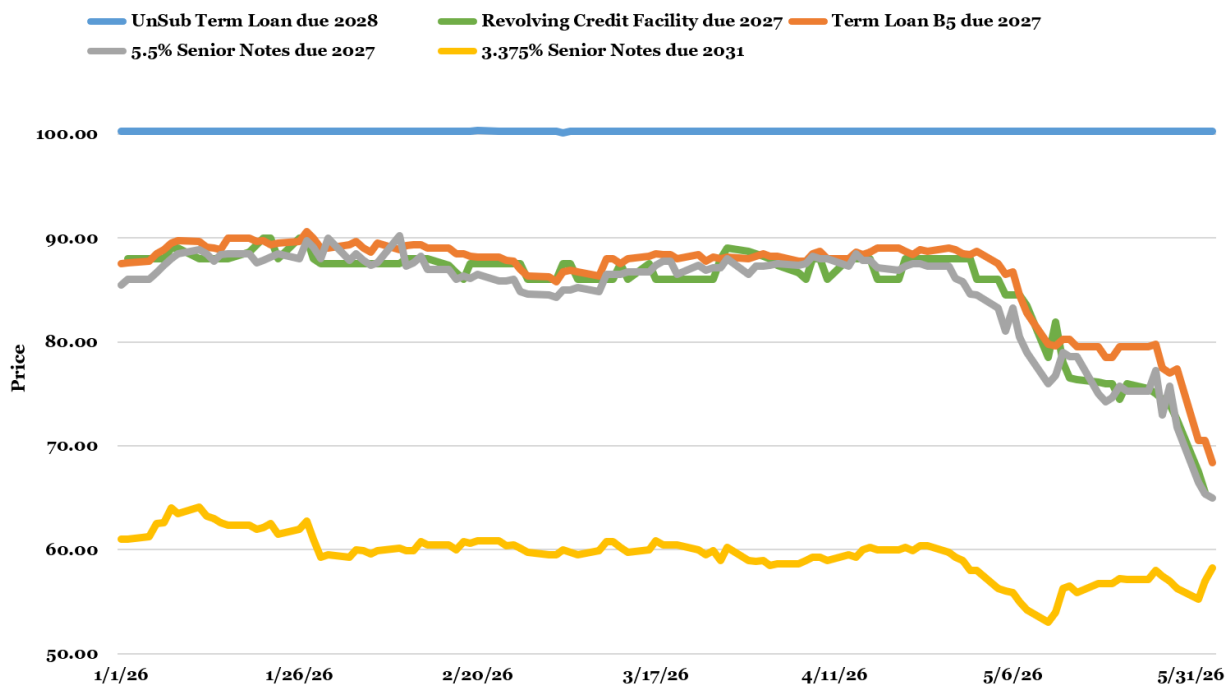
The market's thesis unraveled on June 1, 2026. Through a series of additional transactions, Optimum took further steps that made a clean refinancing of the 2027 bonds increasingly implausible. The Company created a new holding company structure that inserted itself between the legacy restricted credit group and the unrestricted operating assets. It issued preferred equity with priority ranking on the Northeast assets ahead of legacy debt but junior to the new unsub term loan. The proceeds were used to fund a tender offer to common shareholders. Thus, shareholders extracted cash ahead of legacy lenders.

Each transaction, taken in isolation, might seem explainable. Taken together, they reflect a consistent pattern: the Company was continuing to maximize its newfound optionality at the expense of legacy creditors.

The 2027 bond prices responded accordingly. They have fallen sharply from the low 90s at the beginning of the year into the 60s today, converging toward the longer-dated paper that had already been trading at deep distressed levels as recovery prospects deteriorated. Investors who had purchased those bonds expecting a smooth exit found themselves holding securities worth roughly 30 points less than what they had paid, with a far less certain path to recovery.

³ Leverage is defined as Debt / Adjusted EBITDA

Optimum Communications, Select Debt Trading Levels⁴



The Takeaway: Know What You Own

Index investors owned Optimum because they had to — the bonds were in the index⁵, so the bonds went into the portfolio. Many opportunistic investors owned the short-dated paper because the yield was attractive and they expected a refinancing to provide a clean exit before the music stopped. We preferred a different position entirely.

This reflects something we hold as a core principle: return of capital is more important than return on capital. We prefer to avoid “merry-go-round” arbitrage in which investors of short dated debt pay significant premium to the pari passu longer dated debt that trades at distressed levels, expecting they get paid off first.

In credit investing, the game is often not about finding the highest yield. It’s about knowing what you own and risks you are knowingly and unknowingly underwriting.

Secured by more than hope,

Spencer Rolfe, Tristan van Biema, and the CrossingBridge Team

⁴ Source: Bloomberg

⁵ As of 5/31/2026, 2026 CSC Holdings LLC was a 0.51% weighting in the Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD

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