INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020

CABLEVISION LIGHTPATH LLC

1 Court Square West
Long Island City, NY 11101

INDEX TO FINANCIAL STATEMENTS

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

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 49,344	$ 39,750
Accounts receivable, trade (less allowance for doubtful accounts of $4,370 and $3,927)	23,274	36,920
Prepaid expenses and other current assets	21,133	17,230
Amounts due from affiliates	1,356	8,323
Total current assets	95,107	102,223
Property, plant and equipment, net of accumulated depreciation of $643,927 and $586,035	640,535	625,753
Right-of-use operating lease assets	21,687	23,989
Other assets	5,057	5,479
Amortizable intangibles, net of accumulated amortization of $206,973 and $188,752	155,321	171,248
Indefinite-lived franchise costs	340,000	340,000
Goodwill	106,396	94,094
Total assets	$ 1,364,103	$ 1,362,786
LIABILITIES AND TOTAL DEFICIENCY		
Current Liabilities:		
Accounts payable	$ 10,500	$ 12,545
Interest payable	2,914	12,465
Accrued employee related costs	6,511	5,655
Accounts payable to affiliates	9,202	18,574
Deferred revenue	2,243	1,050
Right-of-use operating lease liability	5,041	6,719
Debt	6,000	6,000
Other current liabilities	4,681	5,342
Total current liabilities	47,092	68,350
Other liabilities	2,707	3,024
Right-of-use operating lease liability	16,723	17,378
Deferred tax liability, net	7,794	7,794
Long-term debt, net of current maturities	1,422,317	1,423,471
Total liabilities	1,496,633	1,520,017
Commitments and contingencies (Note 11)		
Member's deficiency	(132,530)	(157,231)
	$ 1,364,103	$ 1,362,786

See accompanying notes to consolidated financial statements.

CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue (including revenue from affiliates of $1,198, $1,244, $3,567, and $3,639, respectively. See Note 10)	$ 96,092	$ 96,679	$ 290,609	$ 286,206
Operating expenses:				
Direct costs (including charges from affiliates of $208, $136, $594, and $406, respectively. See Note 10)	14,654	15,563	45,570	43,677
Other operating expenses (including charges from affiliates of $6,756, $6,233, $19,992, and $27,383, respectively. See Note 10)	31,201	27,123	90,928	87,046
Restructuring and other expense	76	702	379	895
Depreciation and amortization	28,896	31,057	84,967	114,204
	74,827	74,445	221,844	245,822
Operating income	21,265	22,234	68,765	40,384
Other income (expense):				
Interest expense (See Note 10)	(17,212)	(227)	(51,433)	(10,855)
Interest income	4	1	12	10
Other income (expense) (See Note 10)	24	7	77	(92)
	(17,184)	(219)	(51,344)	(10,937)
Income before income taxes	4,081	22,015	17,421	29,447
Income tax benefit (expense)	(19)	229,868	(86)	227,811
Net income	$ 4,062	$ 251,883	$ 17,335	$ 257,258
Comprehensive income	$ 4,062	$ 251,883	$ 17,335	$ 257,258

See accompanying notes to consolidated financial statements.

CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIENCY)
(In thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Equity (Deficiency)	Total Equity (Deficiency)
Balance at January 1, 2021	$ —	$ —	$ —	$ (157,231)	$ (157,231)
Net income	—	—	—	11,091	11,091
Share-based compensation expense	—	—	—	49	49
Balance at March 31, 2021	—	—	—	(146,091)	(146,091)
Net income	—	—	—	2,182	2,182
Share-based compensation expense	—	—	—	36	36
Contributions from parent	—	—	—	7,087	7,087
Non-cash contributions from parent	—	—	—	152	152
Balance at June 30, 2021	—	—	—	(136,634)	(136,634)
Net income	—	—	—	4,062	4,062
Share-based compensation expense	—	—	—	42	42
Balance at September 30, 2021	$ —	$ —	$ —	$ (132,530)	$ (132,530)

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Equity (Deficiency)	Total Equity (Deficiency)
Balance at January 1, 2020	$ —	$ 220,412	$ (14,830)	$ —	$ 205,582
Net income	—	—	693	—	693
Share-based compensation expense	—	1,869	—	—	1,869
Redeemable equity vested	—	1,584	—	—	1,584
Change in redeemable equity	—	1,158	—	—	1,158
Distributions to Altice USA	—	(29,347)	—	—	(29,347)
Balance at March 31, 2020	—	195,676	(14,137)	—	181,539
Net income	—	—	4,682	—	4,682
Share-based compensation expense	—	3,602	—	—	3,602
Redeemable equity vested	—	6,112	—	—	6,112
Change in redeemable equity	—	(875)	—	—	(875)
Distributions to Altice USA	—	(26,986)	—	—	(26,986)
Non-cash contribution - forgiveness of note payable and accrued interest to affiliate	—	881,243	—	—	881,243
Balance at June 30, 2020	—	1,058,772	(9,455)	—	1,049,317
Legal Entity Conversion (See Note 1)	—	(1,058,772)	9,455	1,049,317	—
Net income	—	—	—	251,883	251,883
Share-based compensation expense	—	—	—	626	626
Change in redeemable equity	—	—	—	(425)	(425)
Distributions to Altice USA	—	—	—	(905,185)	(905,185)
Balance at September 30, 2020	$ —	$ —	$ —	$ 396,216	$ 396,216

See accompanying notes to consolidated financial statements.

CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net income	$ 17,335	$ 257,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,967	114,204
Share-based compensation expense	127	6,097
Deferred income taxes	—	(228,874)
Decrease in right-of-use assets	4,905	2,480
Amortization of deferred financing costs	3,346	—
Provision for doubtful accounts	2,637	2,529
Change in assets and liabilities:		
Accounts receivable, trade	11,312	(12,072)
Prepaid expenses and other assets	(3,381)	(305)
Amounts due to affiliates	(2,253)	10,628
Accounts payable	(2,791)	3,570
Accrued liabilities	(15,098)	(2,577)
Deferred revenue	1,275	6
Net cash provided by operating activities	102,381	152,944
Cash flows from investing activities:		
Capital expenditures	(67,130)	(61,517)
Proceeds related to sale of equipment, including costs of disposal	16	25
Payment for acquisitions, net of cash acquired	(28,260)	—
Net cash used in investing activities	(95,374)	(61,492)
Cash flows from financing activities:		
Proceeds from long-term debt	—	865,000
Repayment of debt	(4,500)	—
Contributions from (distributions to) parent entity	7,087	(961,518)
Net cash provided by (used in) financing activities	2,587	(96,518)
Net increase (decrease) in cash and cash equivalents	9,594	(5,066)
Cash and cash equivalents at beginning of year	39,750	7,080
Cash and cash equivalents at end of period	$ 49,344	$ 2,014

See accompanying notes to consolidated financial statements.

NOTE 1. DESCRIPTION OF BUSINESS AND RELATED MATTERS

The Company and Related Matters

Cablevision Lightpath LLC (together with its subsidiaries, the "Company") provides advanced fiber, Ethernet, data transport, IP-based virtual private networks, Internet access, managed services, telephony services, including session-initiated protocol ("SIP") trunking, and voice over Internet protocol ("VoIP") services to the business market primarily in the New York metropolitan area.

Prior to December 1, 2020, the Company was a wholly-owned indirect subsidiary of Altice USA, Inc. ("Altice USA"). On December 1, 2020, a wholly-owned indirect subsidiary of Altice USA completed the sale of a 49.99% interest in Lightpath Holdings LLC ("Lightpath Holdings"), the direct parent of the Company, based on an implied enterprise value of $3,200,000 (the "Lightpath Transaction") to Morgan Stanley Infrastructure Partners ("MSIP"). Altice USA retained a 50.01% interest in Lightpath Holdings and maintains control.

In connection with the Lightpath Transaction, in September 2020, the Company incurred certain indebtedness, the proceeds of which were distributed to the Company's indirect parent entities and were deposited into escrow accounts pending the consummation of the Lightpath Transaction. The Company was released from the debt guarantor obligations of CSC Holdings LLC ("CSC Holdings"), a wholly-owned subsidiary of Altice USA. The security over the ownership interests in the Company and certain of its subsidiaries were released concurrently with the release of the guarantees. Upon closing of the Lightpath Transaction, the funds were released from escrow to Altice USA. Additionally, in November 2020, the Company incurred additional indebtedness, the proceeds of which were distributed to Altice USA. See Note 7 for information regarding indebtedness incurred by Lightpath and Note 10 for a discussion of cash distributions to Altice USA.

Business Organization

Prior to July 2020, the Company was a Delaware corporation. In July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company (the "Legal Entity Conversion"). Upon the Legal Entity Conversion, Cablevision Lightpath, Inc. became Cablevision Lightpath LLC. Pursuant to the Legal Entity Conversion, all of the issued and outstanding shares of capital stock of the Company were converted into, and represent all of the limited liability company interest in, Cablevision Lightpath LLC. The accompanying consolidated financial statements reflect the Company as a corporation for the periods presented prior to the Legal Entity Conversion.

(Dollars in thousands)

NOTE 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and have been derived from the consolidating financial statements and accounting records of Altice USA and reflect certain assumptions and allocations. Subsequent to the closing of the Lightpath Transaction (see Note 1), charges for certain services are outlined in the Transition Services Agreement ("TSA") entered into with Altice USA (see Note 10).

The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2020.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2021.

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, including estimated allocations, which affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. REVENUE

The following table presents the composition of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Ethernet	$ 82,628	$ 83,092	$ 250,749	$ 246,926
Managed services	7,842	7,085	22,449	20,586
Time-division multiplexing ("TDM") services	2,615	2,973	8,197	9,150
Other	3,007	3,529	9,214	9,544
Total revenue	$ 96,092	$ 96,679	$ 290,609	$ 286,206

(Dollars in thousands)

The Company’s service offerings consist of various telecommunications services to large enterprise businesses, including broadband, telephony and networking services. The Company satisfies its performance obligations to provide services to customers over time as the services are rendered. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these services. Fixed fees are billed monthly in advance and usage fees are billed monthly in arrears. Amounts billed are due upon receipt and contract lengths typically range from three to five years. To the extent a customer contract is terminated prior to its contractual end, the customer is subject to termination fees. The Company recognizes termination fees as they are collected. Installation revenue is deferred and recognized over the average contract term.

The Company is assessed non-income related taxes and fees by governmental authorities and collects such taxes from its customers. In instances where the tax and fee is being assessed directly on the Company, amounts paid to the governmental authorities are recorded as direct costs, and amounts received from customers are recorded as revenue. For the three and nine months ended September 30, 2021, the amount of these non-income related taxes and fees included as a component of revenue aggregated $5,655 and $17,503, respectively, and for the three and nine months ended September 30, 2020, the amount aggregated $5,388 and $14,552, respectively.

Contract Assets

Incremental costs incurred in obtaining a contract with a customer are deferred and recorded as a contract asset if the period of benefit is expected to be greater than one year. Sales commissions related to enterprise customers are deferred and amortized over the average contract term.

Deferred enterprise commission costs are included in other assets in the accompanying consolidated balance sheets and totaled $11,211 and $11,569 as of September 30, 2021 and December 31, 2020, respectively.

NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine Months Ended September 30,	
	2021	2020
Non-Cash Investing and Financing Activities:		
Property and equipment accrued but unpaid	$ 6,585	$ 2,712
Deferred financing costs accrued but unpaid	—	4,185
Forgiveness of note payable and accrued interest to affiliate	—	881,243
Supplemental Data:		
Interest paid	57,539	—
Income taxes paid	830	2,387

NOTE 5. LEASES

Balance sheet information related to our leases is presented below:

	Balance Sheet Location	September 30, 2021	December 31, 2020
Operating leases:			
Right-of-use lease assets	Right-of-use operating lease assets	$ 21,687	$ 23,989
Right-of-use lease liability, current	Right-of-use operating lease liability	5,041	6,719
Right-of-use lease liability, long-term	Right-of-use operating lease liability	16,723	17,378

Operating lease expense amounted to $1,867 and $5,529 for the three and nine months ended September 30, 2021 and $946 and $2,694 for the three and nine months ended September 30, 2020, respectively.

(Dollars in thousands)

Other information related to leases is presented below:

	As of September 30, 2021	As of September 30, 2020
Right-of-use assets acquired in exchange for operating lease obligations	$ 2,604	$ 6,746
Operating cash flows related to operating leases	5,560	2,620
Weighted Average Remaining Lease Term - Operating leases	4.6 years	3.8 years
Weighted Average Discount Rate - Operating leases	3.70 %	4.22 %

The minimum future annual payments under the Company's outstanding non-cancellable leases are as follows:

	Operating Leases
2021	$ 1,895
2022	5,086
2023	5,028
2024	4,645
2025	3,938
Thereafter	2,251
Total future minimum lease payments, undiscounted	22,843
Less: imputed interest	(1,079)
Present value of future minimum lease payments	$ 21,764

NOTE 6. INTANGIBLE ASSETS

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

	As of September 30, 2021			As of December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Estimated Useful Lives
Customer relationships	$ 302,294	$ (146,973)	$ 155,321	$ 300,000	$ (128,752)	$ 171,248	3 to 18 years
Trade names	60,000	(60,000)	—	60,000	(60,000)	—	4 years
	$ 362,294	$ (206,973)	$ 155,321	$ 360,000	$ (188,752)	$ 171,248	

Amortization expense for the three and nine months ended September 30, 2021 aggregated $5,989 and $18,221 and for the three and nine months ended September 30, 2020 aggregated $6,140 and $20,327, respectively.

The carrying amount of goodwill is presented below:

	Goodwill
Balance as of December 31, 2020	$ 94,094
Goodwill recorded in connection with acquisition discussed below	12,302
Balance as of September 30, 2021	$ 106,396

The carrying amount of indefinite-lived franchise costs was $340,000 as of September 30, 2021 and December 31, 2020.

In June 2021, the Company completed an acquisition for an aggregate purchase price of approximately $28,260, subject to certain closing adjustments as set forth in the asset purchase agreement, and recorded customer relationships of $2,294, goodwill of $12,302, property, plant and equipment of $14,649 and net liabilities of $985.

(Dollars in thousands)

NOTE 7. DEBT

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

				September 30, 2021		December 31, 2020	
	Date Issued	Maturity Date	Interest Rate	Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
Revolving Credit Facility	—	November 30, 2025	(b)	$ —	$ —	$ —	$ —
Term Loan	November 30, 2020	November 30, 2027	3.750 %	595,500	580,033	600,000	582,808
Senior Secured Notes	September 29, 2020	September 15, 2027	3.875 %	450,000	441,419	450,000	440,487
Senior Notes	September 29, 2020	September 15, 2028	5.625 %	415,000	406,865	415,000	406,176
				1,460,500	1,428,317	1,465,000	1,429,471
Less: current portion of credit facility debt				(6,000)	(6,000)	(6,000)	(6,000)
Long-term debt, net of current maturities				$ 1,454,500	$ 1,422,317	$ 1,459,000	$ 1,423,471

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

(b) There were no borrowings outstanding under the Lightpath Revolving Credit Facility which provides for commitments in an aggregate principal amount of $100,000.

Credit Agreement

On September 29, 2020, the Company entered into a credit agreement between, *inter alios*, certain lenders party thereto and Goldman Sachs Bank USA, as administrative agent, and Deutsche Bank Trust Company Americas, as collateral agent, (the "Credit Agreement") which provides for, among other things, (i) a term loan in an aggregate principal amount of $600,000 ($595,500 outstanding at September 30, 2021) (the "Term Loan Facility") at a price of 99.5% of the aggregate principal amount, which was drawn on November 30, 2020, and (ii) revolving loan commitments in an aggregate principal amount of $100,000 (the "Revolving Credit Facility"). The Company is required to make scheduled quarterly payments equal to 0.25% (or $1,500) of the principal amount of the Term Loan Facility, beginning with the fiscal quarter ended March 31, 2021. The Revolving Credit Facility is subject to a financial maintenance test of 7.3:1 (consolidated net senior secured debt to L2QA pro forma EBITDA (each as defined in the Credit Agreement)). The incurrence covenants terms of the Credit Agreement are no more restrictive than the incurrence covenants contained in the senior secured notes indenture.

The loans made pursuant to the Credit Agreement are comprised of eurodollar borrowings or alternative base rate borrowings, and bear interest at a rate per annum equal to the adjusted LIBOR rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum.

Senior Notes and Senior Secured Notes

On September 29, 2020, in connection with the Lightpath Transaction, the Company issued $450,000 in aggregate principal amount of senior secured notes that bear interest at a rate of 3.875% and mature on September 15, 2027 and $415,000 in aggregate principal amount of senior notes that bear interest at a rate of 5.625% and mature on September 15, 2028. Prior to the issuance of these notes, Lightpath became an unrestricted subsidiary under the terms of debt issued by CSC Holdings, LLC, a subsidiary of Altice USA. The proceeds from the issuance of these notes of $865,000 were distributed to the Company's indirect parent entities and were deposited into escrow accounts. The funds were released from escrow upon the consummation of the Lightpath Transaction.

(Dollars in thousands)

NOTE 8. FAIR VALUE MEASUREMENT

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I - Quoted prices for identical instruments in active markets.
- Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III - Instruments whose significant value drivers are unobservable.

The carrying values of cash, accounts receivable, accounts payable, and accrued expenses approximate their fair value due to the short-term maturity of these instruments.

Credit Facility Debt, Senior Secured Notes and Senior Notes

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities.

The carrying values, estimated fair values, and classification under the fair value hierarchy of the Company's financial instruments are summarized below:

		September 30, 2021		December 31, 2020	
	Fair Value Hierarchy	Carrying Amount (a)	Estimated Fair Value	Carrying Amount (a)	Estimated Fair Value
Credit facility debt	Level II	$ 580,033	$ 595,500	$ 582,808	$ 600,000
Senior secured notes	Level II	441,419	441,563	440,487	451,125
Senior notes	Level II	406,865	415,593	406,176	429,525
		$ 1,428,317	$ 1,452,656	$ 1,429,471	$ 1,480,650

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

The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 9. INCOME TAXES

Cablevision Lightpath LLC

As discussed in Note 1, in July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company. As a result of the Legal Entity Conversion, the Company is no longer a taxable entity for federal income tax purposes and the results of its operations are included in the federal tax return of its member. Accordingly, federal income taxes are not reflected in the financial statements for the three and nine months ended September 30, 2021 as this is subsequent to the Legal Entity Conversion. However, the Company is subject to New York City Unincorporated Business Tax ("NYC UBT"). The Company recorded income tax expense of $19 and $86 on pre-tax income of $4,081 and $17,421 for the three and nine months ended September 30, 2021. The net tax expense for these periods is primarily related to this tax.

Cablevision Lightpath, Inc.

Prior to the Legal Entity Conversion, the Company was included in the federal and state income tax returns of Altice USA, other than income tax returns for the state of New Jersey, in which it filed separately. The income taxes of the

Company for those periods were based upon the taxable income/loss of the Company on a stand-alone basis as if the Company filed separate tax returns.

Pursuant to the Legal Entity Conversion, the net operating loss carryforwards under Cablevision Lightpath, Inc. (a corporation) will not carry forward to the partnership.

Management has evaluated the realizability of the deferred tax assets and the need for a valuation allowance for the Company, on a stand-alone basis. As future taxable income that will result from the reversal of existing taxable temporary differences for which deferred tax liabilities are recognized is sufficient it was concluded that it is more likely than not that the Company will realize all of its gross deferred tax assets.

As part of Altice USA's combined federal and state income tax filings, or the separately filed state of New Jersey income tax filing, management believes the tax positions taken by the Company will more likely than not be sustained by the taxing authorities on audit. As a result, no unrecognized tax benefits have been recorded by the Company for the periods presented. The state of New Jersey is currently auditing the Company’s returns for the tax years 2014 through 2017. Management does not believe that the resolution of the ongoing income tax examination will have a material adverse impact on the financial position of the Company.

The Company recorded an income tax benefit of $229,868 and $227,811 on pre-tax income of $22,015 and $29,447 for the three and nine months ended September 30, 2020. As result of the Legal Entity Conversion, the net deferred tax liability, other than federal and state net operating loss carryforwards ("NOLs"), was remeasured to reflect a NYC UBT effective rate, generating a benefit of approximately $244,400 for the three and nine months ended September 30, 2020. The benefit was offset by an expense of approximately $10,100 reflecting the write-off of the NOLs which will not carryforward to the limited liability company.

NOTE 10. AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company is a majority-owned indirect subsidiary of Altice USA, which is controlled by Patrick Drahi who is also the controlling stockholder of other entities. In connection with the operation of its business, the Company receives certain services from and provides certain services to affiliates, primarily Altice USA and its subsidiaries.

As the transactions discussed below were conducted between entities under common control, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations. It is not practicable to determine whether the amounts charged for such services represent amounts that it might have incurred on a standalone basis. Management believes that the assumptions underlying the allocations of corporate general and administration expenses from Altice USA are reasonable.

(Dollars in thousands)

The following table summarizes the revenue and charges related to services provided to or received from affiliates and related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	$ 1,198	$ 1,244	$ 3,567	$ 3,639
Operating expenses:				
Direct costs	(208)	(136)	(594)	(406)
Other operating expenses, net:				
Technical and network support personnel	(468)	(5,096)	(1,447)	(15,457)
Corporate overhead and support	(3,198)	(3,243)	(10,129)	(10,974)
Network support services	(1,796)	(1,509)	(5,358)	(5,568)
Health and welfare plans	(1,471)	(1,146)	(3,533)	(2,800)
401(k) plan	(523)	(290)	(1,580)	(972)
Share-based compensation	(42)	(626)	(127)	(6,097)
Capitalized costs	742	3,797	2,071	11,313
Marketing and sales costs charged to affiliates	—	1,880	111	3,172
	(6,756)	(6,233)	(19,992)	(27,383)
Total operating expenses	(6,964)	(6,369)	(20,586)	(27,789)
Interest expense	—	—	—	(10,628)
Other income (expense)	23	7	76	(92)
Net charges	$ (5,743)	$ (5,118)	$ (16,943)	$ (34,870)
Capital expenditures	$ 1,264	$ 2,421	$ 2,953	$ 10,198

Revenue

Revenue amounts reflected in the table above relate to certain technical services provided primarily to Altice USA, including Ethernet, multiplexing and usage.

Direct Costs

Direct costs relate to data usage and call completion charged to the Company by its affiliates.

Technical and Network Support Personnel

The Company was charged for salaries and benefits of technical and network support personnel of Altice USA who performed services exclusively for the Company based upon actual costs incurred by Altice USA.

Corporate Overhead and Support

Through November 30, 2020, certain operating costs, including overhead and common support function costs (such as human resources, legal, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs were charged by Altice USA to the Company generally based upon revenue of the Company in relation to the consolidated revenue of Altice USA or square footage. Subsequent to the closing of the Lightpath Transaction (see Note 1), charges for these services were based on an estimated level of effort and actual costs incurred by Altice USA as outlined in the TSA entered into with Altice USA.

Network Support Services

The Company was charged for network support services for the three and nine months ended September 30, 2020 which were based on the percentage of the Company's usage of the affiliate's network. For the three and nine months ended September 30, 2021, the Company was charged a fixed fee per fiber route mile as outlined in the TSA.

Health and Welfare Plans

Employees of the Company participate in health and welfare plans sponsored by Altice USA. Health and welfare benefit costs have generally been charged by Altice USA to the Company based upon the proportionate number of participants in the plans.

401(k) Savings Plan

Altice USA sponsors a qualified defined contribution 401(k) savings plan and a nonqualified excess savings plan in which certain employees of the Company participate. The Company makes matching contributions for a portion of employee voluntary contributions. Amounts in the table above reflect total expense related to these plans.

Share-based Compensation

For the three and nine months ended September 30, 2021 and 2020, Altice USA charged the Company for expenses related to Altice USA's employee share-based incentive plan and a Carry Unit Plan of an entity which has an ownership interest in Altice USA.

For the three and nine months ended September 30, 2021, the Company recognized an expense of $42 and $127, respectively, and for the three and nine months ended September 30, 2020, the Company recognized an expense of $626 and $6,097, respectively, related to the push down of share-based compensation. For the three and nine months ended September 30, 2021, the charges related to awards granted to Company employees. For the three and nine months ended September 30, 2020, the charges include costs related to the Company's employees of $312 and $2,224, respectively and an allocation of costs related to Altice USA corporate employees of $314 and $3,873, respectively. The allocated costs were based upon revenue of the Company in relation to the consolidated revenue of Altice USA. As of the date of the Lightpath Transaction, the Company does not receive an allocation of costs related to Altice USA corporate employees.

Capitalized Costs

Amounts in the table above reflect the portion of the costs allocated to the Company that were capitalized and reflected as property, plant and equipment.

Marketing and Sales Costs Charged to Affiliates

Other operating expenses include an allocation to affiliates for marketing and sales costs which were based on management's estimate of the level of effort to support affiliate services, and for commissions paid to the Company's employees for the sale of affiliate services.

Interest Expense

For the nine months ended September 30, 2020, the Company recognized interest expense related to a promissory note payable to an indirect subsidiary of Altice USA (see discussion below).

Other Expense

Altice USA sponsors a non-contributory qualified defined benefit cash balance pension plan and a noncontributory non-qualified defined benefit excess cash balance plan in which the benefits earned by the Company's participants are "frozen", although these participants continue to earn interest credits on benefits earned prior to being frozen. Amounts in the table above reflect total expense or benefit allocated to the Company related to these plans . The Company does not provide post-retirement benefits for any of its employees.

Capital Expenditures

Certain Altice USA employees perform network construction activities for the Company. For the three and nine months ended September 30, 2021, $742 and $2,071, respectively, and for the three and nine months ended September 30, 2020, $3,797 and $11,313, respectively, of these costs allocated to the Company were capitalized and reflected as property, plant and equipment. Additionally, the Company recorded capital expenditures (credits) of $522 and $882 for the three and nine months ended September 30, 2021, respectively, and ($1,376) and ($1,115) for the three and nine months ended September 30, 2020, respectively, primarily related to fiber assets acquired from Altice USA.

(Dollars in thousands)

Note payable to affiliate

In December 2007, the Company entered into a promissory note agreement with an indirect subsidiary of Altice USA. The principal value of the note was $468,000 and was due to mature on December 11, 2022. Interest was calculated based on the weighted cost of capital of Altice USA or its predecessor. In June 2020, the amount payable pursuant to this promissory note of $881,243 was forgiven and recorded as a capital contribution.

Equity Contributions and Distributions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash distribution payments to Altice USA	$ —	$ (905,185)	$ —	$ (961,518)
Cash contributions from parent	—	—	7,087	—
Non-cash equity contributions from parent	—	—	152	—

The distributions in 2020 were funded with cash generated from operations.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Matters

On November 6, 2018, Sprint Communications Company L.P ("Sprint") filed a complaint in the U.S. District Court for the District of Delaware alleging that Altice USA's and the Company's products infringe Sprint's patents purportedly by providing Voice over Internet Protocol ("VoIP") services. The lawsuits are part of a pattern of litigation that was initiated as far back as 2005 by Sprint against numerous broadband and telecommunications providers, which has resulted in judgments and settlements of significant value for Sprint. Altice USA intends to vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due, but an allocation of liability from Altice USA to the Company in this matter could be material to the Company's consolidated results of operations or cash flows for any one reporting period.

In October 2019, Phone Administrative Services Inc. filed a New York False Claims Act complaint against numerous telephone providers in New York, including the Company, asserting knowing underpayment of 911 and Emergency Response fees. Defendants filed a motion to dismiss on February 14, 2020. In response to the motion, plaintiff's counsel advised that it would amend the complaint and the parties agreed to hold the motion in abeyance until the complaint was amended. Plaintiff filed its Third Amended Complaint on or about April 29, 2021 and its Fourth Amended Complaint on May 19, 2021. Defendants have moved to dismiss that complaint; that motion is pending. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

In connection with the Lightpath Transaction, an affiliate of Altice USA agreed to indemnify the Company and Lightpath Holdings for liabilities incurred by them that are related to the above listed matters, in addition to certain other matters, and that exceed $10,000 in the aggregate.

Altice USA and the Company receive notices from third parties and, in some cases, are named as defendants in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. In the event that the Company is found to infringe on any patent rights, the Company may be subject to substantial damages liability or royalty payments (whether directly or through an allocation of liability between Altice USA and the Company, to the extent of Company's liability), or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers (or a combination of damages/royalty payments and an injunction). The Company believes that the claims are without merit, but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, Altice USA and the Company are party to various lawsuits, disputes and investigations, some of which may involve claims for substantial damages, fines or penalties. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits, or an allocation of liability from Altice USA to the Company related thereto, will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

NOTE 12 MANAGEMENT INCENTIVE PLAN

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

In the third quarter of 2021, 433,225 Class A-1 management incentive units and 216,617 Class A-2 management incentive units ("Award Units") were granted to certain employees of Lightpath. Vested units will be redeemed upon a partial exit, a change in control or the completion of an initial public offering, as defined in the Holdings LLC agreement. The grant date fair value of the Award Units granted and outstanding aggregated $43,600 and will be expensed in the period in which a partial exit or a liquidity event is consummated.

NOTE 13. SUBSEQUENT EVENTS

The Company has updated its review of subsequent events as of November 22, 2021 (the date available for issuance) noting no events that require disclosure.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations contains statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Users are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors.

We operate in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, technological, political and social conditions. Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- our rights to the use of fiber that we do not own and that comprises a significant portion of our network may be affected by the ability to continue long term contracts and the financial stability of Altice USA and its indirect subsidiary, CSC Holdings LLC ("Altice Service Provider");
- the substantial capital expenditures that our operations require;
- our dependency on our ability to renew our long-term contracts with our customers;
- risks related to our major contracts;
- the impact of the ongoing COVID-19 pandemic;
- tax distributions to our ultimate equity holders in amounts in excess of the tax expense that we would incur if we were a similarly situated corporate taxpayer;
- our ability to obtain financing on terms that are acceptable to us, or at all;
- the unpredictability of future tax liabilities;
- conditions or assumptions differing from the judgments, assumptions or estimates used in our critical accounting policies or forward-looking statements;
- impairment of goodwill or other intangible assets;
- our ability to efficiently manage our growth;
- our reliance on various third parties for our operations, financial performance and liquidity;
- portions of our property, plant and equipment that are located on property owned by third parties;
- the outcome of litigation and other proceedings;
- our dependence on intellectual property rights and non-infringement on the intellectual property rights of others;
- potential liability for the material that content providers distribute over our networks;
- our failure to hire and retain qualified personnel;
- our reliance on Altice Service Provider’s network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations;
- a significant data security breach or our failure to detect and appropriately respond to a significant data security breach;
- our substantial indebtedness and debt service obligations;

- the restrictions contained in our financing agreements;
- adverse changes in the credit market;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate; and
- other risks and uncertainties inherent in business, including those listed under the caption "Risk Factors" included in this Quarterly Report and in our Annual Report for the year ended December 31, 2020.

These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could cause our actual results to differ materially from those expressed in any of our forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Except to the extent required by law, we do not undertake, and specifically decline any obligation, to update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should read this management's discussion and analysis of financial condition and results of operations with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Certain numerical figures included in this management's discussion and analysis of financial condition and results of operations have been subject to rounding adjustments. Accordingly, such numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

All dollar amounts included in the following discussion are presented in thousands.

Our Business

We provide Ethernet, data transport, IP-based virtual private networks, Internet access, telephony services, including session initiated protocol ("SIP") trunking and VoIP services to the business market primarily in the New York metropolitan area. We also provide managed services to businesses, including hosted telephony services (cloud based SIP-based private branch exchange), managed WiFi, managed desktop and server backup and managed collaboration services including audio and web conferencing. We also offer fiber-to-the-tower services to wireless carriers for cell tower backhaul that enables wireline communications service providers to connect to towers that their own wireline networks do not reach. Our customers include companies in health care, financial, education, legal and professional services, and other industries, as well as the public sector and communication providers, incumbent local exchange carriers, and competitive local exchange carriers.

As of September 30, 2021, we had over 6,700 customers and 12,300 locations connected to our fiber network, which currently includes approximately 28,000 miles of fiber sheaths ("route miles") (over 9,300 owned route miles and over 18,600 route miles pursuant to an IRU from Altice Service Provider and approximately 857,000 fiber miles (i.e., route miles multiplied by the number of fiber strands within each cable sheath; "fiber miles") (not including an additional approximate 18,600 fiber route miles in the New York metropolitan area available to us on preferential terms via its IRU Agreement with Altice Service Provider).

In June 2021, the Company completed three acquisitions in the Boston region: Cambridge Network Solutions (CNS), a second area connectivity provider, and the purchase of fiber network assets from Hub Fiber.

We operate in a highly competitive business telecommunications market and compete primarily with local incumbent telephone companies, especially AT&T Inc., Lumen Technologies, Inc., Frontier Communications Corporation and Verizon Communications Inc, as well as with a variety of other national and regional business services competitors.

Key Factors Impacting Operating Results and Financial Condition

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our business effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers.

In March 2020, the United States declared a national emergency concerning the outbreak of the coronavirus ("COVID-19") pandemic. There have also been extraordinary and wide-ranging actions taken by federal, state and local governmental authorities to contain and combat the outbreak and spread of the virus. We have continued to provide our services to our customers during this pandemic. We expect that our future results may be impacted, including if our customers discontinue their service or are unable to pay for our services. Additionally, in order to prioritize the demands of the business, we may delay certain capital investments. Due to the uncertainty surrounding the magnitude and duration of business and economic impacts relating to COVID-19, including the effort to contain and combat the spread of the virus, and business impacts of government actions, we currently cannot reasonably estimate the ultimate impact of COVID-19 on our business.

Non-GAAP Financial Measures

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, non-operating income or expenses, interest expense, interest income, depreciation and amortization, share-based compensation expense or benefit, restructuring expense or credits and transaction expenses.

We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company's ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

We also use Operating Free Cash Flow (defined as Adjusted EBITDA less cash capital expenditures), and Free Cash Flow (defined as net cash flows from operating activities less cash capital expenditures) as indicators of the Company's financial performance. We believe these measures are one of several benchmarks used by investors, analysts and peers for comparison of performance in the Company's industry, although they may not be directly comparable to similar measures reported by other companies.

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)			
Revenue:				
Ethernet	$ 82,628	$ 83,092	$ 250,749	$ 246,926
Managed services	7,842	7,085	22,449	20,586
Time-division multiplexing ("TDM") services	2,615	2,973	8,197	9,150
Other	3,007	3,529	9,214	9,544
Total revenue	**96,092**	**96,679**	**290,609**	**286,206**
Operating expenses:				
Direct costs	14,654	15,563	45,570	43,677
Other operating expenses	31,201	27,123	90,928	87,046
Restructuring and other expense	76	702	379	895
Depreciation and amortization	28,896	31,057	84,967	114,204
Operating income	**21,265**	**22,234**	**68,765**	**40,384**
Other expense:				
Interest expense, net	(17,208)	(226)	(51,421)	(10,845)
Other income (expense)	24	7	77	(92)
Income before income taxes	**4,081**	**22,015**	**17,421**	**29,447**
Income tax benefit (expense)	(19)	229,868	(86)	227,811
Net income	**$ 4,062**	**$ 251,883**	**$ 17,335**	**$ 257,258**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)			
Net income	$ 4,062	$ 251,883	$ 17,335	$ 257,258
Income tax expense (benefit)	19	(229,868)	86	(227,811)
Other expense (income)	(24)	(7)	(77)	92
Interest expense, net	17,208	226	51,421	10,845
Depreciation and amortization	28,896	31,057	84,967	114,204
Restructuring and other expense	76	702	379	895
Share-based compensation	42	626	127	6,097
Adjusted EBITDA	**50,279**	**54,619**	**154,238**	**161,580**
Capital expenditures (cash)	22,398	14,661	67,130	61,517
Operating Free Cash Flow	**$ 27,881**	**$ 39,958**	**$ 87,108**	**$ 100,063**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Unaudited)			
Net cash flows from operating activities	**$ 26,653**	**$ 52,867**	**$ 102,381**	**$ 152,944**
Capital expenditures (cash)	22,398	14,661	67,130	61,517
Free Cash Flow	**$ 4,255**	**$ 38,206**	**$ 35,251**	**$ 91,427**

Comparison of Results for the Three and Nine Months Ended September 30, 2021 as compared to the Three and Nine Months Ended September 30, 2020

Revenue

Revenue for the three and nine months ended September 30, 2021 was $96,092 and $290,609 compared to $96,679 and $286,206 for the three and nine months ended September 30, 2020, respectively. The Company's revenue is derived primarily from the sale of fiber-based broadband and telephony services, including bandwidth and managed services, to enterprise customers and includes taxes and surcharges. Other revenue includes fees for usage, access, installation, and other ancillary services. The revenue decrease of $587 (1%) and increase of $4,403 (2%) for the three and nine months ended September 30, 2021, respectively, compared to the same periods in the prior year was primarily due to:

	Three Months	Nine Months
	Increase (decrease)	
Ethernet	$ (464)	$ 3,823
Managed services	757	1,863
TDM services	(358)	(953)
Other	(522)	(330)
	$ (587)	4,403

Direct Costs

Direct costs for the three and nine months ended September 30, 2021 amounted to $14,654 and $45,570 compared to $15,563 and $43,677 for the three and nine months ended September 30, 2020, respectively. These costs include taxes and surcharges which represent federal and state fees incurred by the Company to operate as a telecommunications carrier. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers.

The decrease of $909 (6%) for the three months and an increase of $1,893 (4%) for the nine months ended September 30, 2021, as compared to the prior year periods were attributable to the following:

	Three Months	Nine Months
Increase in taxes and surcharges	$ 784	$ 4,177
Decrease in circuit fees	(1,103)	(811)
Decrease in call completion and interconnection costs	(590)	(1,473)
	$ (909)	$ 1,893

Other Operating Expenses

Other operating expenses for the three and nine months ended September 30, 2021 amounted to $31,201 and $90,928, compared to $27,123 and $87,046 for the three and nine months ended September 30, 2020, respectively. Other operating expenses include (i) staff costs including salaries and commissions of company employees and related taxes, benefits and other employee related expenses; (ii) costs associated with the repair and maintenance of our network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers; (iii) allocations of certain operating costs from Altice USA, including overhead and common support function costs (such as human resources, legal, government affairs, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs; and (iv) various other operating expenses including agency fees, rent, subscriber billing costs, and marketing and advertising costs. See Note 10 to our consolidated financial statements included in this quarterly report for a discussion of services performed by affiliates of the Company and the related charges for these services.

The increases of $4,078 (15%) and $3,882 (4%) in other operating expenses for the three and nine months ended September 30, 2021, respectively, as compared to the prior year periods were attributable to the following:

	Three Months	Nine Months
Net increase in labor costs and benefits and a decrease in capitalizable activity	$ 4,189	$ 8,187
Increase in rent and property taxes	142	1,439
Increase in repairs and maintenance	340	1,276
Decrease in share-based compensation	(584)	(5,970)
Decrease in sales and marketing costs	(704)	(1,385)
Other net increases	695	335
	$ 4,078	$ 3,882

Restructuring and Other Expense

Restructuring and other expense for the three and nine months ended September 30, 2021 amounted to $76 and $379, respectively, and $702 and $895, respectively, for the three and nine months ended September 30, 2020. Restructuring and other expense related to severance and other employee related costs resulting from headcount reductions, facility realignment costs, and certain transaction costs.

Depreciation and Amortization

Depreciation and amortization for the three and nine months ended September 30, 2021 amounted to $28,896 and $84,967 compared to $31,057 and $114,204 for the three and nine months ended September 30, 2020, respectively. The decrease in depreciation and amortization of $2,161 (7%) and $29,237 (26%) for the three and nine months ended September 30, 2021 as compared to the same periods in the prior year is due to certain fixed assets becoming fully depreciated and certain intangibles assets becoming fully amortized, partially offset by an increase in depreciation as a result of asset additions.

Adjusted EBITDA

Adjusted EBITDA amounted to $50,279 and $154,238 for the three and nine months ended September 30, 2021 compared to $54,619 and $161,580 for the three and nine months ended September 30, 2020, respectively.

The decrease in Adjusted EBITDA for the three months ended September 30, 2021 as compared to the prior year period was primarily due to an increase in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation) and a decrease in revenue, as discussed above. The decrease in Adjusted EBITDA for the nine months ended September 30, 2021 as compared to the prior year period was primarily due to an increase in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation), partially offset by an increase in revenue, as discussed above.

Operating Free Cash Flow

Operating free cash flow was $27,881 and $87,108 for the three and nine months ended September 30, 2021 compared to $39,958 and $100,063 for the three and nine months ended September 30, 2020, respectively. The decrease in operating free cash flow for the three month period was due primarily to a decrease in Adjusted EBITDA and an increase in capital expenditures. The decrease in operating free cash flow for the nine month period was due primarily to a decrease in Adjusted EBITDA, partially offset by an decrease in capital expenditures.

Free Cash Flow

Free cash flow was $4,255 and $35,251 for the three and nine months ended September 30, 2021 compared to $38,206 and $91,427 for the three and nine months ended September 30, 2020, respectively. The decrease in free cash flow of $33,951 (89%) for the three months ended September 30, 2021 as compared to the same period in 2020 is primarily due to a decrease in net cash flows from operating activities and an increase in capital expenditures. The decrease in free cash flow of $56,176 (61%) for the nine months ended September 30, 2021 as compared to the same period in 2020 is primarily due to a decrease in net cash flows from operating activities, partially offset by an decrease in capital expenditures.

Interest Expense, Net

Interest expense, net was $17,208 and $51,421 for the three and nine months ended September 30, 2021 compared to $226 and $10,845 for the three and nine months ended September 30, 2020, respectively.

The increases of $16,982 and $40,576 for the three and nine months ended September 30, 2021, respectively, as compared to the three and nine months ended September 30, 2020 were attributable to the following:

	Three Months	Nine Months
Interest expense, including amortization of deferred financing costs and original issue discount, related to the term loan, senior secured notes and senior notes issued in 2020 (see Note 7)	$ 16,985	$ 51,206
Decrease in interest expense related to the note payable to affiliate that was forgiven in June 2020 (see Note 10)	—	(10,628)
Higher interest income	(3)	(2)
	$ 16,982	$ 40,576

Income Tax Benefit (Expense)

For the three and nine months ended September 30, 2021, the Company recorded income tax expense of $19 and $86, on pre-tax income of $4,081 and $17,421, respectively, relating to the New York City Unincorporated Business Tax ("NYC UBT") since the Company is no longer subject to federal income tax as result of the Legal Entity Conversion.

For the three and nine months ended September 30, 2020, the Company recorded income tax benefit of $229,868 and $227,811 on pre-tax income of $22,015 and $29,447, respectively. As result of the Legal Entity Conversion, the net deferred tax liability, other than federal and state net operating loss carryforwards ("NOLs"), was remeasured to reflect a NYC UBT effective rate, generating a benefit of approximately $244,400 for the three and nine months ended September 30, 2020. The benefit was offset by an expense of approximately $10,100 reflecting the write-off of the NOLs which will not carryforward to the limited liability company.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2021, our consolidated cash and cash equivalents amounted to $49,344. Prior to November 1, 2020, cash balances in excess of what was required to fund day-to-day operating activities were distributed to Altice USA. The Company has a principal amount of long term debt outstanding of $1,454,500 as of September 30, 2021.

Our most significant financial obligations are our debt obligations. The terms of the debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Sources of Liquidity

Our principal sources of liquidity are our existing cash balances, operating cash flows of our operating subsidiaries and borrowings under the revolving credit facility, which we believe will provide adequate funds to support our current operating plan, make planned capital expenditures, and fulfill our debt service requirements pursuant to our outstanding indebtedness, for the next twelve months. The availability of borrowings under the Senior Secured Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to fund our operations, make planned capital expenditures, and make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows and our ability to access the capital markets, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. Competition, market disruptions or a deterioration in economic conditions could lead to lower demand for our products and increased incidence of customers' inability to pay for the services we provide. These events would adversely impact our results of operations, cash flows and financial position.

In the longer term, we may not be able to generate sufficient cash from operations to fund anticipated capital expenditures or meet all existing future contractual payment obligations. As a result, we could be dependent upon our access to the capital and credit markets to issue debt or equity. We believe we have the ability to access the credit markets if needed, however, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets or other conditions. We intend to raise significant amounts of funding over the next several years to extend our debt maturities, repay existing obligations and meet other obligations, and the failure to do so successfully could adversely affect our business. If we are unable to do so, we will need to take other actions including deferring capital expenditures, selling assets, seeking strategic investments from third parties or reducing or eliminating discretionary uses of cash.

Debt issued by the Company is subject to certain restrictive covenants. Debt issued by the Company is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the Company's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to its member or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the Company must either meet the ratio test described below (on a *pro forma basis* for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument. Senior debt of the Company will be subject to an incurrence test of 6.75:1 (Consolidated Net Leverage to L2QA Pro Forma EBITDA (each as defined in the relevant debt instruments)) and senior secured debt of the Company will be subject to an incurrence test of 4.75:1 (Consolidated Net Senior Secured Leverage (as defined in the relevant debt instrument) to L2QA Pro Forma EBITDA). The Company will be allowed to fully consolidate the EBITDA from any subsidiaries in which we have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

See Note 7 to the Consolidated Financial Statements for further details of our outstanding indebtedness.

Capital Expenditures

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Fiber network (1)	$ 19,070	$ 11,398	$ 47,911	$ 43,046
Network and customer equipment (2)	2,565	2,512	16,140	16,305
Support and other (3)	763	751	3,079	2,166
Capital purchases (cash basis)	22,398	14,661	67,130	61,517
Change in accrued and unpaid purchases and other	(394)	235	(234)	(1,228)
Capital purchases (including accrued but not paid) (4)	$ 22,004	$ 14,896	$ 66,896	$ 60,289

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

(2) Network and customer equipment includes routing and interconnection equipment at our network locations, as well as equipment collocated in customer facilities.

(3) Support and other includes costs associated with the replacement or enhancement of non-network assets, such as software systems, office equipment, and facilities.

(4) Amounts are comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Success-based	$ 23,957	$ 15,968	$ 63,823	$ 55,582
Maintenance, support and other	(1,953)	(1,072)	3,073	4,707
Capital purchases (including accrued not paid)	$ 22,004	$ 14,896	$ 66,896	$ 60,289

Cash Flow - Nine Months Ended September 30, 2021 and 2020

Operating Activities

Net cash provided by operating activities amounted to $102,381 and $152,944 for the nine months ended September 30, 2021 and 2020, respectively.

The 2021 cash provided by operating activities resulted from $113,317 of income before depreciation and amortization and non-cash items, a decrease in accounts receivable of $11,312, and an increase in deferred revenue of

$1,275, partially offset by a decrease in accounts payable of $2,791, a decrease in amounts due to affiliates of $2,253, a decrease in accrued liabilities of $15,098, and an increase in prepaid expenses and other assets of $3,381.

The 2020 cash provided by operating activities resulted from $153,694 of income before depreciation and amortization and non-cash items, an increase in amounts due to affiliates of $10,628, an increase in accounts payable of $3,570, and an increase in deferred revenue of $6, partially offset by an increase in accounts receivable of $12,072, an increase in prepaid expenses and other assets of $305, and a decrease in accrued liabilities of $2,577.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2021 and 2020 was $95,374 and $61,492, respectively, consisting primarily of capital expenditures of $67,130 and $61,517, partially offset by other net cash receipts of $16 and $25 for 2021 and 2020, respectively. The nine months ended September 30, 2021 also includes payments for acquisitions, net of cash acquired of $28,260.

Financing Activities

Net cash provided by (used in) financing activities amounted to $2,587 and $(96,518) for the nine months ended September 30, 2021 and 2020, respectively. Net cash provided by financing activities for the nine months ended September 30, 2021 included contributions from the Company's parent entity of $7,087, partially offset and the repayment of debt of $4,500.

Net cash used in financing activities for the nine months ended September 30, 2020 included distributions to the Company's parent entity of $961,518, partially offset by proceeds from long-term debt of $865,000.

Commitments and Contingencies

As of September 30, 2021, the Company's commitments and contingencies not reflected in the Company's balance sheet increased to approximately $39,106 as compared to approximately $36,535 at December 31, 2020. This increase relates primarily to new purchase obligations made in the ordinary course of business.

Risk Factor

Various events could disrupt our networks, infrastructure and facilities and could impair our operating activities and negatively impact our reputation and financial results.

Our network, infrastructure and facilities, including those we have access to under agreements with Altice Service Provider, are critical to our operating activities.

Events such as natural disasters, power outages, accidents, maintenance failures, telecommunications failures, degradation of plant assets, terrorist attacks and similar events pose risks of potentially significant service disruptions or possible shutdowns. While we or the Altice Service Provider develop and maintain system redundancy and disaster recovery plans designed to mitigate network and system-related disruptions and to expeditiously recover from such events, these measures may be ineffective or inadequate and our disaster recovery planning may not be sufficient for all eventualities.

Large expenditures may be necessary to repair or replace damaged property, networks and system infrastructure following one of the identified or similar events or to protect property, networks and infrastructure from other events in the future. Moreover, the amount and scope of insurance maintained against losses resulting from any such events may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our business that may result. A significant shutdown or service disruption could result in damage to our reputation and credibility, customer dissatisfaction and ultimately a loss of customers or revenue. Any significant loss of customers or revenue, or significant increase in costs of serving those customers, could adversely affect our growth, financial condition and results of operations. Further, any of such events could lead to claims against us and could result in regulatory penalties, particularly if we encounter difficulties in restoring service to our customers on a timely basis or if the related losses are found to be the result of our practices or failures.

The combined effects of extreme weather and climate change also impact this risk. Portions of our geographic service areas have experienced multiple severe weather and storm events over the past several years. Severe weather events and other natural disasters, including, storms, floods, tornadoes, rising sea levels, solar events, electromagnetic events, or other natural disasters, could result in severe business disruptions, property damage, prolonged service disruption, significant decreases in revenues and earnings, or significant additional costs, reputational and regulatory consequences.