INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020 AND 2019

CABLEVISION LIGHTPATH LLC
(formerly CABLEVISION LIGHTPATH, INC.)

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, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,014	$ 7,080
Accounts receivable, trade (less allowance for doubtful accounts of $3,677 and $2,269)	36,176	26,633
Prepaid expenses and other current assets	15,029	14,563
Total current assets	53,219	48,276
Property, plant and equipment, net of accumulated depreciation of $561,648 and $474,709	624,298	657,911
Right-of-use operating lease assets	8,047	3,757
Other assets	6,130	6,315
Amortizable intangibles, net of accumulated amortization of $182,612 and $162,285	177,388	197,715
Indefinite-lived franchise costs	340,000	340,000
Goodwill	94,094	94,094
Total assets	$ 1,303,176	$ 1,348,068
LIABILITIES AND TOTAL EQUITY		
Current Liabilities:		
Accounts payable	$ 13,665	$ 11,323
Accrued employee related costs	4,278	3,625
Deferred revenue	1,062	1,046
Right-of-use operating lease liability	2,690	1,528
Other current liabilities	10,982	8,652
Total current liabilities	32,677	26,174
Other liabilities	3,789	2,767
Right-of-use operating lease liability	5,527	2,350
Deferred tax liability	2,987	231,861
Senior secured notes	447,495	—
Senior notes	413,320	—
Note payable to affiliate	—	870,615
Total liabilities	905,795	1,133,767
Commitments and contingencies (Note 11)		
Redeemable equity	1,165	8,719
Total Equity:		
Cablevision Lightpath, Inc:		
Common Stock, $.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	—	—
Paid-in capital	—	220,412
Accumulated deficit	—	(14,830)
Cablevision Lightpath LLC:		
Member's equity	396,216	—
	396,216	205,582
	$ 1,303,176	$ 1,348,068

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 (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue (including revenue from affiliates of $1,244, $1,153, $3,639 and $3,451, respectively. See Note 10)	$ 96,679	$ 94,130	$ 286,206	$ 285,308
Operating expenses:				
Direct costs (including charges from affiliates of $136, $124, $406 and $415, respectively. See Note 10)	15,563	14,860	43,677	41,796
Other operating expenses (including charges from affiliates of $6,233, $8,212, $27,383 and $25,873, respectively. See Note 10)	27,123	26,243	87,046	82,075
Restructuring and other expense	702	—	895	108
Depreciation and amortization	31,057	45,123	114,204	132,270
	74,445	86,226	245,822	256,249
Operating income	22,234	7,904	40,384	29,059
Other income (expense):				
Interest expense (See Note 10)	(227)	(6,786)	(10,855)	(23,029)
Interest income	1	9	10	51
Other income (expense) (See Note 10)	7	(143)	(92)	(369)
	(219)	(6,920)	(10,937)	(23,347)
Income before income taxes	22,015	984	29,447	5,712
Income tax benefit (expense)	229,868	220	227,811	(1,155)
Net income	$ 251,883	$ 1,204	$ 257,258	$ 4,557
Comprehensive income	$ 251,883	$ 1,204	$ 257,258	$ 4,557

See accompanying notes to consolidated financial statements.

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

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Equity	Total Equity
Balance at January 1, 2020	$ —	$ 220,412	$ (14,830)	$ —	$ 205,582
Net income	—	—	5,375	—	5,375
Share-based compensation expense	—	5,471	—	—	5,471
Redeemable equity vested	—	7,696	—	—	7,696
Change in redeemable equity	—	283	—	—	283
Distributions to stockholder	—	(56,333)	—	—	(56,333)
Non-cash contribution - forgiveness of note payable and accrued interest to affiliate	—	881,243	—	—	881,243
Balance prior to Legal Entity Conversion	—	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)
Distribution to parent entity	—	—	—	(905,185)	(905,185)
Balance at September 30, 2020	$ —	$ —	$ —	$ 396,216	$ 396,216

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Equity	Total Equity
Balance at January 1, 2019	$ —	$ 324,025	$ (17,513)	$ —	$ 306,512
Net income	—	—	4,557	—	4,557
Share-based compensation expense	—	2,956	—	—	2,956
Redeemable equity vested	—	6,435	—	—	6,435
Change in redeemable equity	—	(11,109)	—	—	(11,109)
Distributions to stockholder	—	(85,332)	—	—	(85,332)
Balance at September 30, 2019	$ —	$ 236,975	$ (12,956)	$ —	$ 224,019

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, 2020 AND 2019
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 257,258	$ 4,557
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114,204	132,270
Share-based compensation expense	6,097	2,956
Deferred income taxes	(228,874)	639
Decrease in right-of-use asset	2,480	2,704
Provision for doubtful accounts	2,529	1,620
Change in assets and liabilities:		
Accounts receivable, trade	(12,072)	3,138
Prepaid expenses and other assets	(305)	(189)
Amounts due to affiliates	10,628	22,989
Accounts payable	3,570	(7,168)
Accrued liabilities	(2,577)	(1,570)
Deferred revenue	6	(193)
Net cash provided by operating activities	152,944	161,753
Cash flows from investing activities:		
Capital expenditures	(61,517)	(77,054)
Proceeds related to sale of equipment, including costs of disposal	25	22
Net cash used in investing activities	(61,492)	(77,032)
Cash flows from financing activities:		
Issuance of senior and senior secured notes	865,000	—
Distributions to parent entity	(961,518)	(85,332)
Net cash used in financing activities	(96,518)	(85,332)
Net decrease in cash and cash equivalents	(5,066)	(611)
Cash and cash equivalents at beginning of year	7,080	6,298
Cash and cash equivalents at end of period	$ 2,014	$ 5,687

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") is a wholly-owned indirect subsidiary of Altice USA, Inc. ("Altice USA"). 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 in the New York metropolitan area.

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, which is indirectly owned by Altice USA. The accompanying consolidated financial statements reflect the Company as a corporation for the periods presented prior to the Legal Entity Conversion.

In July 2020, Altice USA entered into an agreement to sell a 49.99% interest in Lightpath Holdings LLC ("Lightpath Holdings"), the direct parent of the Company, for an implied enterprise value of $3,200,000 (the "Lightpath Transaction"). Altice USA will retain a 50.01% interest in Lightpath Holdings and maintain control. The transaction is currently expected to close in the fourth quarter of 2020 following the satisfaction of closing conditions.

In connection with the sale, 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 Altice USA and certain of its subsidiaries. The security over the ownership interests in the Company and certain of its subsidiaries were released concurrently with the release of the guarantees. See Note 7 for additional information regarding indebtedness incurred by Lightpath.

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. The financial position, results of operations and cash flows of the Company could differ from those that might have resulted had the Company been operated autonomously or as an entity independent of Altice USA.

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, 2019.

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, 2020.

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.

(Dollars in thousands)

NOTE 3. ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12")

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740). ASU 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions for investments, intraperiod allocations and interim calculations. The new guidance also simplifies aspects of the accounting for franchise taxes, enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The amendments did not create new accounting requirements. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

ASU No. 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")

In August 2018, the FASB issued ASU 2018-15 which requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350) ("ASU 2017-04")

In January 2017, the FASB issued ASU 2017-04 which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted the standard as of January 1, 2020. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")

In June 2016, the FASB issued ASU 2016-13 which requires a financial asset (or a group of financial assets) measured at amortized cost to be assessed for impairment under the current expected credit loss model rather than an incurred loss model. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 became effective for the Company on January 1, 2020 and the adoption of this standard did not have a significant impact on the Company's consolidated financial statements. The Company will continue to actively monitor the impact of the recent coronavirus (COVID-19) pandemic on expected credit losses.

NOTE 4. REVENUE

The following table presents the composition of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Ethernet	$ 83,092	$ 80,624	$ 246,926	$ 244,913
Managed services	7,085	6,345	20,586	18,608
TDM services	2,973	3,143	9,150	9,646
Other	3,529	4,018	9,544	12,141
Total revenue	$ 96,679	$ 94,130	$ 286,206	$ 285,308

(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 and fees 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 the customers are recorded as revenue. For the three and nine months ended September 30, 2020 and 2019, the amount of these non-income related taxes and fees included as a component of revenue aggregated $5,388, $14,552, $5,213 and $14,544, 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 for enterprise customers are deferred and amortized over the average contract term.

Costs of fulfilling a contract with a customer are deferred and recorded as a contract asset if they generate or enhance resources of the Company that will be used in satisfying future performance obligations and are expected to be recovered.

The following table provides information about contracts assets and contract liabilities related to contracts with customers:

	September 30, 2020	December 31, 2019
Contract assets (a)	$ 12,108	$ 15,948
Deferred revenue (b)	1,782	1,776

(a) Contract assets include sales commissions for enterprise customers that are deferred and amortized over the average contract term.

(b) Deferred revenue represents payments received from customers for services that have yet to be provided and installation revenue which is deferred and recognized over the benefit period.

NOTE 5. 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,	
	2020	2019
Non-Cash Investing and Financing Activities:		
Property and equipment accrued but unpaid	$ 15,499	$ 13,700
Deferred financing costs accrued but unpaid	4,185	—
Forgiveness of note payable and accrued interest to affiliate	881,243	—
Supplemental Data:		
Income taxes paid	2,387	699

(Dollars in thousands)

NOTE 6. INTANGIBLE ASSETS

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

	As of September 30, 2020			As of December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Estimated Useful Lives
Customer relationships	$ 300,000	$ (122,612)	$ 177,388	$ 300,000	$ (103,363)	$ 196,637	18 years
Trade names	60,000	(60,000)	—	60,000	(58,922)	1,078	4 years
	$ 360,000	$ (182,612)	$ 177,388	$ 360,000	$ (162,285)	$ 197,715	

Amortization expense for the three and nine months ended September 30, 2020 and 2019 aggregated $6,140, $20,327, $7,272 and $22,643, respectively.

NOTE 7. DEBT

The following table provided details of the Company's outstanding debt:

			September 30, 2020	
Date Issued	Maturity Date	Interest Rate	Principal Amount	Carrying Amount (a)
Senior Secured Notes:				
September 29, 2020	September 15, 2027	3.875 % (b)	$ 450,000	$ 447,495
Senior Notes:				
September 29, 2020	September 15, 2028	5.625 % (c)	415,000	413,320
			865,000	860,815
Less: current portion of senior and senior secured notes			—	—
Long-term debt			$ 865,000	$ 860,815

(a) The carrying amount is net of the unamortized deferred financing costs.

(b) The carrying amount does not reflect underwriting fees of approximately $7,900 that are payable upon the closing of the Lightpath Transaction.

(c) The carrying amount does not reflect underwriting fees of approximately $7,300 that are payable upon the closing of the Lightpath Transaction.

On September 29, 2020, 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, the Company became an unrestricted subsidiary under the terms of CSC Holdings LLC's' debt. The gross proceeds from the issuance of the senior notes and senior secured notes were distributed to the Company's indirect parent entities and were deposited into escrow accounts pending the consummation of the Lightpath Transaction.

In addition, 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 (the “Term Loan Facility”) at a price of 99.5% of the aggregate principal amount, which will be available in a single drawing, and (ii) revolving loan commitments in an aggregate principal amount of $100,000 (the “Revolving Credit Facility"). As of September 30, 2020, there were no borrowings outstanding under the Credit Agreement.

The loans made pursuant to the Credit Agreement may be comprised of eurodollar borrowings or alternative base rate borrowings, and will 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. The maturity date of the (i) Term Loan Facility is expected to be on the seventh anniversary of the first date on which funds are drawn and (ii) Revolving Credit Facility is expected to be on the fifth anniversary of the first date on which funds are drawn.

The Company does not expect to draw upon the term loan facility until the closing of the Lightpath Transaction. A majority of the amounts to be drawn under the term loan will be distributed to Altice USA.

NOTE 8. FAIR VALUE MEASUREMENT

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. The fair values of each of the Company's senior secured notes and senior notes 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. These notes had a carrying value of $860,815 and a fair value of $871,788 as of September 30, 2020.

The note payable to affiliate with a carrying value of $870,615 had a fair value of $842,855 as of December 31, 2019. The fair value of the note payable was based primarily on the present value of the remaining payments discounted at the borrowing cost of Altice USA. In June 2020, the note payable to affiliate was forgiven and recorded as a capital contribution.

NOTE 9. INCOME TAXES

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 returns of its members. Accordingly, federal income taxes are not reflected in the statement of operations for the three months ended September 30, 2020, however the Company is now subject to New York City Unincorporated Business Tax ("NYC UBT") and has reflected such taxes in its statement of operations. The income tax provision for the nine months ended September 30, 2020 includes federal and state taxes for the period prior to the Legal Entity Conversion.

Prior to the Legal Entity Conversion in July 2020, the Company was or will be 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 files separately. As such, 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.

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, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. 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.

For the three and nine months ended September 30, 2019, the Company recorded income tax benefit (expense) of $220 and $(1,155) on pre-tax income of $984 and $5,712, respectively, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was due to the impact of certain non-deductible expenses and state taxes, including a revaluation of the state deferred taxes due to state rate changes.

NOTE 10. AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company is an 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 entity 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,	
	2020	2019	2020	2019
Revenue	$ 1,244	$ 1,153	$ 3,639	$ 3,451
Operating expenses:				
Direct costs	(136)	(124)	(406)	(415)
Other operating expenses, net	(6,233)	(8,212)	(27,383)	(25,873)
Operating expenses, net	(6,369)	(8,336)	(27,789)	(26,288)
Interest expense	—	(6,786)	(10,628)	(23,029)
Other income (expense)	7	(143)	(92)	(369)
Net charges	$ (5,118)	$ (14,112)	$ (34,870)	$ (46,235)
Capital Expenditures	$ 2,421	$ 5,095	$ 10,198	$ 12,368

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.

Other Operating Expenses, Net

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. Such costs charged to the Company amounted to $5,096 and $15,457 for the three and nine months ended September 30, 2020, respectively, and $5,609 and $16,221 for the three and nine months ended September 30, 2019, respectively.

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 have been 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. Such costs charged to the Company amounted to $3,243 and $10,974 for the three and nine months ended September 30, 2020, respectively, and $4,196 and $11,938 for the three and nine months ended September 30, 2019, respectively.

The Company was charged for network support services of $1,509 and $5,568 for the three and nine months ended September 30, 2020 and $1,915 and $5,343 for the three and nine months ended September 30, 2019, respectively, which were based on the percentage of the Company's usage of the affiliate's network.

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. Such costs charged to the Company amounted to $1,146 and $2,800 for the three and nine months ended September 30, 2020, respectively, and $898 and $2,879 for the three and nine months ended September 30, 2019, respectively.

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. Total expense related to these plans was approximately $290 and $972 for the three and nine months ended September 30, 2020, respectively, and $333 and $1,138 for the three and nine months ended September 30, 2019.

For the three and nine months ended September 30, 2020, Altice USA charged the Company $528 and $5,541, respectively, for its proportionate share of expenses related to Altice USA's employee share-based incentive plan. These charges include costs related to the Company's employees of $280 and $2,028, respectively, and an allocation of costs related to Altice USA corporate employees of $248 and $3,513, respectively. For the three and nine months ended September 30, 2019, Altice USA charged the Company $731 and $1,421, respectively, of which $256 and $550, respectively, related to the Company's employees and $475 and $871, respectively, was an allocation of costs related to Altice USA corporate employees. The allocated costs were based upon revenue of the Company in relation to the consolidated revenue of Altice USA.

In addition, certain employees of the Company received awards of units in a Carry Unit Plan of an entity which has an ownership interest in Altice USA. The awards generally will vest as follows: 50% on the second anniversary of June 21, 2016 ("Base Date"), 25% on the third anniversary of the Base Date, and 25% on the fourth anniversary of the Base Date. Prior to the fourth anniversary, Altice USA has the right to repurchase vested awards held by employees upon their termination. Beginning on the fourth anniversary of the Base Date, the holders of carry units have an annual opportunity (a sixty day period determined by the administrator of the plan) to sell their units back to Altice USA. Accordingly, the carry units are presented as temporary equity on the consolidated balance sheets at fair value. Adjustments to fair value at each reporting period are recorded in equity. For the three and nine months ended September 30, 2020, the Company recognized an expense of $98 and $556, respectively, related to the push down of share-based compensation related to the Carry Unit Plan. These charges included costs related to the Company's employees of $32 and $196 and an allocation of costs related to Altice USA corporate employees of $66 and $360 for the three and nine months ended September 30, 2020, respectively. For the three and nine months ended September 30, 2019, the Company recognized an expense of $458 and $1,535 respectively. These charges included costs related to the Company's employees of $103 and $518, respectively, and an allocation of costs related to Altice USA corporate employees of $355 and $1,017, respectively. The allocated costs were based upon revenue of the Company in relation to the consolidated revenue of Altice USA.

For the three and nine months ended September 30, 2020, $3,797 and $11,313, respectively, and for the three and nine months ended September 30, 2019, $4,943 and $11,910, respectively, of costs allocated to the Company were capitalized and reflected as property, plant and equipment.

Other operating expenses include an allocation of costs to affiliates of $1,880 and $3,172 for the three and nine months ended September 30, 2020 and $985 and $2,692 for the three and nine months ended September 30, 2019, respectively, 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

The Company recognized interest expense of $10,628 for the nine months ended September 30, 2020 and $6,786 and $23,029 for the three and nine months ended September 30, 2019, respectively, related to a promissory note payable to an indirect subsidiary of Altice USA (see discussion below).

Other Income (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. Total income (expense) related to these plans was approximately $7 and $(92) for the three and nine months ended September 30, 2020 and $(143) and $(369) for the three and nine months ended September 30, 2019, respectively. 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, 2020 $3,797 and $11,313, respectively, and for the three and nine months ended September 30, 2019, $4,943 and $11,910, 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 ($1,376) and ($1,115) for the three and nine months ended September 30, 2020, respectively, and $152 and $458 for the three and nine months ended September 30, 2019, respectively, primarily related to net fiber assets acquired from/ sold to Altice USA.

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. The cumulative balance of the note payable to affiliate, long term, was $870,615 at December 31, 2019, which included accrued interest of $402,615. In June 2020, the amount payable pursuant to this promissory note of $881,243 was forgiven and recorded as a capital contribution.

Dividends and Distributions

The Company made cash distributions to its parent entity of $905,185 and $961,518 during the three and nine months ended September 30, 2020, which were funded from proceeds from the issuance of senior and senior secured notes and cash generated by operations. The Company made cash distributions to its parent entity of $24,226 and $85,332 during the three and nine months ended September 30, 2019, respectively, which were funded with cash generated from operations.

NOTE 11. COMMITMENTS AND CONTINGENCIES

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 January 2019, Phone Recovery Services, LLC filed a New Jersey False Claims Act complaint against numerous telephone providers in New Jersey, including the Company, asserting knowing underpayment of 911 and Emergency Response fees. The Company, together with the other defendants, filed a motion to dismiss on March 22, 2019. The motion to dismiss was granted on September 10, 2019, and plaintiff appealed to the New Jersey Appellate Division. On October 15, 2020, the New Jersey Appellate Division affirmed dismissal of the claims based upon the New Jersey Tax Procedure Act, but remanded to allow for re-pleading on other grounds. 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. To date, plaintiff’s counsel has not amended the complaint. 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.

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. SUBSEQUENT EVENTS

The Company has updated its review of subsequent events as of November 25, 2020 (the date available for issuance) noting no events that require disclosure other than what is disclosed below.

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 CSC Holdings, LLC;
- the substantial capital expenditures that our operations require;
- our dependency on our ability to renew our 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;
- limits to our ability to deploy cash for other beneficial purposes as a result of our parent's current distribution practices;
- 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 CSC Holdings, LLC'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.

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, 2020, we had over 11,700 buildings connected to our fiber network which extends more than 8,900 route miles, and which includes approximately 606,000 miles of fiber throughout the New York metropolitan area.

We operate in a highly competitive business telecommunications market and compete primarily with local incumbent telephone companies, especially AT&T, CenturyLink, Inc. ("Centurylink"), Frontier and Verizon, 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 continue 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 the COVID-19 pandemic 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,	
	2020	2019	2020	2019
	(Unaudited)			
Revenue:				
Ethernet	$ 83,092	$ 80,624	$ 246,926	$ 244,913
Managed services	7,085	6,345	20,586	18,608
Time-division multiplexing ("TDM") services	2,973	3,143	9,150	9,646
Other	3,529	4,018	9,544	12,141
Total revenue	**96,679**	**94,130**	**286,206**	**285,308**
Operating expenses:				
Direct costs	15,563	14,860	43,677	41,796
Other operating expenses	27,123	26,243	87,046	82,075
Restructuring and other expense	702	—	895	108
Depreciation and amortization	31,057	45,123	114,204	132,270
Operating income	**22,234**	**7,904**	**40,384**	**29,059**
Other expense:				
Interest expense, net	(226)	(6,777)	(10,845)	(22,978)
Other income (expense)	7	(143)	(92)	(369)
Income before income taxes	**22,015**	**984**	**29,447**	**5,712**
Income tax benefit (expense)	229,868	220	227,811	(1,155)
Net income	**$ 251,883**	**$ 1,204**	**$ 257,258**	**$ 4,557**

The following is a reconciliation of net income (loss) to Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited)			
Net income	$ 251,883	$ 1,204	$ 257,258	$ 4,557
Income tax expense (benefit)	(229,868)	(220)	(227,811)	1,155
Other expense	(7)	143	92	369
Interest expense, net	226	6,777	10,845	22,978
Depreciation and amortization	31,057	45,123	114,204	132,270
Restructuring and other expense	702	—	895	108
Share-based compensation	626	1,189	6,097	2,956
Adjusted EBITDA	**54,619**	**54,216**	**161,580**	**164,393**
Capital Expenditures (cash)	14,659	23,649	61,517	77,054
Operating Free Cash Flow	**$ 39,960**	**$ 30,567**	**$ 100,063**	**$ 87,339**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net cash flows from operating activities	**$ 52,867**	**$ 51,610**	**$ 152,944**	**$ 161,753**
Capital expenditures (cash)	14,659	23,649	61,517	77,054
Free Cash Flow	**$ 38,208**	**$ 27,961**	**$ 91,427**	**$ 84,699**

Comparison of Results for the Three and Nine Months Ended September 30, 2020 as compared to the Three and Nine Months Ended September 30, 2019

Revenue for the three and nine months ended September 30, 2020 was $96,679 and $286,206 compared to $94,130 and $285,308 for the three and nine months ended September 30, 2019, respectively. The Company's revenue was derived primarily from the sale of fiber-based broadband and telephony services, including bandwidth and managed services, to enterprise customers.

The increase of $2,549 (3%) for the three months ended September 30, 2020 as compared to the same period in the prior year was primarily due to an increase Ethernet revenue of $2,468 and higher managed services revenue $740, partially offset by a decrease in other revenue of $489 and a decrease in TDM services revenue of $170.

The increase in total revenue of $898 for the nine months ended September 30, 2020 compared to the same period in the prior year was primarily due to an increase in Ethernet revenue of $2,013 and an increase in managed services revenue of $1,978, partially offset by a decrease in other revenue of $2,597 and a decrease in TDM services revenue of $496. Other revenue includes fees for usage, access, installation, and other ancillary services.

Direct Costs

Direct costs for the three and nine months ended September 30, 2020 amounted to $15,563 and $43,677 compared to $14,860 and $41,796 for the three and nine months ended September 30, 2019, 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 increase of $703 and $1,881 (5%) for the three and nine months ended September 30, 2020, as compared to the prior year periods were attributable to the following:

	Three Months	Nine Months
Increase in call completion and interconnection costs	$ 392	$ 998
Increase in circuit fees	469	993
Other net decreases	(158)	(110)
	$ 703	$ 1,881

Other Operating Expenses

Other operating expenses for the three and nine months ended September 30, 2020 amounted to $27,123 and $87,046, compared to $26,243 and $82,075 for the three and nine months ended September 30, 2019, 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.

The increase in other operating expenses of $880 (3%) and $4,971 (6%) for the three and nine months ended September 30, 2020 as compared to the prior year periods were attributable to the following:

	Three Months	Nine Months
Increase (decrease) in share-based compensation	$ (564)	$ 3,140
Increase in rent and property taxes	1,080	2,927
Increase in bad debt expense	477	909
Other net decreases	(113)	(2,005)
	$ 880	$ 4,971

Restructuring and Other Expense

Restructuring and other expense for the three and nine months ended September 30, 2020 amounted to $702 and $895, respectively, and $108 for the nine months ended September 30, 2019. 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, 2020 amounted to $31,057 and $114,204 compared to $45,123 and $132,270 for the three and nine months ended September 30, 2019, respectively. The decrease in depreciation and amortization of $14,066 (31%) and $18,066 (14%) for the three and nine months ended September 30, 2020 as compared to the prior year periods was due to certain fixed assets and intangible assets becoming fully depreciated or amortized, partially offset by an increase in depreciation as a result of asset additions.

Adjusted EBITDA

Adjusted EBITDA amounted to $54,619 and $161,580 for the three and nine months ended September 30, 2020 compared to $54,216 and $164,393 for the three and nine months ended September 30, 2019, respectively.

Adjusted EBITDA is a non-GAAP measure that is defined 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. See reconciliation of net income (loss) to adjusted EBITDA above.

The increase in adjusted EBITDA for the three months ended September 30, 2020 as compared to the prior year period was primarily due to an increase in revenue, partially offset by an increase in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation) as discussed above.

The decrease in adjusted EBITDA for the nine months ended September 30, 2020 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 $39,960 and $100,063 for the three and nine months ended September 30, 2020 compared to $30,567 and $87,339 for the three and nine months ended September 30, 2019, respectively. The increases in operating free cash flow for the 2020 periods as compared to the same periods in the prior year were due primarily to decreases in capital expenditures.

Free Cash Flow

Free cash flow was $38,208 and $91,427 for the three and nine months ended September 30, 2020 compared to $27,961 and $84,699 for the three and nine months ended September 30, 2019, respectively. The increase in free cash flow of $10,247 for the three months ended September 30, 2020 as compared to the same period in 2019 is primarily due to a decrease in capital expenditures and an increase in net cash flows from operating activities. The increase in free cash flow of $6,728 for the nine months ended September 30, 2020 as compared to the same period in 2019 is primarily due to a decrease in capital expenditures, partially offset by a decrease in net cash flows from operating activities.

Interest Expense, Net

Interest expense was $226 and $10,845 for the three and nine months ended September 30, 2020 compared to $6,777 and $22,978 for the three and nine months ended September 30, 2019, respectively.

The decreases of $6,551 and $12,133 for the three and nine months ended September 30, 2020, respectively, as compared to the three and nine months ended September 30, 2019 are attributable to the following:

	Three Months	Nine Months
Decrease in interest expense due to a decrease in the weighted average cost of capital of Altice USA which was the basis of the interest calculation related to the note payable to affiliate that was forgiven in June 2020.	$ (6,786)	$ (12,401)
Interest expense related to senior and senior secured notes issued on September 29, 2020	227	227
Lower interest income	8	41
	$ (6,551)	$ (12,133)

Other Income (Expense)

Other income (expense) amounted to $7 and $(92) for the three and nine months ended September 30, 2020 compared to $(143) and $(369) for the three and nine months ended September 30, 2019, respectively. These amounts relate to the non-service cost components of Altice USA's pension expense/benefit allocated to the Company.

Income Tax Benefit (Expense)

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, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. 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 New York City Unincorporated Business Tax ("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.

For the three and nine months ended September 30, 2019, the Company recorded income tax benefit (expense) of $220 and $(1,155) on pre-tax income of $984 and $5,712, respectively, resulting in an effective tax rate that was lower than the U.S. statutory tax rate. The lower tax rate was due to the impact of certain non-deductible expenses and state taxes, including a revaluation of the state deferred taxes due to state rate changes.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Debt Profile

As of September 30, 2020, our consolidated cash and cash equivalents amounted to $2,014. Cash balances in excess of those required to fund day-to-day operating activities were distributed to Altice USA. As of September 30, 2020, the Company had senior notes and senior secured notes with an aggregate principal amount of outstanding $865,000. Pursuant to a senior secured credit facility, the Company had $600,000 undrawn funds available under a term loan facility and $100,000 undrawn funds available under a revolving credit facility. See discussion below for further information. The gross proceeds from the issuance of the senior notes and senior secured notes were distributed to the Company's indirect parent entities and were deposited into escrow accounts pending the consummation of the Lightpath Transaction. In addition, a majority of the amounts to be drawn under the term loan will be distributed to Altice USA upon closing of the Lightpath Transaction.

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 source of liquidity is expected to be 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, 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.

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 pending the consummation of the Lightpath Transaction.

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 (the "Term Loan Facility"), which will be available in a single drawing, and (ii) revolving loan commitments in an aggregate principal amount of $100,000 (the "Revolving Credit Facility"). 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). The incurrence covenants terms of the Credit Agreement are no more restrictive than the incurrence covenants contained in the senior secured notes indenture. As of September 30, 2020, there were no borrowings outstanding under the Credit Agreement.

The loans made pursuant to the Credit Agreement may be comprised of eurodollar borrowings or alternative base rate borrowings, and will 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. The maturity date of the (i) Term Loan Facility is expected to be on the seventh anniversary of the first date on which funds are drawn and (ii) Revolving Credit Facility is expected to be on the fifth anniversary of the first date on which funds are drawn.

The Company does not expect to draw upon the term loan facility until the closing of the Lightpath Transaction. A majority of the amounts to be drawn under the term loan will be distributed to Altice USA upon closing of the Lightpath Transaction.

Capital Expenditures

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

	Nine Months Ended September 30,	
	2020	**2019**
Fiber network (1)	$ 43,046	$ 47,672
Network and customer equipment (2)	16,305	20,937
Support and other (3)	2,166	8,445
Capital expenditures (cash basis)	$ 61,517	$ 77,054
Capital expenditures (including accrued not paid and financed capital) (4)	$ 60,289	$ 78,705

(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, facilities and vehicles.

(4) Amounts are comprised of the following:

	Nine Months Ended September 30,	
	2020	2019
Success based	$ 55,582	$ 66,183
Maintenance, support and other	4,707	12,522
Capital purchases (including accrued not paid and financed capital)	$ 60,289	$ 78,705

Cash Flow - Nine Months Ended September 30, 2020 and 2019

Operating Activities

Net cash provided by operating activities amounted to $152,944 and $161,753 for the nine months ended September 30, 2020 and 2019, respectively.

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

The 2019 cash provided by operating activities resulted from $144,746 of income before depreciation and amortization and non-cash items, an increase to amounts due to affiliates of $22,989 and a decrease in accounts receivable of $3,138, offset by an increase in prepaid expenses and other assets of $189, a decrease in accounts payable of $7,168, a decrease in accrued liabilities of $1,570, and a decrease in deferred revenue of $193.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2020 and 2019 was $61,492 and $77,032, respectively, consisting primarily of capital expenditures of $61,517 and $77,054, partially offset by other net cash receipts of $25 and $22 for 2020 and 2019, respectively.

Financing Activities

Net cash used in financing activities amounted to $96,518 and $85,332 for the nine months ended September 30, 2020 and 2019, respectively, and included to distributions of $961,518 and $85,332 to the Company's parent entity for the nine months ended September 30, 2020 and 2019, respectively, partially offset by the issuance of senior secured and senior notes of $865,000 for the nine months ended September 30, 2020.

Commitments and Contingencies

As of September 30, 2020, the Company's commitments and contingencies not reflected in the Company's balance sheet decreased to approximately $27,393 as compared to approximately $35,917 at December 31, 2019. This decrease relates primarily to payments related to purchase obligations made in the ordinary course of business.