

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains, in addition to historical information, forward-looking statements by us with regard to our expectations as to financial results and other aspects of our business that involve risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “anticipate,” “believe,” “plan,” “estimate,” “expect” and “intend,” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this report include statements regarding, among other things: the competition we expect to encounter as our business develops and competes in a broader range of Internet services; the Company's foreign currency requirements, specifically for the Canadian dollar; Mobile Services Platform, and fixed Internet access subscriber growth and retention rates; our belief regarding the underlying platform for our domain services, our expectation regarding the trend of sales of domain names and advertising; our expectations regarding portfolio revenue, our belief that, by increasing the number of services we offer, we will be able to generate higher revenues; our expectation regarding litigation; the potential impact of current and pending claims on our business; our valuations of certain deferred tax assets; our expectation to collect our outstanding receivables, net of our allowance for doubtful accounts; our expectation regarding fluctuations in certain expense and cost categories; our expectations regarding our unrecognized tax; our expectations regarding cash from operations to fund our business; the impact of cancellations of or amendments to market development fund programs under which we receive funds, our expectation regarding our ability to manage realized gains/losses from foreign currency contracts; the impact of the COVID-19 outbreak on our business, operations and financial performance; and general business conditions and economic uncertainty. These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Many factors affect our ability to achieve our objectives and to successfully develop and commercialize our services including:

- Our ability to continue to generate sufficient working capital to meet our operating requirements;
- Our ability to service our debt commitments;
- Our ability to maintain a good working relationship with our vendors and customers;
- The ability of vendors to continue to supply our needs;
- Actions by our competitors;
- Our ability to attract and retain qualified personnel in our business;
- Our ability to effectively manage our business;
- The effects of any material impairment of our goodwill or other indefinite-lived intangible assets;
- Our ability to obtain and maintain approvals from regulatory authorities on regulatory issues;
- Our ability to invest in the build-out of fiber networks into selected towns and cities to provide Internet access services to residential and commercial customers while maintaining the development and sales of our established services;
- Adverse tax consequences such as those related to changes in tax laws or tax rates or their interpretations, including with respect to the impact of the Tax Cuts and Jobs Act of 2017;
- The application of judgment in determining our global provision for income taxes, deferred tax assets or liabilities or other tax liabilities given the ultimate tax determination is uncertain;
- Our ability to effectively integrate acquisitions;
- Our ability to monitor, assess and respond to the rapidly changing impacts of the COVID-19 pandemic. Our current assessment of expected impacts has been included below as part of the Opportunities, Challenges & Risks section.
- Our ability to collect anticipated payments from DISH in connection with the 10-year payment stream that is a function of the margin generated by the transferred subscribers over a 10-year period pursuant to the terms of the Purchase Agreement;
- Pending or new litigation; and
- Factors set forth below in Part II - Other Information under the caption "Item 1A Risk Factors" in this Quarterly Report on Form 10-Q related to our Mobile Services Enabler (MSE) platform and business.
- Factors set forth under the caption "Item 1A Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on March 4, 2020 (the "2019 Annual Report").

As previously disclosed under the caption “Item 1A Risk Factors” in our 2019 Annual Report, data protection regulations may impose legal obligations on us that we cannot meet or that conflict with our ICANN contractual requirements.

This list of factors that may affect our future performance and financial and competitive position and the accuracy of forward-looking statements is illustrative, but it is by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All forward-looking statements included in this document are based on information available to us as of the date of this document, and we assume no obligation to update these cautionary statements or any forward-looking statements, except as required by law. These statements are not guarantees of future performance.

We qualify all the forward-looking statements contained in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.

OVERVIEW

Our mission is to provide simple useful services that help people unlock the power of the Internet.

We accomplish this by reducing the complexity of our customers’ experience as they access the Internet (at home or on the go) and while using Internet services such as domain name registration, email and other Internet services. We are organized, managed and report our financial results as two segments, Network Access Services and Domain Services, which are differentiated primarily by their services, the markets they serve and the regulatory environments in which they operate.

Our management regularly reviews our operating results on a consolidated basis, principally to make decisions about how we utilize our resources and to measure our consolidated operating performance. To assist us in forecasting growth and to help us monitor the effectiveness of our operational strategies, our management regularly reviews revenue for each of our service offerings in order to gain more depth and understanding of the key business metrics driving our business. Accordingly, we report Network Access Services and Domain Services revenue separately.

For the three months ended September 30, 2020 and September 30, 2019, we reported revenue of \$74.3 million and \$88.1 million, respectively.

For the nine months ended September 30, 2020 and September 30, 2019, we reported revenue of \$240.4 million and \$251.2 million, respectively.

Network Access Services

Network Access Services includes retail mobile services, mobile platform and professional services supporting MVNOs, fixed high-speed Internet access services and other revenues, including billing solutions to small ISPs.

On August 1, 2020, the Company and its wholly owned Subsidiary Ting, Inc. entered into an Asset Purchase Agreement (the “Purchase Agreement”) with DISH pursuant to which Ting sold substantially all of its retail mobile customer relationships, and mobile handset and SIM inventory to DISH and granted DISH the right to use and an option to purchase the Ting brand. The transferred assets under the Purchase Agreement do not include the technology platforms and related intellectual property and infrastructure necessary to enable or support the mobile customers. The Company has retained the assets used to provide Mobile Services Enabler (MSE) platform and other professional services to DISH, as discussed below. As at September 30, 2020, the Company had shut down the Roam Mobility brands and related businesses as a result of lack of demand for SIM-enabled roaming services due to the current and expected longer term reduction of business and leisure travel caused by the COVID-19 pandemic.

The Company also derives revenue from the sale of fixed high-speed Internet access, Ting Internet, in select towns throughout the United States, with further expansion underway to both new and existing Ting towns. Our primary sales channel of Ting Internet is through the Ting website. The primary focus of Ting Internet is to provide reliable Gigabit Internet services to consumer and business customers. On January 1, 2020, the Company closed its acquisition of Cedar. Cedar is a telecommunications provider serving multiple markets in the Western Slope of Colorado and northwestern New Mexico. Cedar has focused the last several years on building fiber to enterprise, anchor institution, and residential customers.

Revenues from our retail mobile services, MSE business and Ting Internet are all generated in the U.S. and are provided on a monthly basis. Ting Internet services have no fixed contract terms, while our MSE customer agreements have set contract lengths with the underlying MVNO.

Domain Services

Domain Services includes wholesale and retail domain name registration services, value added services and portfolio services derived through our OpenSRS, eNom, Ascio, EPAG and Hover brands. We earn revenues primarily from the registration fees charged to resellers in connection with new, renewed and transferred domain name registrations. In addition, we earn revenues from the sale of retail domain name registration and email services to individuals and small businesses; and by making our portfolio of domain names available for sale or lease. Domain Services revenues are attributed to the country in which the contract originates, which is primarily in Canada and the U.S. for OpenSRS and Enom brands. Ascio domain services contracts and EPAG agreements primarily originate in Europe.

Our primary distribution channel is a global network of approximately 36,000 resellers that operate in over 150 countries and who typically provide their customers, the end-users of Internet-based services, with solutions for establishing and maintaining an online presence. Our primary focus is serving the needs of this network of resellers by providing the broadest portfolio of generic top-level domain (“gTLD”) and the country code top-level domain options and related services, a white-label platform that facilitates the provisioning and management of domain names, a powerful Application Program Interface, easy-to-use interfaces, comprehensive management and reporting tools, and proactive and attentive customer service. Our services are integral to the solutions that our resellers deliver to their customers. We provide “second tier” support to our resellers by email, chat and phone in the event resellers experience issues or problems with our services. In addition, our Network Operating Center proactively monitors all services and network infrastructure to address deficiencies before customer services are impacted.

We believe that the underlying platforms for our services are among the most mature, reliable and functional reseller-oriented provisioning and management platforms in our industry, and we continue to refine, evolve and improve these services for both resellers and end-users. Our business model is characterized primarily by non-refundable, up-front payments, which lead to recurring revenue and positive operating cash flow.

Wholesale, primarily branded as OpenSRS, eNom, EPAG and Ascio, derives revenue from its domain service and from providing value-added services. The OpenSRS, eNom, EPAG and Ascio domain services manage 25.0 million domain names under the Tucows, eNom, EPAG and Ascio ICANN registrar accreditations and for other registrars under their own accreditations, which has increased by 1.2 million domain names since September 30, 2019. The increase is driven by increased registrations experienced by our brands during COVID-19, as more businesses established an online presence, offset by the continued erosion of registrations related to non-core customers from our Enom brand.

Value-Added Services include hosted email which provides email delivery and webmail access to millions of mailboxes, Internet security services, Internet hosting, WHOIS privacy, publishing tools and other value-added services. All of these services are made available to end-users through a network of 36,000 web hosts, ISPs, and other resellers around the world. In addition, we also derive revenue by monetizing domain names which are near the end of their lifecycle through advertising revenue or auction sale.

Retail, primarily the Hover and eNom portfolio of websites, including eNom, eNom Central and Bulkregister, derive revenues from the sale of domain name registration and email services to individuals and small businesses. Retail also includes our Personal Names Service – based on over 36,000 surname domains – that allows roughly two-thirds of Americans to purchase an email address based on their last name.

Portfolio generates revenue by offering names in our domain portfolio for resale through a number of distribution channels including our reseller network.

In the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio revenue to materially decline in Fiscal 2020 and thereafter.

KEY BUSINESS METRICS AND NON-GAAP MEASURES

We regularly review a number of business metrics, including the following key metrics and non-GAAP measures, to assist us in evaluating our business, measure the performance of our business model, identify trends impacting our business, determine resource allocations, formulate financial projections and make strategic business decisions. The following tables set forth the key business metrics which we believe are the primary indicators of our performance for the periods presented:

Adjusted EBITDA

Tucows reports all financial information in accordance with United States generally accepted accounting principles (“GAAP”). Along with this information, to assist financial statement users in an assessment of our historical performance, we typically disclose and discuss a non-GAAP financial measure, adjusted EBITDA, on investor conference calls and related events that exclude certain non-cash and other charges as we believe that the non-GAAP information enhances investors’ overall understanding of our financial performance. Please see discussion of adjusted EBITDA in the Results of Operations section below.

Ting Mobile accounts and subscribers under management are no longer reported as a key performance indicator. This is result of the Purchase Agreement with DISH in the current period, where the Company sold substantially all of its retail mobile customer relationships, and mobile handset and SIM inventory to DISH and granted DISH the right to use and an option to purchase the Ting brand. As part of the Purchase Agreement, as a form of consideration for the sale of the customer relationships, the Company receives a payout on the margin associated with the legacy customer base sold to DISH. This has been classified as Other Income and not considered revenue in the current period.

Ting Internet

	September 30,	
	2020	2019
	(in '000's)	
Ting Internet accounts under management	14	10
Ting Internet serviceable addresses (1)	50	34

(1) Defined as premises to which Ting has the capability to provide a customer connection in a service area.

Domain Services

	For the Three Months Ended September 30,(1)	
	2020	2019
	(in 000's)	
Total new, renewed and transferred-in domain name registrations provisioned	4,460	4,227
Domains under management		

(1) For a discussion of these period-to-period changes in the domains provisioned and domains under management and how they impacted our financial results see the Net Revenues discussion below.

Domain Services

	For the Nine Months Ended September 30,(1)	
	2020	2019
	(in 000's)	
Total new, renewed and transferred-in domain name registrations provisioned	13,963	13,166
Domains under management		

(1) For a discussion of these period-to-period changes in the domains provisioned and domains under management and how they impacted our financial results see the Net Revenues discussion below.

Domain Services

	September 30,	
	2020	2019
	(in 000's)	
Registered using Registrar Accreditation belonging to the Tucows Group	19,598	19,491
Registered using Registrar Accreditation belonging to Resellers	5,429	4,367
Total domain names under management	25,027	23,858

OPPORTUNITIES, CHALLENGES AND RISKS

Our revenue is primarily realized in U.S. dollars and a major portion of our operating expenses are paid in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material effect on our business, financial condition and results from operations. In particular, we may be adversely affected by a significant weakening of the U.S. dollar against the Canadian dollar on a quarterly and an annual basis. Our policy with respect to foreign currency exposure is to manage our financial exposure to certain foreign exchange fluctuations with the objective of neutralizing some or all of the impact of foreign currency exchange movements by entering into foreign exchange forward contracts to mitigate the exchange risk on a portion of our Canadian dollar exposure. We may not always enter into such forward contracts and such contracts may not always be available and economical for us. Additionally, the forward rates established by the contracts may be less advantageous than the market rate upon settlement.

Network Access Services

On August 1, 2020, the Company and its wholly owned Subsidiary Ting, Inc. entered into an Asset Purchase Agreement (the “Purchase Agreement”) with DISH pursuant to which Ting sold substantially all of its retail mobile customer relationships, and mobile handset and SIM inventory to DISH and granted the right to use and an option to purchase the Ting brand. Select MNO agreements previously established to operate the Ting Mobile MVNO business will also be assigned to DISH as part of this Purchase Agreement. The transferred assets under the Purchase Agreement do not include the technology platforms and related intellectual property and infrastructure necessary to enable or support the mobile customers. The Company will retain assets used to provide MSE services to DISH, as discussed below.

Contemporaneously with the execution of the Purchase Agreement on August 1, 2020, the Company, through its wholly owned subsidiary Ting, Inc. entered into a services agreement under which Ting will act as a mobile service enabler (“MSE Agreement”) with DISH in support of DISH’s mobile network operations. Under the terms of the MSE Agreement, the Company and its affiliates are permitted to sell mobile service enabler services to other third parties. The identified risks associated with this pivot from MVNO to MSE have been discussed at length below in Part II - Other Information under the caption “Item 1A Risk Factors” in this Quarterly Report on Form 10-Q.

As an ISP, we have invested and expect to continue to invest in new fiber to the home (“FTTH”) deployments in select markets in the United States. The investments are a reflection of our ongoing efforts to build FTTH network via public-private partnerships in communities we identify as having strong, unmet demand for FTTH services. Given the significant upfront build and operational investments for these FTTH deployments, there is risk that future technological and regulatory changes as well as competitive responses from incumbent local providers, may result in us not fully recovering these investments.

The communications industry continues to compete on the basis of network reach and performance, types of services and devices offered, and price.

Domain Services

The increased competition in the market for Internet services in recent years, which we expect will continue to intensify in the short and long term, poses a material risk for us. As new registrars are introduced, existing competitors expand service offerings and competitors offer price discounts to gain market share, we face pricing pressure, which can adversely impact our revenues and profitability. To address these risks, we have focused on leveraging the scalability of our infrastructure and our ability to provide proactive and attentive customer service to aggressively compete to attract new customers and to maintain existing customers.

Substantially all of our Domain Services revenue is derived from domain name registrations and related value-added services from wholesale and retail customers using our provisioning and management platforms. The market for wholesale registrar services is both price sensitive and competitive and is evolving with the introduction of new gTLDs, particularly for large volume customers, such as large web hosting companies and owners of large portfolios of domain names. We have a relatively limited ability to increase the pricing of domain name registrations without negatively impacting our ability to maintain or grow our customer base. Growth in our Domain Services revenue is dependent upon our ability to continue to attract and retain customers by maintaining consistent domain name registration and value-added service renewal rates and to grow our customer relationships through refining, evolving and improving our provisioning platforms and customer service for both resellers and end-users. In addition, we also generate revenue through pay-per-click advertising and the sale of names from our portfolio of domain names and through the OpenSRS Domain Expiry Stream. The revenue associated with names sales and advertising has recently experienced flat to declining trends due to the uncertainty around the implementation of ICANN’s New gTLD Program, lower traffic and advertising yields in the marketplace, which we expect to continue.

From time-to-time certain of our vendors provide us with market development funds to expand or maintain the market position for their services. Any decision by these vendors to cancel or amend these programs for any reason may result in payments in future periods not being commensurate with what we have achieved during past periods.

Sales of domain names from our domain portfolio have a negative impact on our advertising revenue as these names are no longer available for advertising purposes. In addition, the timing of larger domain names portfolio sales is unpredictable and may lead to significant quarterly fluctuations in our Portfolio revenue. In the fourth quarter of 2019, the Company disposed of its remaining domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio revenue to materially decline in Fiscal 2020 and thereafter.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. There have been no material changes to the critical accounting policies and estimates as previously disclosed in Part II, Item 7 of our 2019 Annual Report other than accounting policies over revenue recognition for our new MSE agreement. For further information on our critical accounting policies and estimates, see Note 3 – Recent Accounting Pronouncements to the consolidated financial statements of the Company in Part I, Item 1 in this Quarterly Report on Form 10-Q.

Current COVID-19 Response

Our Employees

Tucows is a global business. Our first consideration during the global pandemic as a result of the disease caused by the COVID-19 outbreak is for the health and safety of our employees, our customers and their communities, all around the world. Tucows has long encouraged a culture of remote work even prior to this global pandemic, and on Sunday March 8, 2020 Tucows' executive leadership announced that all employees who could conceivably work from home were encouraged to do so. Tucows is actively and strongly encouraging its workforce to heed travel and all other emergency advisories, including social distancing and where appropriate, self-isolation. We expect our work from home policy to remain in effect until emergency state and governmental declarations where we have physical offices have ended and we believe the risk of community spread of the disease has subsided. Given our experience with remote work prior to COVID-19, we have not and do not expect to have productivity issues while the overwhelming majority of our office-based workforce is dispersed.

For the small group of employees who are unable work from home during this time, including our order fulfillment and Fiber installation teams, many of whom work in the field, they are encouraged to practice social distancing and to continue to follow hygiene best practices and safety protocols as outlined by the Centers for Disease Control and Prevention. At the initial stage of the COVID-19 outbreak, we took steps to cancel and reschedule all in-home installation and service appointments across our Ting Fiber footprint. Since then, the Ting Internet team has established an install solution for our employees and customers that minimizes risks associated with person-to-person contact.

Our Customers

We recognize the important role we play within the Internet space and are committed to continue providing quality service during the COVID-19 outbreak. Services like individual and wholesale domain names, email and hosting do not rely on in-person interaction or the supply chain in the same way physical products and services do. We are providing uninterrupted services for all Domains related services, across our OpenSRS, Enom, Ascio, EPAG & Hover brands.

Our new MSE business is without any physical storefronts, and is similarly well-positioned to weather this event.

Our Fiber Internet business does not have bandwidth caps or other such limitations. Likewise, our networks are built with the capacity to accommodate future needs. To help our customers remain connected at home during this time, we upgraded all our lower-tier fiber customers to symmetrical gigabit access at no charge. Any additional traffic from our customers working from home has not had and is not expected to have any negative impact on connectivity. As discussed above, our install solution was implemented in early May 2020. With this service limitation, new customer acquisition will remain slower than pre-pandemic levels of growth and installation. Even with an install solution that minimizes risks, customers may be unwilling to have service personnel visit their homes or offices.

Our Community

Tucows believes the Internet is essential infrastructure and an immensely powerful tool, especially in times of crises where coordination is essential.

From an early point in the current global crisis, it was clear to us that we were going to need to do something new and different in how we responded to COVID-19 related domain registrations. Many of these domains are registered for good, helpful purposes, such as community organization, dissemination of healthcare information, and recording people's experiences through this pandemic. Others, however, purport to sell COVID-19 cures, vaccines, or tests, none of which are legitimately available on the market at the time of the registration and many of which pose a significant health risk to the general public. There are three major components to our COVID-19 activities related to domain registrations: (i) identification, (ii) assessment for harm, and (iii) stakeholder engagement. It is important to note that our response to each and every issue that we find is contextual and dependent on the specific circumstances. We expect to return to our regular procedures as the pandemic and corresponding risks subsides. Although this approach vastly increases the burden on our compliance staff and puts us in the uncomfortable position of having to assess the level of harm represented by a COVID-related domain and the website to which it resolves - we feel these circumstances are exceptional and are determined to do our part.

In order to provide Internet access and assistance to residents of cities and towns that are part of the Ting Fiber network, we have set up free, fiber-fed, drive-up Wi-Fi hotspots. These hotspots enable those with no home Internet access, or insufficient access, to access critical services like online learning and telehealth services, work remotely, check in on and access vital health, government and other services and generally access information. These hotspots will remain in operation as long as they are needed and as long as it is safe and prudent to do so.

We have not experienced any material resource constraints nor do we foresee requiring any material expenditures to continue to implement our business continuity plans described above.

Current and expected COVID-19 Impacts

Financial & Operational Impacts

Further to the below discussion within this Quarterly Report around the financial condition and results of operations for the current period financial results, the current impact from COVID-19 has been limited to the Network Access segment, primarily impacting Mobile Services. Management continues to assess the impact on a daily basis and expects continued impact through the fourth quarter of 2020, should the COVID-19 pandemic persist. On a segment basis, our current assessment is as follows:

Network Access – Mobile Services:

On August 1, 2020, the Company and its wholly owned Subsidiary Ting, Inc. entered into an Asset Purchase Agreement (the “Purchase Agreement”) with DISH pursuant to which Ting sold its mobile customer relationships, and mobile handset and SIM inventory to DISH and granted the right to use and purchase the Ting brand. Select MNO agreements previously established to operate the Ting Mobile MVNO business will also be assigned to DISH as part of this Purchase Agreement. Ting, Inc. only retains a small subset of customers to which it continues to provide retail mobile services. Consistent with prior periods, COVID-19 has impacted the demand for our Mobile Services as customer usage patterns changed, which has had a corresponding negative impact on our revenues. We do not expect the impact to substantially worsen over the coming months as we have seen usage stabilize during the current period. Our exposure is also significantly limited given the above mentioned sale of the majority of our customer relationships to DISH as part of the purchase agreement in the current period. Our new MSE platform and professional services businesses are completely online and do not rely on physical storefronts to attract or service customers’ needs. We are fully prepared to continue providing uninterrupted Mobile related enablement services to our MVNO customers. We have not and do not expect a negative COVID-19 impact on our new MSE platform and professional services revenue, nor do we expect any impact to substantially worsen over the coming months.

Network Access – Fiber Internet Services:

As discussed above, upon news of the COVID-19 outbreak, we took the major step to cancel and reschedule all in-home installation and service appointments across our Ting Fiber footprint. Since then, the Ting Internet team has established a smart-install solution. This smart-install solution is faster and more efficient than our existing process, all while protecting the health and safety of our employees and customers alike. Although new customer installations initially slowed near the end of the first quarter of 2020, we are now seeing returned growth in both subscribers under management as well as serviceable addresses relative to the prior quarter. Additionally, our existing customer base and most recent acquisition of Cedar both continue to provide increased recurring revenue for us to support this business.

Domain Services:

Domain Services are foundational to the functioning of the Internet. As discussed above, services like individual and wholesale domain names, email and hosting do not rely on in-person interaction or the supply chain in the same way physical products and services do. We have not experienced any negative COVID-19 related impacts, either financially or operationally for Domains related services, across our OpenSRS, Enom, Ascio, EPAG & Hover brands. As more businesses face the reality of prolonged physical shutdown and move to establish an online presence, we have seen growth in this segment, primarily driven by large volume resellers in our OpenSRS brand where total domains under management increased 591,018 since June 30, 2020. This growth rate in domains under management was driven by the Pandemic, and may not be sustained in the future as domain registrations plateau. Our results of operations for the current period financial results are in line with management’s expectation for the period given product, customer mix and current brand trajectories. We will continue to monitor the impact but do not foresee any negative financial or operational impacts associated with this segment.

Liquidity & Financial Resource Impacts

For a complete assessment of our liquidity and covenant positions please reference the relevant discussions within this Quarterly Report. We have experienced no significant change to our liquidity position or credit risk as a result of the financial and operational impacts related to COVID-19, as discussed above. Our cost or access to funding sources has not changed and is not reasonably likely to change in the near future as a result of the pandemic. Our sources and uses of cash have not been materially impacted and there is no known material uncertainty about our ongoing ability meet covenants or repayment terms of our credit agreements at this time.

Internal Controls over Financial Reporting

Tucows has long encouraged a culture of remote work even prior to COVID-19. Our financial reporting systems and our internal controls over financial reporting and disclosure controls and procedures are already adapted for a remote work environment. There have been no changes during the current period that, as a result of COVID-19, would affect our ability to maintain these systems and controls.

COVID-19 Related Assistance & Support

Currently, Tucows has not received any form of financial or resource related assistance from any government or local authority. There do exist programs in the regions in which we operate that are designed to support corporations like Tucows during this time, primarily in the form employee wage subsidization. Tucows will continue to review the applicability of these programs but does not expect to seek any assistance.

Across our businesses, we have been able to defer portions of installment taxes payable to various Government bodies as payment timelines have been extended in response to the pandemic.

Accounting Policy Impacts

Given the rapidly changing nature of COVID-19 developments and the current uncertainty around the length and severity these developments could create, Tucows does not have sufficient evidence to anticipate a material impairment with respect to goodwill, intangible assets, long-lived assets, or right of use assets. We will continue to monitor the impacts closely and as more information becomes available. We do not foresee any changes in accounting judgements in relation to COVID-19 that will have a material impact on our financial statements.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AS COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

NET REVENUES

Network Access Services

The Company generates Network Access Services revenues primarily through the provisioning of retail mobile services, mobile platform and professional services supporting MVNOs, fixed high-speed Internet access services and other revenues, including billing solutions to small ISPs.

Mobile Services - Retail Mobile Services

Ting Mobile wireless usage contracts grant customers access to standard talk, text and data mobile services. Ting Mobile contracts are billed based on the actual amount of monthly services utilized by each customer during their billing cycle and charged to customers on a postpaid basis. Voice minutes, text messages and megabytes of data are each billed separately based on a tiered pricing program. The Company recognizes revenue for Ting Mobile usage based on the actual amount of monthly services utilized by each customer. On August 1, 2020, the Company and its wholly owned Subsidiary Ting, Inc. entered into an Asset Purchase Agreement (the "Purchase Agreement") with DISH pursuant to which Ting sold substantially all of its retail mobile customer relationships, and mobile handset and SIM inventory to DISH and granted the right to use and option to purchase the Ting brand. Select MNO agreements previously established to operate the Ting Mobile MVNO business will also be assigned to DISH as part of this Purchase Agreement. Ting, Inc. only retains a small subset of customers to which it continues to provide retail mobile services. All future revenues associated with Retail Mobile Services stream will only be for this subset of customers retained by Ting, Inc.

Ting Mobile services are primarily contracted through the Ting website, for one month at a time and contain no commitment to renew the contract following each customer's monthly billing cycle. The Company's billing cycle for all Ting Mobile customers is computed based on the customer's activation date. In order to recognize revenue as the Company satisfies its obligations, we compute the amount of revenues earned but not billed from the end of each billing cycle to the end of each reporting period. In addition, revenues associated with the sale of wireless devices and accessories are recognized when title and risk of loss is transferred to the customer and shipment has occurred. Incentive marketing credits given to customers are recorded as a reduction of revenue.

As part of the DISH Purchase Agreement, as a form of consideration for the sale of the customer relationships, the Company receives a payout on the margin associated with the legacy customer base sold to DISH, over a period of 10 years. This has been classified as Other Income and not considered revenue in the current period.

Mobile Services - Mobile Platform Services

Tucows' MSE platform provides network access, provisioning and billing services for MVNOs. These platform fees are billed to our MVNO customers monthly, on a postpaid basis. The fees are based on the volume of their subscribers utilizing the platform during a given month. The Company recognizes revenue over this new revenue stream as the Company satisfies its obligations to provide MSE services on a monthly basis. For any bundled professional services where collection is collected before the service period as part of MSE Platform Revenues, the professional services revenue is initially deferred and recognized only as the Company performs its obligation to provide professional services.

Mobile Services - Other Professional Services

This revenue stream includes any other professional services, including transitional services, earned in connection with Tucows' new MSE business. These are billed to our customers monthly at set and established rates for services provided in period. The Company recognizes revenue over this new revenue stream as the Company satisfies its obligations to provide professional services.

Fiber Internet Services

Fiber Internet Services derive revenues from providing Ting Internet to individuals and small businesses in select cities. In addition, we provide billing, provisioning and customer care software solutions to ISPs through our Platypus billing software. Ting Internet access contracts provide customers Internet access at their home or business through the installation and use of our fiber optic network. Ting Internet contracts are generally prepaid and grant customers with unlimited bandwidth based on a fixed price per month basis. Since consideration is collected before the service period, revenue is initially deferred and recognized as the Company performs its obligation to provide Internet access.

Ting Internet services are primarily contracted through the Ting website, for one month at a time and contain no commitment to renew the contract following each customer's monthly billing cycle. The Company's billing cycle for all Ting Internet access customers is computed based on the customer's activation date. In order to recognize revenue as the Company satisfies its obligations, we compute the amount of revenues earned but not billed from the end of each billing cycle to the end of each reporting period. In addition, revenues associated with the sale of Internet hardware to subscribers are recognized when title and risk of loss is transferred to the subscriber and shipment has occurred. Incentive marketing credits given to customers are recorded as a reduction of revenue.

In those cases, where payment is not received at the time of sale, revenue is not recognized until contract inception unless the collection of the related accounts receivable is reasonably assured. The Company records costs that reflect expected refunds, rebates and credit card charge-backs as a reduction of revenues at the time of the sale based on historical experiences and current expectations.

Domain Services

Wholesale - Domain Services

Domain registration contracts, which can be purchased for terms of one to ten years, provide our resellers and retail registrant customers with the exclusive right to a personalized internet address from which to build an online presence. The Company enters into domain registration contracts in connection with each new, renewed and transferred-in domain registration. At the inception of the contract, the Company charges and collects the registration fee for the entire registration period. Though fees are collected upfront, revenue from domain registrations are recognized ratably over the registration period as domain registration contracts contain a 'right to access' license of IP, which is a distinct performance obligation measured over time. The registration period begins once the Company has confirmed that the requested domain name has been appropriately recorded in the registry under contractual performance standards.

Historically, our wholesale domain service has constituted the largest portion of our business and encompasses all of our services as an accredited registrar related to the registration, renewal, transfer and management of domain names. In addition, this service fuels other revenue categories as it often is the initial service for which a reseller will engage us, enabling us to follow on with other services and allowing us to add to our portfolio by purchasing names registered through us upon their expiration. Domain services will continue to be the largest portion of our business and will further fuel our ability to sell add-on services.

The Company is an ICANN accredited registrar. Thus, the Company is the primary obligor with our reseller and retail registrant customers and is responsible for the fulfillment of our registrar services to those parties. As a result, the Company reports revenue in the amount of the fees we receive directly from our reseller and retail registrant customers. Our reseller customers maintain the primary obligor relationship with their retail customers, establish pricing and retain credit risk to those customers. Accordingly, the Company does not recognize any revenue related to transactions between our reseller customers and their ultimate retail customers.

Wholesale – Value-Added Services

We derive revenue from domain related value-added services like digital certifications, WHOIS privacy and hosted email and by providing our resellers and retail registrant customers with tools and additional functionality to be used in conjunction with domain registrations. All domain related value-added services are considered distinct performance obligations which transfer the promised service to the customer over the contracted term. Fees charged to customers for domain related value-added services are collected at the inception of the contract, and revenue is recognized on a straight-line basis over the contracted term, consistent with the satisfaction of the performance obligations.

We also derive revenue from other value-added services, which primarily consists of Internet hosting services on the OpenSRS and eNom domain expiry streams.

Retail

We derive revenues from Hover and eNom's retail properties through the sale of retail domain name registration and email services to individuals and small businesses.

Portfolio

The Company sells the rights to its portfolio domains or names acquired through the Company's domain expiry stream. Revenue generated from sale of domain name contracts, containing a distinct performance obligation to transfer the domain name rights under the Company's control, is generally recognized once the rights have been transferred and payment has been received in full. Domain portfolio names are sold through our premium domain name service, auctions or in negotiated sales. In the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio revenue to materially decline in Fiscal 2020 and thereafter.

The following table presents our net revenues, by revenue source (*Dollar amounts in thousands of U.S. dollars*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
<u>Network Access Services:</u>				
Mobile Services				
Retail mobile services	\$ 7,019	\$ 21,722	\$ 44,734	\$ 63,516
Mobile platform services	376	-	376	-
Other professional services	1,457	-	1,457	-
Total Mobile	8,852	21,722	46,567	63,516
Fiber Internet Services				
Total Network Access Services	13,509	24,612	59,946	71,493
<u>Domain Services:</u>				
Wholesale				
Domain Services	47,261	47,259	139,430	136,336
Value Added Services	4,674	5,154	14,415	14,113
Total Wholesale	51,935	52,413	153,845	150,449
Retail				
Portfolio	8,652	8,713	25,669	26,138
Total Domain Services	215	2,391	958	3,119
	60,802	63,517	180,472	179,706
	\$ 74,311	\$ 88,129	\$ 240,418	\$ 251,199
(Decrease) increase over prior period	\$ (13,818)		\$ (10,781)	
(Decrease) increase - percentage	(16)%		(4)%	

The following table presents our revenues, by revenue source, as a percentage of total revenues (*Dollar amounts in thousands of U.S. dollars*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<u>Network Access Services:</u>				
Mobile Services				
Retail mobile services	9%	25%	19%	25%
Mobile platform services	1%	0%	0%	0%
Other professional services	2%	0%	1%	0%
Total Mobile	12%	25%	20%	25%
Fiber Internet Services				
Total Network Access Services	18%	28%	26%	28%
<u>Domain Services:</u>				
Wholesale				
Domain Services	64%	53%	57%	55%
Value Added Services	6%	6%	6%	6%
Total Wholesale	70%	59%	63%	61%
Retail				
Portfolio	12%	10%	11%	10%
Total Domain Services	0%	3%	0%	1%
	82%	72%	74%	72%
	100%	100%	100%	100%

Total net revenues for the three months ended September 30, 2020 decreased by \$13.8 million, or 16%, to \$74.3 million from \$88.1 million when compared to the three months ended September 30, 2019. The three-month decrease in revenue was primarily driven by \$12.9 million of reduced revenues attributable to our Mobile Services streams that were impacted by both the sale of the majority of the customer base of Ting Mobile to DISH Wireless on August 1, 2020 and the shutdown of Roam Mobility brands impacted by loss of mobile subscribers and reduced usage related to COVID-19 when compared to the three months ended September 30, 2019. As part of the DISH Purchase Agreement, as a form of consideration for the sale of the customer relationships, the Company receives a payout on the margin associated with the legacy customer base sold to DISH over the 10 year term of the agreement. This has been classified as Other Income and not considered revenue in the current period. Additionally, further decreases in domain name services revenue of \$2.7 million, driven by the fact that the three months ended September 30, 2019 included a large one-time Portfolio sale as we began to ramp up the disposition of our domains portfolio, which culminated in the fourth quarter of 2019. These decreases were offset by Fiber Internet services revenues which increased \$1.8 million, driven by our recent first quarter acquisition of Cedar as well as through the expansion of our existing Ting Internet footprint.

Total net revenues for the nine months ended September 30, 2020 decreased by \$10.8 million, or 4%, to \$240.4 million from \$251.2 million when compared to the nine months ended September 30, 2019. The nine-month decrease in revenue was primarily driven \$16.9 million of reduced revenues attributable to our Mobile Services streams. As discussed above and echoed in prior periods, this decrease is result of a decline in mobile subscribers and reduced usage related to COVID-19 since the onset of the pandemic. The nine months ended September 30, 2019 were not characterized by this same reduced usage seen during the pandemic. Outside of the impacts of the pandemic year over year, the most recent decisions to shut down the Roam Mobility brands (in the second quarter of 2020) and to enter into the Purchase Agreement with DISH (current period) to sell the customer relationships of Ting Mobile have directly resulted in the decrease in revenue for the nine months ended September 30, 2020. As part of the DISH Purchase Agreement, as a form of consideration for the sale of the customer relationships, the Company receives a payout on the margin associated with the legacy customer base sold to DISH. This has been classified as Other Income and not considered revenue in the current period. These decreases were offset by increased Fiber Internet services revenues which increased \$5.4 million, driven by our recent first quarter acquisition of Cedar as well as through the expansion of our existing Ting Internet footprint. Smaller increases from Domains Services of \$0.8 million also helped offset any revenue decreases in period, which was driven by an overall increase in domains under management relative to the nine months ended September 30, 2019.

Deferred revenue from domain name registrations and other Internet services at September 30, 2020 increased by \$4.9 million to \$154.2 million from \$149.3 million at December 31, 2019 primarily due to current period billings for domain name registration and service renewals.

During the three and nine months ended September 30, 2020, no customer accounted for more than 10% of total revenue. For the three and nine months ended September 30, 2019, no customer accounted for more than 10% of total revenue. As at September 30, 2020, DISH accounted for 46% of total accounts receivable and at December 31, 2019 no customer accounted for more than 10% of accounts receivable. Though a significant portion of the Company's domain services revenues are prepaid by our customers, where the Company does collect receivables, significant management judgment is required at the time revenue is recorded to assess whether the collection of the resulting receivables is reasonably assured. On an ongoing basis, we assess the ability of our customers to make required payments. Based on this assessment, we expect the carrying amount of our outstanding receivables, net of allowance for doubtful accounts, to be fully collected.

Network Access Services

Mobile Services

Net revenues from Mobile Services for the three months ended September 30, 2020 decreased by \$12.8 million or 59% to \$8.9 million as compared to the three months ended September 30, 2019. This decrease is driven by a decline in Retail Mobile Services revenue, which decreased by \$14.7 million compared to September 30, 2019, to \$7.0 million. Ting Mobile accounts for \$13.9 million of this decrease (of which \$0.8 million is reduced device revenues and \$13.1 million relates to service revenues), followed by Roam Mobility at \$0.8 million of the total decrease. The decline in Retail Mobile Services revenue is driven by the sale of the Ting customer base on August 1, 2020 to DISH and the shutdown of Roam Mobility last quarter. In addition to these changes, subscriber churn and reduced usage related to the COVID-19 pandemic also resulted in lower revenues relative to the three months ended September 30, 2019. This decrease is offset by an increase in Mobile Platform services revenues by \$0.4 million and Other Professional Services revenues by \$1.5 million, both a result of the new MSE business created as a result of the DISH purchase agreement. The current period only reflects one month of retail mobile services revenue (July 2020) at the existing subscriber base of Ting Mobile. Subsequent to the sale to DISH, the Retail Mobile Services revenue relates to a small subset of customers retained by the Company. The consideration for the sale of the subscriber base to DISH is captured as Other Income in the current period and described below.

Net revenues from Mobile Services for the nine months ended September 30, 2020 decreased by \$16.9 million or 27% to \$46.6 million as compared to the nine months ended September 30, 2019. This decrease is driven by a decline in Retail Mobile Services revenue, which decreased by \$18.8 million compared to September 30, 2019, to \$44.7 million. Ting Mobile accounts for \$16.6 million of this decrease (of which \$0.1 million is reduced device revenues and \$16.5 million relates to service revenues), followed by Roam Mobility at \$2.2 million of the total decrease. The decline in Retail Mobile Services revenue is driven by the sale of the Ting customer base on August 1, 2020 to DISH and the shutdown of Roam Mobility last quarter. In addition to these changes, continued subscriber churn and reduced usage related to the COVID-19 pandemic for two full quarters in 2020 also resulted in lower revenues relative to the nine months ended September 30, 2019. This decrease is offset by an increase in Mobile Platform services revenues by \$0.4 million and Other Professional Services revenues by \$1.5 million, both a result of the new MSE business created as a result of the DISH purchase agreement in period. The current period only reflects seven months of retail mobile services revenue at the existing subscriber base of Ting Mobile, versus a complete nine-month period in 2019. Subsequent to the sale to DISH, the Retail Mobile Services revenue relates to a small subset of customers retained by the Company. The consideration for the sale of the subscriber base to DISH is captured as Other Income in the current period and described below.

Fiber Internet Services

Revenues from Ting Internet and billing solutions generated \$4.7 million in revenue during the three months ended September 30, 2020, up \$1.8 million or 62% compared to the three months ended September 30, 2019. This growth is driven by the recent first quarter acquisition of Cedar. Cedar contributed \$1.1 million of the increase in revenue during the current period, with \$0.7 million related to the continued expansion of our Ting Internet footprint in existing Ting towns throughout the United States.

Revenues from Ting Internet and billing solutions generated \$13.4 million in revenue during the nine months ended September 30, 2020, up \$5.4 million or 68% compared to the nine months ended September 30, 2019. This growth is driven by the recent first quarter acquisition of Cedar. Cedar contributed \$3.5 million of the increase in revenue during the current period, with \$1.9 million related to the continued expansion of our Ting Internet footprint in existing Ting towns throughout the United States.

As of September 30, 2020, Ting Internet had access to 50,000 serviceable addresses and 14,000 active accounts under its management compared to having access to 34,000 serviceable addresses and 10,000 active accounts under its management as of September 30, 2019. These figures include the increase in serviceable addresses and accounts attributable to the prior quarter Cedar acquisition.

Domain Services

Wholesale

During the three months ended September 30, 2020, Wholesale domain services revenue remained flat at \$47.3 million, when compared to the three months ended September 30, 2019. Increases from Wholesale domain registration of \$1.8 million from OpenSRS and EPAG brands driven by COVID-19 registration growth were offset by decreases of \$1.8 million from Enom and Ascio brands, both of which have seen a decline in registrations by non-core customers relative to the three months ended September 30, 2019.

During the nine months ended September 30, 2020, Wholesale domain services revenue increased by \$3.1 million or 2% to \$139.4 million, when compared to the nine months ended September 30, 2019. The nine-month increase was primarily driven by a \$4.6 million increase in revenue related to the prior year acquisition of Ascio. Ascio revenues now represent a full three quarters of earned revenue compared to the stub period of attributable revenue during the nine months ended September 30, 2019. Additionally, we saw a further increase in Wholesale domain revenues of \$3.0 million from our other domain services brands, namely OpenSRS and EPAG due to the increase in domains under management for these brands associated with an uptick in registrations during the third quarter of 2020 in connection with COVID-19. As more businesses establish an online presence during this time, we have seen growth from large volume resellers across these brands. This has had a marginal impact on revenue in the current period but will have a carryforward impact in subsequent periods as revenues are recognized from previously deferred billings. These increases were offset by a decrease of \$4.5 million in Wholesale domain revenues related to our eNom brand, driven by continued decline in domain registrations by non-core customers relative to the nine months ended September 30, 2019.

Total domains that were managed under the OpenSRS, eNom, EPAG, and Ascio domain services increased by 1.2 million domain names to 25.0 million as of September 30, 2020, when compared to 23.9 million at September 30, 2019. The increase is driven by the continued growth in registrations through 2020 as a result of the COVID-19 pandemic.

During the three months ended September 30, 2020, value-added services decreased by \$0.5 million to \$4.7 million compared to the three months ended September 30, 2019. The three-month decreases were primarily driven by a decrease in expiry revenue of \$0.2 million, a decrease in hosting revenues of \$0.2 million and other small decreases in Digital Certificates, Email and Other revenues of \$0.1 million.

During the nine months ended September 30, 2020, value-added services increased by \$0.3 million to \$14.4 million compared to the nine months ended September 30, 2019. The nine-month increases were primarily driven by an increase in expiry revenue of \$1.0 million, a decrease in hosting revenues of \$0.4 million, a decrease in Digital Certificates revenues of \$0.2 million, and other small decreases in Email and Other revenues of \$0.1 million.

Retail

Net revenues from retail for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, remained relatively flat at \$8.7 million.

Net revenues from retail for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, decreased by less than \$0.4 million to \$25.7 million. Revenue decreased as a result of a shrinking eNom customer base, driven by non-core customers.

Portfolio

Net revenues from portfolio for the three months ended September 30, 2020, decreased by \$2.2 million to \$0.2 million, as compared to the three months ended September 30, 2019. This decrease is due to lower proceeds from individual portfolio sales compared to the three months ended September 30, 2019, which included a large one-time portfolio sale as the Company began to ramp up selling its remaining portfolio. By the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio revenue to materially decline in Fiscal 2020 and thereafter.

Net revenues from portfolio for the nine months ended September 30, 2020 similarly decreased by \$2.1 million to \$1.0 million, as compared to the nine months ended September 30, 2019. Consistent with the above discussion, the third quarter of 2019 included a significant one-time portfolio sale as the Company began to ramp up selling its remaining portfolio. By the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio revenue to materially decline in Fiscal 2020 and thereafter.

COST OF REVENUES

Network Access Services

Mobile Services - Retail Mobile Services

Cost of revenues for Retail Mobile Services includes the costs of provisioning mobile services, which is primarily our customers' voice, messaging, data usage provided by our Network Operator, and the costs of providing mobile phone hardware, which is the cost of mobile phone devices and SIM cards sold to our customers, order fulfillment related expenses, and inventory write-downs.

Mobile Services - Mobile Platform Services

Cost of revenues, if any, to provide the MSE Platform services including network access, provisioning and billing services for MVNOs.

Mobile Services - Other Professional Services

Cost of revenues to provide professional services, including transitional services, to our MVNO customers to help support their businesses. This includes any personnel and contractor fees for any client service resources retained by the Company. Only a subset of the Company's employee base provides professional services to our MVNO customers, this cost reflects that group of resources.

Fiber Internet Services

Cost of revenues primarily includes the costs for provisioning high speed Internet access, which is comprised of network access fees and software licenses and the costs of providing hardware. Hardware costs are comprised of network routers sold to our customers, order fulfillment related expenses, inventory write-downs and fees paid to third-party service providers primarily for printing services in connection with billing services to ISPs.

Domain Services

Wholesale - Domain Services

Cost of revenues for domain registrations represents the amortization of registry and accreditation fees on a basis consistent with the recognition of revenues from our customers, namely rateably over the term of provision of the service. Registry fees, the primary component of cost of revenues, are paid in full when the domain is registered, and are initially recorded as prepaid domain registry fees. This accounting treatment reasonably approximates a recognition pattern that corresponds with the provision of the services during the period. Market development funds that do not represent a payment for distinct goods or services provided by the Company, and thus do not meet the criteria for revenue recognition under ASU 2014-09, are reflected as cost of goods sold and are recognized as earned.

Wholesale - Value-Added Services

Costs of revenues for value-added services include licensing and royalty costs related to the provisioning of certain components of related to hosted email and fees paid to third-party hosting services. Fees payable for trust certificates are amortized on a basis consistent with the provision of service, generally one year, while email hosting fees and monthly printing fees are included in cost of revenues in the month they are incurred.

Retail

Costs of revenues for our provision and management of Internet services through our retail sites, Hover.com and the eNom branded sites, include the amortization of registry fees on a basis consistent with the recognition of revenues from our customers, namely rateably over the term of provision of the service. Registry fees, the primary component of cost of revenues, are paid in full when the domain is registered, and are recorded as prepaid domain registry fees.

Portfolio

Costs of revenues for our portfolio represent the amortization of registry fees for domains added to our portfolio over the renewal period, which is generally one year, the value attributed under intangible assets to any domain name sold and any impairment charges that may arise from our assessment of our domain name intangible assets. Payments for domain registrations are payable for the full term of service at the time of activation of service and are recorded as prepaid domain registry fees and are expensed rateably over the renewal term.

Network expenses

Network expenses include personnel and related expenses, depreciation and amortization, communication costs, equipment maintenance, stock-based compensation and employee and related costs directly associated with the management and maintenance of our network. Communication costs include bandwidth, co-location and provisioning costs we incur to support the supply of all our services.

The following table presents our cost of revenues, by revenue source:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Network Access Services:				
Mobile Services				
Retail mobile services	\$ 3,440	\$ 11,171	\$ 21,957	\$ 32,721
Mobile platform services	-	-	-	-
Other professional services	1,267	-	1,267	-
Total Mobile	4,707	11,171	23,224	32,721
Fiber Internet Services	1,682	936	5,063	2,960
Total Network Access Services	6,389	12,107	28,287	35,681
Domain Services:				
Wholesale				
Domain Services	36,812	38,337	109,635	110,993
Value Added Services	724	773	2,271	2,306
Total Wholesale	37,536	39,110	111,906	113,299
Retail	4,298	4,359	12,751	13,126
Portfolio	107	180	364	455
Total Domain Services	41,941	43,649	125,021	126,880
Network Expenses:				
Network, other costs	2,612	2,254	7,513	7,034
Network, depreciation and amortization costs	3,315	2,545	9,902	6,872
Network, impairment	113	-	1,638	-
	6,040	4,799	19,053	13,906
	\$ 54,370	\$ 60,555	\$ 172,361	\$ 176,467
(Decrease) increase over prior period	\$ (6,185)		\$ (4,106)	
(Decrease) increase - percentage	-10%		-2%	

The following table presents our cost of revenues, as a percentage of total cost of revenues for the periods presented:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Network Access Services:				
Mobile Services				
Retail mobile services	6%	18%	13%	19%
Mobile platform services	0%	0%	0%	0%
Other professional services	2%	0%	1%	0%
Total Mobile	8%	18%	14%	19%
Fiber Internet Services	3%	2%	3%	2%
Total Network Access Services	11%	20%	17%	21%
Domain Services:				
Wholesale				
Domain Services	69%	64%	64%	63%
Value Added Services	1%	1%	1%	1%
Total Wholesale	70%	65%	65%	64%
Retail	8%	7%	7%	7%
Portfolio	0%	0%	0%	0%
Total Domain Services	78%	72%	72%	71%
Network Expenses:				
Network, other costs	5%	4%	4%	4%
Network, depreciation and amortization costs	6%	4%	6%	4%
Network, impairment	0%	0%	1%	0%
	11%	8%	11%	8%
	100%	100%	100%	100%

Total cost of revenues for the three months ended September 30, 2020, decreased by \$6.2 million, or 10%, to \$54.4 million from \$60.6 million in the three months ended September 30, 2019. The three-month decrease was driven by \$6.5 million of reduced costs attributable to our Mobile Services brands. As discussed above in the Net Revenue section, Ting Mobile and Roam Mobility were impacted both by the loss of mobile subscribers and reduced usage related to COVID-19 when compared to the three months ended September 30, 2019, as well as the fact that substantially all of the customer relationships associated with Ting Mobile were sold to DISH in the current period and that Roam Mobility was shutdown in the prior quarter. Both these contribute to the three months ended September 30, 2020 having significantly lower costs. Additionally, further decreases in domain name services costs of \$1.7 million, related to continued erosion in Wholesale and Retail domain registrations by non-core customer primarily from our existing Domain Services brands, namely eNom. These decreases were offset by increased network expenses from continued Fiber network expansion of \$0.5 million as well as increased Fiber access costs of \$1.4 million, driven by both our recent first quarter acquisition of Cedar as well as through the expansion of our existing Ting Internet footprint.

Total cost of revenues for the nine months ended September 30, 2020, decreased by \$4.1 million, or 2%, to \$172.4 million from \$176.5 million in the nine months ended September 30, 2019. The nine-month decrease was driven by \$9.5 million of reduced costs attributable to our Mobile Services brands. Consistent with above, the nine months ended September 30, 2020, results now include two full quarters impacted from loss of mobile subscribers and reduced usage related to COVID-19, in addition to the 2020 results including the sale of Ting Mobile customers and the shutdown of Roam Mobility. Both of these contribute to the nine months ended September 30, 2020 having significantly lower costs. Additionally, further decreases in domain name services of \$1.9 million, related to continued erosion in Wholesale and Retail domain registrations by non-core customers primarily from our existing Domain Services brands, namely eNom. These decreases were offset by increased network expenses from continued Fiber network expansion of \$1.2 million, a \$1.5 million impairment related to Ting TV, a product under development for Ting Fiber that was discontinued; as well as increased Fiber access costs of \$4.1 million, driven by both our recent first quarter acquisition of Cedar as well as through the expansion of our existing Ting Internet footprint.

Prepaid domain registration and other Internet services fees as of September 30, 2020 increased by \$4.0 million, or 4%, to \$113.2 million from \$109.2 million at December 31, 2019 primarily due to current period domain name registration and annual service renewals.

Network Access Services

Mobile Services

Cost of revenues from Mobile Services for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, decreased by \$6.5 million or 58% to \$4.7 million. This is driven by a decrease in Retail Mobile Services costs of \$7.7 million, of which \$7.1 million relates to Ting Mobile (of which \$0.9 million is reduced device costs and \$6.2 million relates to service costs) and \$0.6 million relates to Roam Mobility. Consistent with the above discussion around net revenues, the driving factors for these decreases from the three months ended September 30, 2019 are related to the sale of substantially all of the Ting Mobile customer base in the current period and the shutdown of Roam Mobility in the prior period. Residual Retail Mobile Services costs is also impacted by the ongoing COVID-19 pandemic, characterized by a decline in mobile subscribers and reduced usage which translates into lower costs. The decline also included reduced minimum commitment charges with network operators which decreased by \$1.6 million as compared to the three months ended September 30, 2019. This decrease is offset by an increase of \$1.3 million related to costs associated with Other Professional Services provided to MVNOs.

Cost of revenues from Mobile Services for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, decreased by \$9.5 million or 29% to \$23.2 million. This is driven by a decrease in Retail Mobile Services costs of \$10.8 million, of which \$9.4 million relates to Ting Mobile (of which \$0.1 million is reduced device costs and \$9.3 million relates to service costs) and \$1.4 million relates to Roam Mobility. Consistent with the above discussion around net revenues, the driving factors for these decreases from the nine months ended September 30, 2020 are related to the sale of substantially all of the Ting Mobile customer base in the current period and the shutdown of Roam Mobility in the prior period. Residual Retail Mobile Services costs is also impacted by six months of the COVID-19 pandemic, characterized by a decline in mobile subscribers and reduced usage which translates into lower year-to-date costs. The decline also included reduced minimum commitment charges with network operators which decreased by \$2.6 million compared to the nine months ended September 30, 2019. This decrease is offset by an increase of \$1.3 million related to costs associated with Other Professional Services provided to MVNOs.

Fiber Internet Services

During the three months ended September 30, 2020, costs related to provisioning high speed Internet access and billing solutions increased \$0.8 million or 89%, to \$1.7 million as compared to \$0.9 million during three months ended September 30, 2019. The increase in costs were primarily driven by increased direct costs and bandwidth costs related to the continued expansion of the Ting Fiber network, for both existing towns and cities as well as those acquired via the Cedar acquisition.

During the nine months ended September 30, 2020, costs related to provisioning high speed Internet access and billing solutions increased \$2.1 million or 70%, to \$5.1 million as compared to \$3.0 million during nine months ended September 30, 2019. The increase in costs were primarily driven by increased direct costs and bandwidth costs related to the continued expansion of the Ting Fiber network, for both existing towns and cities as well as those acquired via the Cedar acquisition.

Domain Services*Wholesale*

Costs for Wholesale domain services for the three months ended September 30, 2020 decreased by \$1.5 million to \$36.8 million, when compared to the three months ended September 30, 2019. This was primarily driven by a \$2.5 million decrease in wholesale domain services costs driven by the erosion in registrations by non-core customers for our eNom and Ascio brands. This decrease on eNom and Ascio was offset by increased Wholesale domain service costs of \$1.0 million from our other domain services brands, namely OpenSRS and EPAG. This offsetting increase is a result of increased domains under management for these brands associated with an uptick in registrations during the third quarter of 2020 in connection with COVID-19. As more businesses establish an online presence during this time, we have seen growth from large volume resellers across these brands. This has had a marginal impact on costs in the current period and will have a carryforward impact in subsequent periods as costs are recognized from previously deferred billed costs.

Costs for Wholesale domain services for the nine months ended September 30, 2020 decreased by \$1.4 million to \$109.6 million, when compared to the nine months ended September 30, 2019. This was primarily driven by a \$5.1 million decrease in wholesale domain services costs driven by the erosion in registrations by non-core customers for our eNom brand. This decrease on eNom was offset by increased Wholesale domain service costs of \$3.8 million from our other domain services brands, namely OpenSRS, EPAG and Ascio. The offsetting increase is largely a result of the prior year acquisition of Ascio, where Ascio costs now represent a full three quarters compared to the stub period of attributable costs during the nine months ended September 30, 2019. To a lesser extent any residual increase was a result of increased domains under management for OpenSRS as a result of COVID-19 impacts discussed above.

Costs for wholesale value-added services for the three months ended September 30, 2020 remained flat at \$0.7 million, when compared to the three months ended September 30, 2019.

Costs for wholesale value-added services for the nine months ended September 30, 2020 remained flat at \$2.3 million, when compared to the nine months ended September 30, 2019.

Retail

Costs for retail for the three months ended September 30, 2020 decreased by \$0.1 million, to \$4.3 million as compared to the three months ended September 30, 2019. The decrease was a result of an overall declining volume of transactions related to the eNom retail brands.

Costs for retail for the nine months ended September 30, 2020 decreased by \$0.3 million, to \$12.8 million as compared to the nine months ended September 30, 2019. The decrease was a result of an overall declining volume of transactions related to the eNom retail brands.

Portfolio

Costs for portfolio for the three months ended September 30, 2020 remained flat at \$0.1 million when compared to the three months ended September 30, 2019. In the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio cost of revenue to materially decline in Fiscal 2020.

Costs for portfolio for the nine months ended September 30, 2020 remained flat at \$0.4 million when compared to the nine months ended September 30, 2019. In the fourth quarter of 2019, the Company disposed of its entire domain portfolio, excluding surname domains used in the Realnames email service. The Company expects portfolio cost of revenue to materially decline in Fiscal 2020.

Network Expenses

Network costs for the three months ended September 30, 2020 increased by \$1.2 million to \$6.0 million when compared to the three months ended September 30, 2019. The three-month increase was driven by depreciation as a result of the expansion of the Company's increased network infrastructure associated with the continuing expansion of the Ting Fiber footprint, inclusive of \$0.2 million related to the Cedar acquisition.

Network costs for the nine months ended September 30, 2020 increased by \$5.2 million to \$19.1 million when compared to the nine months ended September 30, 2019. The nine-month increase was driven by depreciation as a result of the expansion of the Company's increased network infrastructure associated with the continuing expansion of the Ting Fiber footprint, inclusive of \$0.5 million related to the Cedar acquisition. In addition to these Fiber network increases, the second quarter of 2020 included a \$1.5 million impairment related to Ting TV, a product under development for Ting Fiber.

SALES AND MARKETING

Sales and marketing expenses consist primarily of personnel costs. These costs include commissions and related expenses of our sales, product management, public relations, call center, support and marketing personnel. Other sales and marketing expenses include customer acquisition costs, advertising and other promotional costs.

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Sales and marketing	\$ 8,318	\$ 8,769	\$ 26,521	\$ 26,366
Decrease over prior period	\$ (451)		\$ 155	
Decrease - percentage	(5)%		1%	
Percentage of net revenues	11%	10%	11%	10%

Sales and marketing expenses for the three months ended September 30, 2020 decreased by \$0.5 million, or 5%, to \$8.3 million as compared to the three months ended September 30, 2019. This three-month decrease primarily related to a decrease in other marketing related expenses of \$0.8 million and travel related expenses of \$0.2 million. The decrease in marketing related expenses were focused in Mobile Services due to the sale of the Ting Mobile customer base to DISH in the current period and shutdown of Roam Mobility in the prior quarter. The overall decrease in sales and marketing expense was partially offset by a \$0.5 million increase in people costs driven by the acquisition of Cedar in the first quarter of 2020. Stock-based compensation expenses also increased \$0.1 million to attract and retain labor.

Sales and marketing expenses for the nine months ended September 30, 2020 increased by \$0.2 million, or 1%, to \$26.5 million as compared to the nine months ended September 30, 2019. This nine-month increase primarily related to a \$1.8 million increase in people costs driven by the acquisition of Cedar in the first quarter of 2020 and inclusion of a full three quarters of people costs related to workforce acquired in the Ascio acquisition on March 18, 2019. Stock-based compensation expenses also increased \$0.3 million in 2020 to attract and retain labor. The overall increase in sales and marketing expense was partially offset by decreases in other marketing related expenses of \$1.6 million and travel related expenses of \$0.4 million. The decrease in the marketing related expenses were focused in Mobile Services due to the sale of the Ting Mobile customer base to DISH in the current period and shutdown of Roam Mobility in the prior quarter.

TECHNICAL OPERATIONS AND DEVELOPMENT

Technical operations and development expenses consist primarily of personnel costs and related expenses required to support the development of new or enhanced service offerings and the maintenance and upgrading of existing infrastructure. This includes expenses incurred in the research, design and development of technology that we use to register domain names, network access services, email, retail, domain portfolio and other Internet services, as well as to distribute our digital content services. All technical operations and development costs are expensed as incurred.

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Technical operations and development	\$ 3,162	\$ 2,876	\$ 8,980	\$ 8,151
Increase over prior period	\$ 286		\$ 829	
Increase - percentage	10%		10%	
Percentage of net revenues	4%	3%	4%	3%

Technical operations and development expenses for the three months ended September 30, 2020 increased by \$0.3 million, or 10%, to \$3.2 million when compared to the three months ended September 30, 2019. The increase in costs relates primarily to increased salaries and benefits driven by an expanding workforce and wage inflation focused on our shared services and engineering teams.

Technical operations and development expenses for the nine months ended September 30, 2020 increased by \$0.8 million, or 10%, to \$9.0 million when compared to the nine months ended September 30, 2019. The increase in costs relates primarily to increased salaries and benefits driven by an expanding workforce and wage inflation focused on our shared services and engineering teams, as well as increased spending related to contract and outsourcing spends to aid in platform development efforts across our business lines. Additionally, the nine months ended September 30, 2020 reflected a full three quarters of people costs related to the workforce acquired in the Ascio acquisition on March 18, 2019, as compared to a stub period of costs in the nine months ended September 30, 2019.

GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of compensation and related costs for managerial and administrative personnel, fees for professional services, public listing expenses, rent, foreign exchange and other general corporate expenses.

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
General and administrative	\$ 4,868	\$ 4,574	\$ 15,074	\$ 13,818
Increase over prior period	\$ 294		\$ 1,256	
Increase - percentage	6%		9%	
Percentage of net revenues	7%	5%	6%	6%

General and administrative expenses for the three months ended September 30, 2020 increased by \$0.3 million, or 6% to \$4.9 million as compared to the three months ended September 30, 2019. The increase was primarily driven by an increase in people costs of \$0.3 million and an increase in professional fees of \$0.3 million in connection with the sale of the Ting Mobile customer relationships to DISH. These increases in general and administrative expenses were offset by a decrease in both credit card fees and bad debts associated with the Mobile Services business, in the amounts of \$0.2 million and \$0.1 million, respectively.

General and administrative expenses for the nine months ended September 30, 2020 increased by \$1.3 million, or 9%, to \$15.1 million as compared to the nine months ended September 30, 2019. The increase was primarily driven by an increase in people costs of \$1.0 million, an increase in foreign exchange expense of \$1.0 million, and an increase in professional fees of \$0.4 million in connection with the sale of the Ting Mobile customer relationships to DISH. These increases in general and administrative expenses were offset by a decrease in facility and transitional costs related to Ascio and eNom of \$0.3 million and \$0.4 million, respectively as well as decreases in both credit card fees and bad debts associated with the Mobile Services business, in the amounts of \$0.3 million and \$0.1 million, respectively.

DEPRECIATION OF PROPERTY AND EQUIPMENT

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Depreciation of property and equipment	\$ 125	\$ 117	\$ 363	\$ 375
Increase over prior period	\$ 8		\$ (12)	
Increase - percentage	7%		(3)%	
Percentage of net revenues	0%	0%	0%	0%

Depreciation costs remained flat for the three months ended September 30, 2020 at \$0.1 million when compared to the three months ended September 30, 2019.

Depreciation costs remained flat for the nine months ended September 30, 2020 at \$0.4 million when compared to the nine months ended September 30, 2019.

LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Loss on disposition of property and equipment	\$ -	\$ 73	\$ -	\$ 73
Decrease over prior period	\$ (73)		\$ (73)	
Decrease - percentage	(100)		(100)	
Percentage of net revenues	-%	0%	-%	0%

Loss on the disposal of property and equipment for the three months ended September 30, 2020 decreased by \$0.1 million as compared to the three months ended September 30, 2019. The decrease was a result of the three months ended September 30, 2019 including equipment disposal from the former Kirkland office.

Loss on the disposal of property and equipment for the nine months ended September 30, 2020 decreased by \$0.1 million as compared to the nine months ended September 30, 2019. The decrease was a result of the nine months ended September 30, 2019 including equipment disposal from the former Kirkland office.

AMORTIZATION OF INTANGIBLE ASSETS

	For the Three Months Ended		For the Nine Months Ended September	
	September 30,		30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Amortization of intangible assets	\$ 2,315	\$ 2,544	\$ 7,766	\$ 6,661
Decrease over prior period	\$ (229)		\$ 1,105	
Decrease - percentage	(9)%		17%	
Percentage of net revenues	3%	3%	3%	3%

Amortization of intangible assets for the three months ended September 30, 2020 decreased by \$0.2 million to \$2.3 million as compared to the three months ended September 30, 2019. The decrease is driven by write-off of Mobile Services related intangible assets in connection with the both the sale of the Ting Mobile customer base in the current period and the shutdown of Roam Mobility in the prior quarter. The write off of the Ting Mobile customer base offsets Other Income earned in period from the margin associated with the legacy customer base. These decreases in amortization expense of \$0.4 million, was offset by increased amortization related to the first quarter acquisition of Cedar in the amount of \$0.2 million. Network rights, brand and customer relationships acquired in connection with the following acquisitions are amortized on a straight-line basis over a range of two to seven years: eNom in January 2017, Ascio in March 2019, and Cedar in January 2020.

Amortization of intangible assets for the nine months ended September 30, 2020 increased \$1.1 million to \$7.8 million as compared to the nine months ended September 30, 2019. The increase is driven by a full three quarters of amortization related to the acquisition of Ascio of \$0.4 million, amortization of \$0.5 million related to the prior quarter acquisition of Cedar and \$0.2 million in amortization related to FreedomPop customer acquisition that closed in July 2019. Network rights, brand and customer relationships acquired in connection with the following acquisitions are amortized on a straight-line basis over a range of two to seven years: eNom in January 2017, Ascio in March of 2019, and Cedar in January 2020. As discussed above, the balance of the Roam Mobility brands was fully impaired as at June 30, 2020 as part of shutdown of the Roam brands. This is reflected below in the impairment of definite life intangible assets of \$1.4 million. The write off of the Ting Mobile customer base offsets Other Income earned in period from the margin associated with the legacy customer base.

IMPAIRMENT OF DEFINITE LIFE INTANGIBLE ASSETS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Impairment of definite life intangible assets	\$ -	\$ -	\$ 1,431	\$ -
Decrease over prior period	\$ -		\$ 1,431	
Decrease - percentage	N/A%		N/A%	
Percentage of net revenues	-%		1%	

There was no impairment of definite life intangible assets for the three months ended September 30, 2020 and the three months ended September 30, 2019.

Impairment of definite life intangible assets for the nine months ended September 30, 2020 increased by \$1.4 million as compared to the nine months ended September 30, 2019. The increase is driven by the write-off of customer relationships acquired in connection with our Roam Mobility Brands. As discussed above, Roam Mobility saw a decline in mobile subscribers and reduced usage related to the COVID-19 pandemic. As at June 30, 2020, the Company decided to shut down the Roam Mobility brands and related business as a result of this lack of demand for SIM-enabled roaming services due to the continued decrease of both business and leisure travel caused by the pandemic. As part of that shut down, the associated customer relationships previously acquired were written off in period.

LOSS (GAIN) ON CURRENCY FORWARD CONTRACTS

Although our functional currency is the U.S. dollar, a major portion of our fixed expenses are incurred in Canadian dollars. Our goal with regard to foreign currency exposure is, to the extent possible, to achieve operational cost certainty, manage financial exposure to certain foreign exchange fluctuations and to neutralize some of the impact of foreign currency exchange movements. Accordingly, we enter into foreign exchange contracts to mitigate the exchange rate risk on portions of our Canadian dollar exposure.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Loss (gain) on currency forward contracts	\$ (159)	\$ 20	\$ (99)	\$ (90)
Decrease over prior period	\$ (179)		\$ (9)	
Decrease - percentage	895%		10%	
Percentage of net revenues	0%		0%	

The Company recorded a net gain of \$0.2 million on the change in fair value of outstanding contracts as well as realized on matured contracts during the three months ended September 30, 2020, compared to a loss of less than \$0.1 million during the three months ended September 30, 2019.

The Company recorded a net gain of \$0.1 million on the change in fair value of outstanding contracts as well as realized on matured contracts during the nine months ended September 30, 2020, compared to a gain of less than \$0.1 million during the nine months ended September 30, 2019.

At September 30, 2020, our balance sheet reflects a derivative instrument asset of \$2.4 million and a liability of \$0.2 million as a result of our existing foreign exchange contracts. Until their respective maturity dates, these contracts will fluctuate in value in line with movements in the Canadian dollar relative to the U.S. dollar.

OTHER INCOME (EXPENSES)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Other income (expense), net	\$ 244	\$ (1,263)	\$ (1,924)	\$ (3,549)
Increase over prior period	\$ 1,507		\$ 1,625	
Increase - percentage	(119)%		(46)%	
Percentage of net revenues	0%	1%	1%	1%

Other Income during the three months ended September 30, 2020 increased by \$1.5 million when compared to the three months ended September 30, 2019. This was primarily due to the \$1.1 million increase due to the gain on sale of Ting Customer Assets to DISH in the current period. This gain represented the net effect of income earned from the legacy customer base of \$4.6 million offset by the write off of Mobile assets totaling \$3.5 million. In addition to this, another contributing factor in the increase was lower interest incurred on our credit facility with the majority of the borrowings on the credit facility to support the build-out of the Ting Fiber network. Other expense consists primarily of the interest we incur in connection with our Amended 2019 Credit Facility. The interest incurred primarily relates to our loan balances obtained to fund the acquisition of eNom, Ascio and Cedar and funding for expenditures associated with the Company's Fiber to the Home program.

Other Income during the nine months ended September 30, 2020 increased by \$1.6 million when compared to the nine months ended September 30, 2019. This was primarily due to the \$1.1 million increase due to the gain on sale of Ting Customer Assets to DISH in the current period. This gain represented the net effect of income earned from the legacy customer base of \$4.6 million offset by the write off of Mobile assets totaling \$3.5 million. In addition to this, another contributing factor in the increase was lower interest incurred on our credit facility with the majority of the borrowings on the credit facility to support the build-out of the Ting Fiber network. Other expense consists primarily of the interest we incur in connection with our Amended 2019 Credit Facility. The interest incurred primarily relates to our loan balances obtained to fund the acquisition of eNom, Ascio and Cedar and funding for expenditures associated with the Company's Fiber to the Home program.

INCOME TAXES

The following table presents our provision for income taxes for the periods presented:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>(Dollar amounts in thousands of U.S. dollars)</i>				
Provision for income taxes	\$ 840	\$ 3,133	\$ 2,390	\$ 6,209
Decrease in provision over prior period	\$ (2,293)		\$ (3,819)	
Decrease - percentage	(73)%		(62)%	
Effective tax rate	54%	43%	39%	39%

We operate in various tax jurisdictions, and accordingly, our income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another jurisdiction. Our ability to use income tax loss carry forwards and future income tax deductions is dependent upon our operations in the tax jurisdictions in which such losses or deductions arise. Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement carrying values and tax base of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

For the three months ended September 30, 2020, we recorded a income tax expense of \$0.8 million on income before income taxes of \$1.6 million, using an estimated effective tax rate for Fiscal 2020 adjusted for certain minimum state taxes as well as the inclusion of a nil tax expense related to ASU 2016-09, which requires all excess tax benefits and tax deficiencies related to employee share-based payments to be recognized through income tax expense. Our effective tax rate for the three months ended September 30, 2020 is also adversely impacted by discrete adjustments resulting from finalization of prior period tax filings and a change in geographical mix of income. Comparatively, for the three months ended September 30, 2019, we recorded an income tax expense of \$3.1 million on income before taxes of \$7.3 million, using an estimated effective tax rate for the 2019 fiscal year and reflecting the \$0.1 million tax recovery impact related to ASU 2016-09.

For the nine months ended September 30, 2020, we recorded an income tax expense of \$2.4 million on income before income taxes of \$6.1 million, using an estimated effective tax rate for Fiscal 2020 adjusted for certain minimum state taxes as well as the inclusion of a \$0.2 million tax recovery related to ASU 2016-09, which requires all excess tax benefits and tax deficiencies related to employee share-based payments to be recognized through income tax expense. Our effective tax rate for the nine months ended September 30, 2020 is also adversely impacted by discrete adjustments resulting from finalization of prior period tax filings and a change in the geographical mix of income. Comparatively, for the nine months ended September 30, 2019, we recorded an income tax expense of \$6.2 million on income before taxes of \$15.8 million, using an estimated effective tax rate for the 2019 fiscal year and reflecting the \$0.8 million tax recovery impact related to ASU 2016-09.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management projected future taxable income, uncertainties related to the industry in which the Company operates, and tax planning strategies in making this assessment.

We recognize accrued interest and penalties related to income taxes in income tax expense. We did not have significant interest and penalties accrued at September 30, 2020 and December 31, 2019, respectively.

ADJUSTED EBITDA

We believe that the provision of this supplemental non-GAAP measure allows investors to evaluate the operational and financial performance of our core business using similar evaluation measures to those used by management. We use adjusted EBITDA to measure our performance and prepare our budgets. Since adjusted EBITDA is a non-GAAP financial performance measure, our calculation of adjusted EBITDA may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. Because adjusted EBITDA is calculated before recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a liquidity measure. See the Consolidated Statements of Cash Flows included in the attached financial statements. Non-GAAP financial measures do not reflect a comprehensive system of accounting and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies and/or analysts and may differ from period to period. We endeavor to compensate for these limitations by providing the relevant disclosure of the items excluded in the calculation of adjusted EBITDA to net income based on GAAP, which should be considered when evaluating the Company's results. Tucows strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure.

Our adjusted EBITDA definition excludes depreciation, amortization of intangible assets, income tax provision, interest expense (net), accretion of contingent consideration, stock-based compensation, asset impairment, loss on the disposal of Ting Mobile customer assets, gains and losses from unrealized foreign currency transactions and infrequently occurring items, including acquisition and transition costs. Gains and losses from unrealized foreign currency transactions removes the unrealized effect of the change in the mark-to-market values on outstanding unhedged foreign currency contracts, as well as the unrealized effect from the translation of monetary accounts denominated in non-U.S. dollars to U.S. dollars.

The following table reconciles net income to adjusted EBITDA:

Reconciliation of Net income to Adjusted EBITDA (In Thousands of US Dollars) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net income for the period	\$ 716	\$ 4,205	\$ 3,707	\$ 9,620
Depreciation of property and equipment	3,110	2,348	9,255	6,445
Impairment of property and equipment	113	-	1,638	-
Loss on disposition of property and equipment	-	73	-	73
Amortization of intangible assets	2,645	2,858	8,776	7,463
Impairment of definite life intangible assets	-	-	1,431	-
Write-down on disposal of Ting Mobile customer assets	3,513	-	3,513	-
Interest expense, net	760	1,263	2,756	3,549
Accretion of contingent consideration	86	-	258	-
Provision for income taxes	840	3,133	2,390	6,209
Stock-based compensation	1,016	830	2,664	2,040
Unrealized loss (gain) on change in fair value of forward contracts	(175)	(16)	(263)	(204)
Unrealized loss (gain) on foreign exchange revaluation of foreign denominated monetary assets and liabilities	81	88	479	(402)
Acquisition and other costs ¹	565	50	1,520	956
Adjusted EBITDA	\$ 13,270	\$ 14,832	\$ 38,124	\$ 35,749

¹Acquisition and other costs represents transaction-related expenses, transitional expenses, such as duplicative post-acquisition expenses, primarily related to our acquisition of Ascio in March 2019, Cedar in January 2020, and the disposition of certain Ting Mobile assets in August 2020. Expenses include severance or transitional costs associated with department, operational or overall company restructuring efforts, including geographic alignments.

Adjusted EBITDA decreased by \$1.5 million, or 10% to \$13.3 million for the three months ended September 30, 2020 when compared to the three months ended September 30, 2019. The decrease in adjusted EBITDA from period-to-period was primarily driven by a decreased contribution from outsized Portfolio sales in the third quarter of 2019 as the Company ramped up disposition of the remaining portfolio. The decrease is also impacted by lower contribution from the erosion of wholesale and retail registrations from our eNom brand. The overall decrease in EBITDA was partially offset by an increased contribution from wholesale domain registrations from our OpenSRS, Ascio and EPAG brands and from Ting Fiber.

Adjusted EBITDA increased by \$2.4 million, or 7% to \$38.1 million for the nine months ended September 30, 2020 when compared to the nine months ended September 30, 2019. The increase in adjusted EBITDA from period-to-period was primarily driven by an increased contribution from wholesale domain registrations from our OpenSRS and EPAG brands who have seen an increase in domains under management over the course of the COVID-19 pandemic as more businesses move online. The increase is also impacted by increased contribution from Ascio due to the full three quarters of contribution in 2020 relative to the stub period in 2019 due to acquisition timing. Additionally, the acquisition of Cedar and continued expansion of the Ting Fiber network has seen increased contribution from Fiber year-over-year. The overall increase in EBITDA was partially offset by lower contribution from the erosion of wholesale and retail registrations from our eNom brand as well as Mobile Services due to the sale of Ting Mobile customer relationships to DISH as well as the shutdown of Roam Mobility.

OTHER COMPREHENSIVE INCOME (LOSS)

To mitigate the impact of the change in fair value of our foreign exchange contracts on our financial results, in October 2012 we began applying hedge accounting for the majority of the contracts we need to meet our Canadian dollar requirements on a prospective basis.

The following table presents other comprehensive income for the periods presented:

<i>(Dollar amounts in thousands of U.S. dollars)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Other comprehensive income (loss)	\$ 775	\$ (149)	\$ 898	\$ 781
Increase over prior period	\$ 924		\$ 117	
Increase - percentage	(620)%		15%	
Percentage of net revenues	1%	(0)%	0%	0%

The impact of the fair value adjustments on outstanding hedged contracts for the three months ended September 30, 2020 was a gain in OCI of \$0.7 million as compared to a loss of \$0.2 million for the three months ended September 30, 2019.

The net amount reclassified to earnings during the three months ended September 30, 2020 was a loss of less than \$0.1 million compared to a gain of less than \$0.1 million during the three months ended September 30, 2019.

The impact of the fair value adjustments on outstanding hedged contracts for the nine months ended September 30, 2020 was a gain in OCI of \$0.9 million as compared to a gain of \$0.6 million for the nine months ended September 30, 2019.

The net amount reclassified to earnings during the nine months ended September 30, 2020 was a loss of \$0.3 million compared to a gain of \$0.2 million during the nine months ended September 30, 2019.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, our cash and cash equivalents balance decreased \$10.2 million when compared to December 31, 2019. Our principal uses of cash were \$32.7 million for the continued investment in property and equipment, \$8.8 million for the Acquisition of Cedar, \$3.3 million in stock repurchases, and \$0.5 million of other costs, including tax payment associated with stock option exercises and loan payable costs. These uses of cash were offset by cash provided by operating activities of \$34.4 million and \$0.7 million of proceeds received on exercise of stock options.

Amended 2019 Credit Facility

On June 14, 2019, the Company and its wholly-owned subsidiaries, Tucows.com Co., Ting Fiber, Inc., Ting Inc., Tucows (Delaware) Inc. and Tucows (Emerald), LLC, entered into an Amended and Restated Senior Secured Credit Agreement with RBC, as administrative agent, and lenders party thereto (collectively with RBC, the “Lenders”) under which the Company has access to an aggregate of up to \$240 million in funds, inclusive of a \$60 million accordion facility. The Amended 2019 Credit Facility replaced a secured Credit Agreement dated January 20, 2017 with Bank of Montreal, RBC and Bank of Nova Scotia (as amended, the “2017 Amended Credit Facility”).

On November 27, 2019, the Company entered into Amending Agreement No. 1 to the Amended and Restated Senior Secured Credit Agreement (collectively with the Amended and Restated Senior Secured Credit Agreement, the “Amended 2019 Credit Facility”) to amend certain defined terms in connection with the Cedar acquisition.

In connection with the Amended 2019 Credit Facility, the Company incurred an additional \$0.3 million of fees paid to lenders and \$0.2 million of legal fees related to the debt issuance. Of these fees, \$0.4 million are debt issuance costs, which have been reflected as a reduction to the carrying amount of the loan payable and will be amortized over the term of the credit facility agreement and \$0.1 million have been recorded in general and administrative expenses.

The obligations of the Company under the Amended 2019 Credit Agreement are secured by a first priority lien on substantially all of the personal property and assets of the Company and has a four-year term.

Other Credit Facilities

Prior to the Company entering into the Amended 2019 Credit Facility and the 2017 Amended Credit Facility, the Company had credit agreements (collectively the “Prior Credit Facilities”) with BMO, which provided the Company with continued access to a treasury risk management facility and a credit card facility. All remaining credit facilities under the 2017 Amended Credit Facility and the Prior Credit Facilities have been terminated.

The treasury risk management facility under the Prior Credit Facilities provides for a \$3.5 million settlement risk line to assist the Company with hedging Canadian dollar exposure through foreign exchange forward contracts and/or currency options. Under the terms of the Prior Credit Facilities, the Company may enter into such agreements at market rates with terms not to exceed 18 months. As of September 30, 2020, the Company held contracts in the amount of \$41.4 million to trade U.S. dollars in exchange for Canadian dollars.

Cash Flow from Operating Activities

Net cash inflows from operating activities during the nine months ended September 30, 2020 was \$34.4 million, an increase of 26% when compared to the nine months ended September 30, 2019.

Net income, after adjusting for non-cash charges, during the nine months ended September 30, 2020 was \$30.3 million, an increase of 13% when compared to the prior year. Net income included non-cash charges and recoveries of \$26.6 million such as depreciation, amortization, stock-based compensation, write-down on disposal of Ting Mobile customer assets, impairment of definite life intangible assets, loss on impairment of property and equipment, deferred income taxes, excess tax benefits on stock-based compensation, unrealized gains on currency forward contracts, and disposal of domain names. In addition, changes in our working capital provided \$4.1 million. Positive contributions of \$10.5 million from movements in deferred revenue, accounts receivable, accounts payable, inventory, accreditation fees payable, and customer deposits were offset by \$6.4 million utilized in changes from prepaid domain name fees, prepaid expenses and deposits, income taxes recoverable, and accrued liabilities.

Cash Flow from Financing Activities

Net cash outflows from financing activities during the nine months ended September 30, 2020 totaled \$3.1 million as compared to cash inflows of \$34.9 million during the nine months ended September 30, 2019. Total cash outflows of \$3.8 million were driven by \$3.3 million related to the stock repurchases, in addition to a \$0.5 million outflow for the payment of tax obligations resulting from the net exercise of stock options and loan payable costs. These cash outflows were offset by cash inflows related to the proceeds received on exercise of stock options of \$0.7 million.

Cash Flow from Investing Activities

Investing activities during the nine months ended September 30, 2020 used net cash of \$41.6 million as compared to using \$62.7 million during the nine months ended September 30, 2019. Cash outflows of \$8.8 million related to the acquisition of Cedar, in addition to \$32.7 million invested in property and equipment, primarily to support the continued expansion of our fiber footprint. The Company continues to invest in our existing Ting Towns of Centennial, CO, Charlottesville, VA, Fuquay-Varina, NC, Holly Springs, NC, and Sandpoint, ID as well ramping construction in Roaring Fork, CO, Rolesville, NC, and Wake Forest, NC, as we seek to extend both our current network and expand to new towns. We expect our capital expenditures on building and expanding our fiber network to continue to increase during Fiscal 2020.

Based on our operations, we believe that our cash flow from operations will be adequate to meet our anticipated requirements for working capital, capital expenditures and our loan repayments for at least the next 12 months.

We may need additional funds or seek other financing arrangements to facilitate more rapid expansion, develop new or enhance existing products or services, respond to competitive pressures or acquire or invest in complementary businesses, technologies, services or products. We may also evaluate potential acquisitions of other businesses, products and technologies. We currently have no commitments or agreements regarding the acquisition of other businesses. If additional financing is required, we may need additional equity or debt financing and any additional financing may be dilutive to existing investors. We may not be able to raise funds on acceptable terms, or at all.

Off Balance Sheet Arrangements

As of September 30, 2020 we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Contractual Obligations

In our Annual Report on Form 10-K for the year ended December 31, 2019, we disclosed our contractual obligations. As of September 30, 2020, other than the items mentioned above, there have been no other material changes to those contractual obligations outside the ordinary course of business.