

Casey A. Furey
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September 27, 2021

Via Electronic Mail

Mr. Steve Kahl
Executive Director
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480
ndpsc@nd.gov

**In re: LTD Broadband LLC
Reply to Staff Response to Application for Protection
Designated ETC Application
Case No. PU-21-168
Our File No. 061406-000001**

Dear Mr. Kahl:

I am writing on behalf of my client LTD Broadband LLC (hereinafter “LTD Broadband” or “LTD”) regarding the above-referenced matter. On August 10, 2021, LTD Broadband submitted information under an Application for Protection of Information (Docket No. 14, the “Application for Protection”) in response to a request for information (“RFI”) from Commission staff. The Application for Protection requested confidential treatment and protection from public disclosure for the following information contained within Exhibit A (Docket No. 15): i) LTD’s audited 2018, 2019, and 2020 financial statements submitted in response to RFI No. 1; ii) LTD’s estimated costs to build out infrastructure to serve awarded locations in North Dakota, submitted in response to RFI No. 2; and, iii) LTD’s estimated construction timeline and miles of infrastructure to be installed submitted in response to RFI No. 3. LTD Broadband’s Application for Protection also requested a waiver from submitting redacted versions of the above information. On September 17, 2021, LTD subsequently received Staff Response to Application for Protection of Information (Docket No. 17, the “Staff Response”). This correspondence is submitted in reply to two recommendations set forth in the Staff Response.

The first staff recommendation LTD seeks to address relates to staff’s recommendation that LTD Broadband file publicly accessible redacted versions of its Exhibit A confidential filings. Staff Response at pg. 3. In consideration of staff’s recommendation, the time and resources of both the Commission and LTD, and to avoid further delay in this proceeding, LTD Broadband will provide redacted versions of the filings submitted under confidential protection in Exhibit A, Docket No.

15. Enclosed for filing in the above-referenced matter are redacted copies of LTD Broadband's responses to staff RFI submitted as Exhibit A under confidential protection, attached hereto as REDACTED EXHIBIT A.

The second item LTD responds to relates to staff's recommendation on response to RFI No. 3. In its response, staff states it finds that LTD's Application for Protection satisfies the requirements of North Dakota Century Code for protection of information for LTD's financial records and cost estimate, which were submitted in response to RFI Nos. 1 and 2. However, staff indicates it does not have enough information to determine if LTD Broadband's response to RFI No. 3 regarding estimated construction timeline and build out information would cause injury. As a result, staff recommends denial of protection for LTD Broadband's response to RFI No. 3 unless additional information is provided.

The Commission's rules grant a presumption of confidentiality to certain information. LTD submits the information in RFI No. 3 qualifies for protection under N.D. Admin. Code § 69-02-09-13. The Commission's rules provide that certain information filed by telecommunications companies "is protected without need for the originator to file an application [for protection] and without further action by the commission" N.D. Admin. Code § 69-02-09-13. "Detailed information concerning telecommunications infrastructure projects" such as LTD's estimated infrastructure to be installed in North Dakota, is expressly the type of designated information in which protection is presumed. *Id.* at § 69-02-09-13. The issue of confidential protection of RFI No. 3 is governed by Section 69-02-09-13, and the information is granted protection under its provisions. Notwithstanding the foregoing, additional bases warranting protection of the response to RFI No. 3 are set forth in Section 3 of LTD's Application for Protection, incorporated herein, and for the reasons further explained below. For reference, LTD has redacted from public disclosure only those specific portions of its response to RFI No. 3 expressly referencing the amount of LTD's estimated infrastructure buildout.

The information contained in LTD's response to RFI No. 3 regarding estimated infrastructure buildout is included as part of the technical description in LTD's RDOF long-form application submitted to the Federal Communications Commission ("FCC"), and is treated as confidential by the FCC. *See* 47 CFR § 0.459(a)(4). Winning bidders are required to submit technical information to support the operational assertions made in the applicant's initial application through the filing of long-form applications. Information is submitted to the FCC in long-form applications in various stages. The FCC treats information contained in an RDOF applicant's detailed technical description submission as confidential, and specifically protects it from routine public inspection.¹ The information contained in LTD's response to RFI No. 3 is included within LTD's Stage II long-form FCC application, as part of the technical description of the network to be built, and is treated as presumptively confidential by the FCC.

¹ *Rural Digital Opportunity Fund Phase I Auction Scheduled for October 29, 2020; Notice and Filing Requirements and Other Procedures for Auction 904*, Public Notice, 35 F.C.C. Rcd. 6077, 6167 – 6168, 6175 (2020).

“Trade secret, proprietary, commercial, and financial information is confidential if it is of a privileged nature and it has not been previously publicly disclosed.” N.D.C.C. § 44-04-18.4(1) (emphasis added). Trade secret information is exempt from disclosure under North Dakota’s open record laws. *See* N.D.C.C. § 44-04-18.4(1). In recognition of that fact, the Commission’s regulations provide a process by which an applicant may request trade secret protection for its filings. *See* N.D. Admin. Code. ch. 69-02-09. LTD Broadband submitted such an application. The Commission’s rules provide that information will be protected if it qualifies for the definition of “trade secret” under N.D.C.C. § 47-25.1-01, or if it qualifies upon other specific bases. *See* N.D. Admin. Code §§ 69-02-09-01(4), 69-02-09-03. As explained in LTD’s Application for Protection, the information in response to RFI No. 3 relates to estimated miles of infrastructure buildout and meets the definition of “trade secret” under North Dakota law. “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, technical know-how, or process, that: (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons that can obtain economic value from its disclosure or use; and (2) Is the subject of efforts that are reasonable under the circumstances to maintain the secrecy of the information. *See* N.D.C.C. §§ 47-25.1-01(4); 44-04-18.4(2)(d). The information for which protection is sought meets these requirements.

The information in RFI No. 3 meets the first requirement for confidential protection. The build out information in RFI No. 3 derives independent economic value from not being generally known or readily ascertainable by other persons and competitors of LTD who could obtain economic value or advantage from the information’s disclosure. Any release or public disclosure of the redacted information in response to RFI No. 3 would materially harm LTD Broadband, as it would expose to LTD’s competitors sensitive and proprietary “trade secret” market information related to infrastructure to be installed by LTD. Disclosure would provide competitors with the ability to undermine LTD’s business relationships, and allow parties to share the information more broadly with other competitors, vendors, and suppliers to the disadvantage of LTD. Examples of potential harm that could be caused by disclosure include potential impacts to price negotiations with vendors and suppliers that may be inclined to increase various underlying cost assumptions and/or adjust service and completion timelines; disclosure could also impact LTD’s competitive ability to contract, and install and roll out service in a competitive and timely manner as competitors would have commercial advantage of knowing the amount of infrastructure LTD estimates to install to provide its services. The information also meets the second requirement for trade secret protection. The information is not readily available by public means to competitors or the general public. The information is not disclosed to the public or to persons other than authorized employees and agents of LTD Broadband who need to know the information to fulfill their responsibilities, third persons bound by agreement to maintain confidentiality of the information, and regulatory bodies such as the FCC which treats detailed technical information submitted by RDOF applicants as presumptively confidential. *See* Docket No. 14, Application for Protection, Section 3.

In addition to meeting the definition of “trade secret,” for the above reasons, and as further explained in LTD’s Application for Protection, the confidential buildout information within RFI No. 3 is also considered “commercial” and “proprietary” information under N.D.C.C. §§ 44-04-

18.4(2)(a) and 44-04-18.4(2)(c)(5), respectively. The information is “commercial” in nature because it directly relates to and impacts the buying of goods and services associated with infrastructure buildout to ultimately furnish and sell services, and disclosure would “cause substantial competitive injury.” N.D.C.C. § 44-04-18.4(2)(a). Similarly, the information also constitutes “proprietary” information under Section 44-04-18.4(2)(c)(5), as it is contained within technical records submitted to the FCC, and disclosure could “cause harm to the submitting person’s business” as previously explained.

For these reasons, and as originally explained in Section 3 of LTD’s Application for Protection (Docket No. 14), LTD Broadband has met its burden of demonstrating that the information relating to estimated infrastructure buildout is confidential under North Dakota law, and protection of this information is warranted.

Please feel free to contact me with any questions.

Sincerely,



Casey A. Furey

CAF/lh

Enc.

cc: ALJ Timothy J. Dawson (via email)
John M. Schuh (via email)
Brian L. Johnson (via email)
Patrick Fahn (via email)
Victor Schock (via email)
Stephen E. Coran (via email)
Corey Hauer (via email)

REDACTED

EXHIBIT A

(Redacted version of Exhibit A filed as Docket No. 15)

LTD Broadband LLC
Case No. PU-21-168

CROWLEY | FLECK PLLP
ATTORNEYS

Casey A. Furey
100 West Broadway, Suite 250
P.O. Box 2798
Bismarck, ND 58502-2798
701.223.6585
cfurey@crowleyfleck.com

August 10, 2021

Via U.S. Mail

Mr. Steve Kahl
Executive Director
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480
ndpsc@nd.gov

**In re: LTD Broadband LLC
Designated Eligible Carrier Application
Case No. PU-21-168
Our File No. 061406-000001**

Dear Mr. Kahl:

On behalf of LTD Broadband LLC ("LTD Broadband"), enclosed for filing in the above-referenced matter please find an original and seven hard copies of LTD Broadband's Application to Protect Information.

Also enclosed but **not** to be filed is a sealed envelope marked **PROTECTED INFORMATION - PRIVATE - Exhibit A** - containing confidential materials relating to the application.

Please feel free to contact me with any questions.

Sincerely,


Casey A. Furey

CAF/lh
Enc.

cc: Victor Schock (via email)
Steve Coran (via email)
Corey Hauer (via email)

BILLINGS BISMARCK BOZEMAN BUTTE CASPER CHEYENNE HELENA KALISPELL MISSOULA SHERIDAN WILLISTON

CROWLEY FLECK PLLP
ATTORNEYS

CROWLEY | FLECK^{PLLP}
ATTORNEYS

Casey A. Furey
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P.O. Box 2798
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701.223.6585
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August 10, 2021

Via Hand Delivery

Mr. Victor Schock
Public Utilities Analyst
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

CONFIDENTIAL

In re: Response to Request for Information
LTD Broadband LLC
ETC Designation Application
Case No. PU-21-168
Our File No. 061406-000001


Dear Mr. Schock:

The following information is submitted by way of legal counsel on behalf of LTD Broadband LLC ("LTD Broadband") in response to your July 20, 2021 Request for Information Nos. 1, 2, and 3. The below information and attached financial statements are **CONFIDENTIAL**, contain trade secret information, and are not for public disclosure. The below information and attached financial statements are submitted under LTD Broadband's Application to Protection Information filed herewith.

Request No. 1 - Three years of audited financial statements.

Response: See Attached 2018, 2019, and 2020 audited financial reports.

Request No. 2 - LTD Broadband's estimated cost to install the necessary infrastructure to serve all 831 locations in North Dakota.

Response: 

BILLINGS BISMARCK BOZEMAN BUTTE CASPER CHEYENNE HELENA KALISPELL MISSOULA SHERIDAN WILLISTON

CROWLEYFLECK.COM



CONFIDENTIAL

Page 2

Request No. 3. – LTD Broadband's construction plans in North Dakota (date to begin construction, number of locations and miles of fiber planned to be installed each year for the next five years).

Response: Date to begin construction will be driven by the date the Federal Communications Commission makes funds available. LTD Broadband will be building [REDACTED] and intends to build more than [REDACTED] per year and complete the build in the first 3 years.

Please feel free to contact me with any questions. Thank you.

Sincerely,

Casey A. Furey

A handwritten signature in blue ink, appearing to read 'Casey A. Furey', is written over the typed name. The signature is stylized and cursive.

LTD Broadband LLC

Financial Statements

December 31, 2018 and 2017

LTD Broadband LLC

Table of Contents	Pages
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	2
Statements of Operations	3
████████████████████	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10



Independent Auditor's Report

The Member
LTD Broadband LLC
Las Vegas, Nevada

We have audited the accompanying financial statements of LTD Broadband LLC, which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, [REDACTED] and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LTD Broadband LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Lurie, LLP".

Lurie, LLP
Minneapolis, Minnesota

April 15, 2019

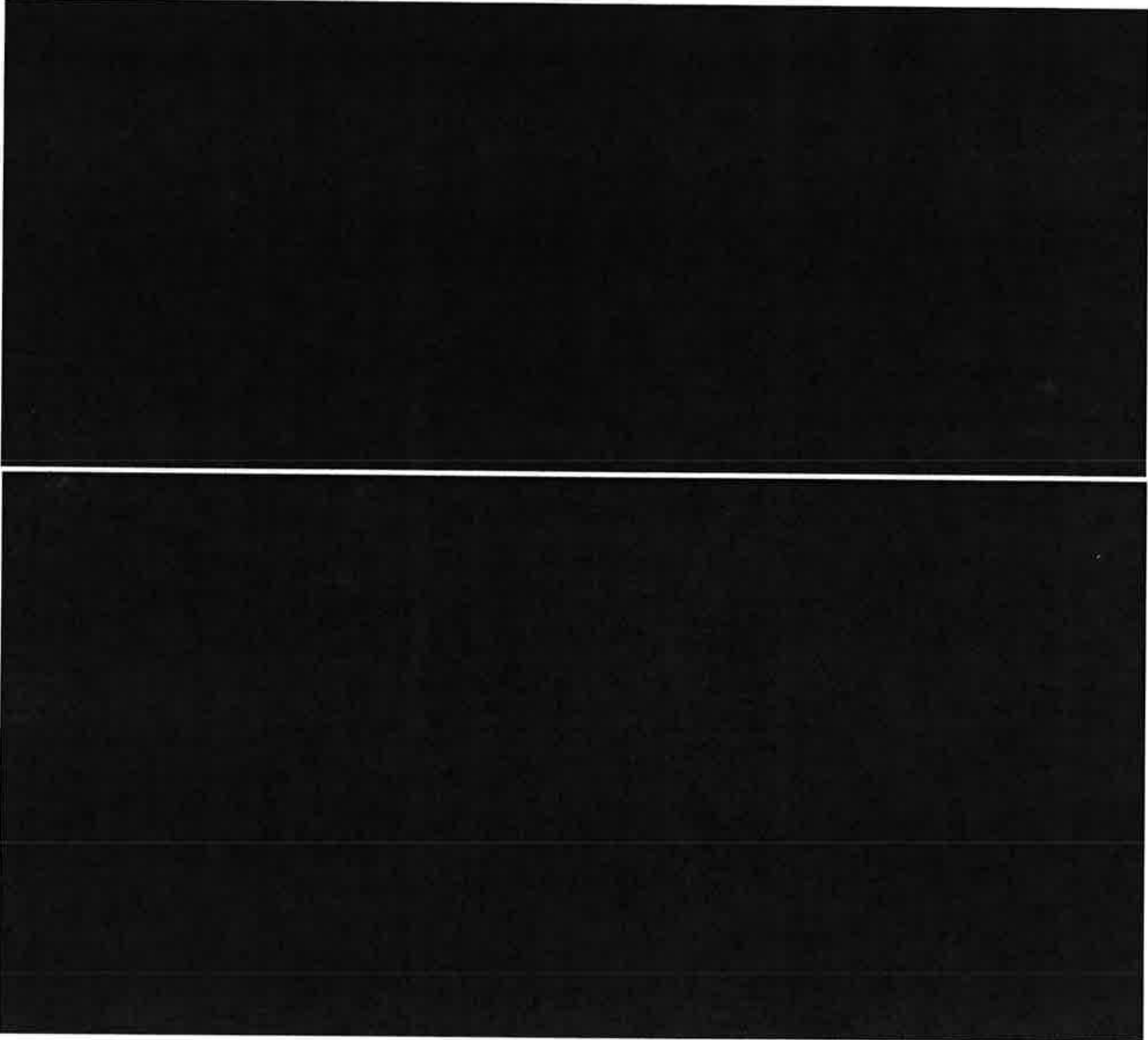
LTD Broadband LLC

Balance Sheets

December 31

2018

2017

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See notes to financial statements.

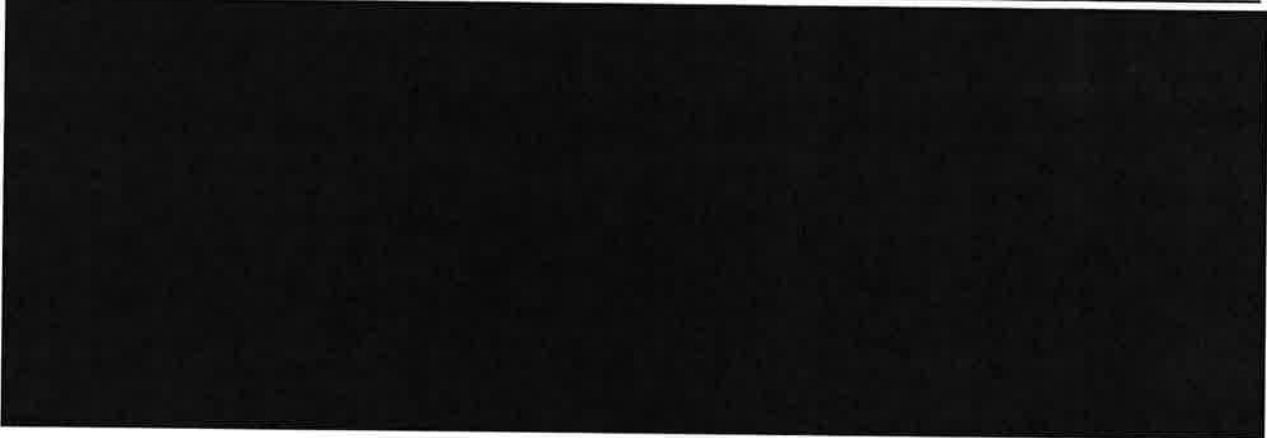
LTD Broadband LLC

Statements of Operations

Years Ended December 31

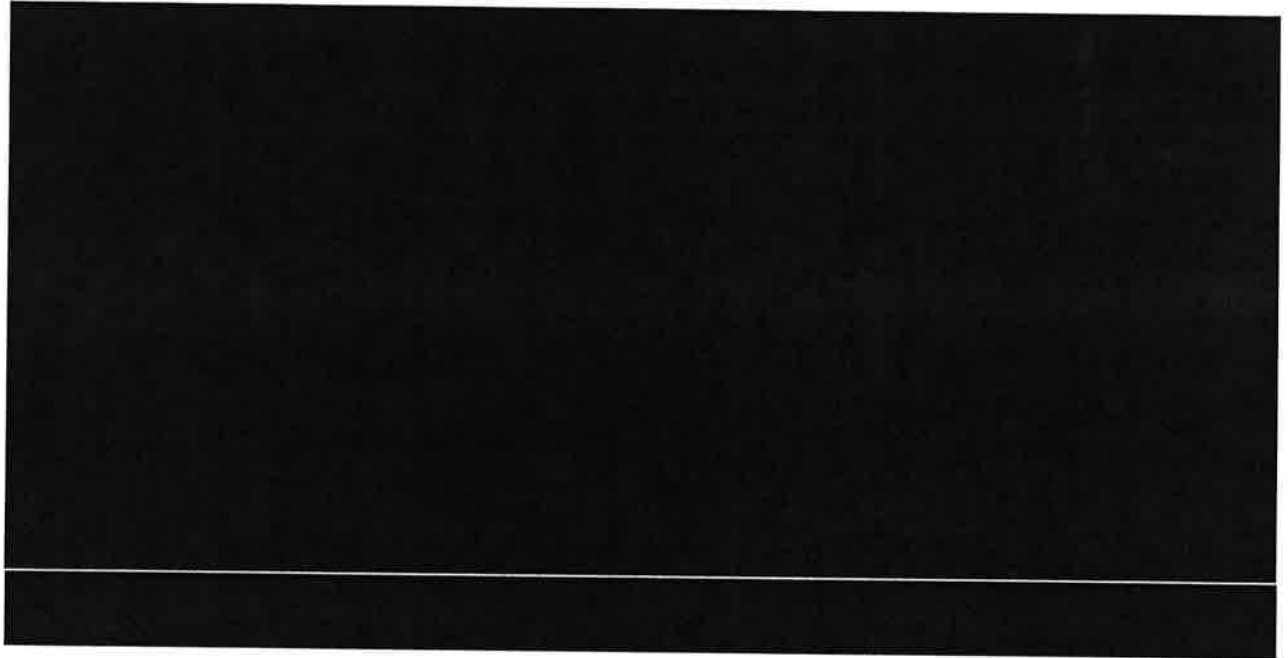
2018

2017



See notes to financial statements.

LTD Broadband LLC



See notes to financial statements.

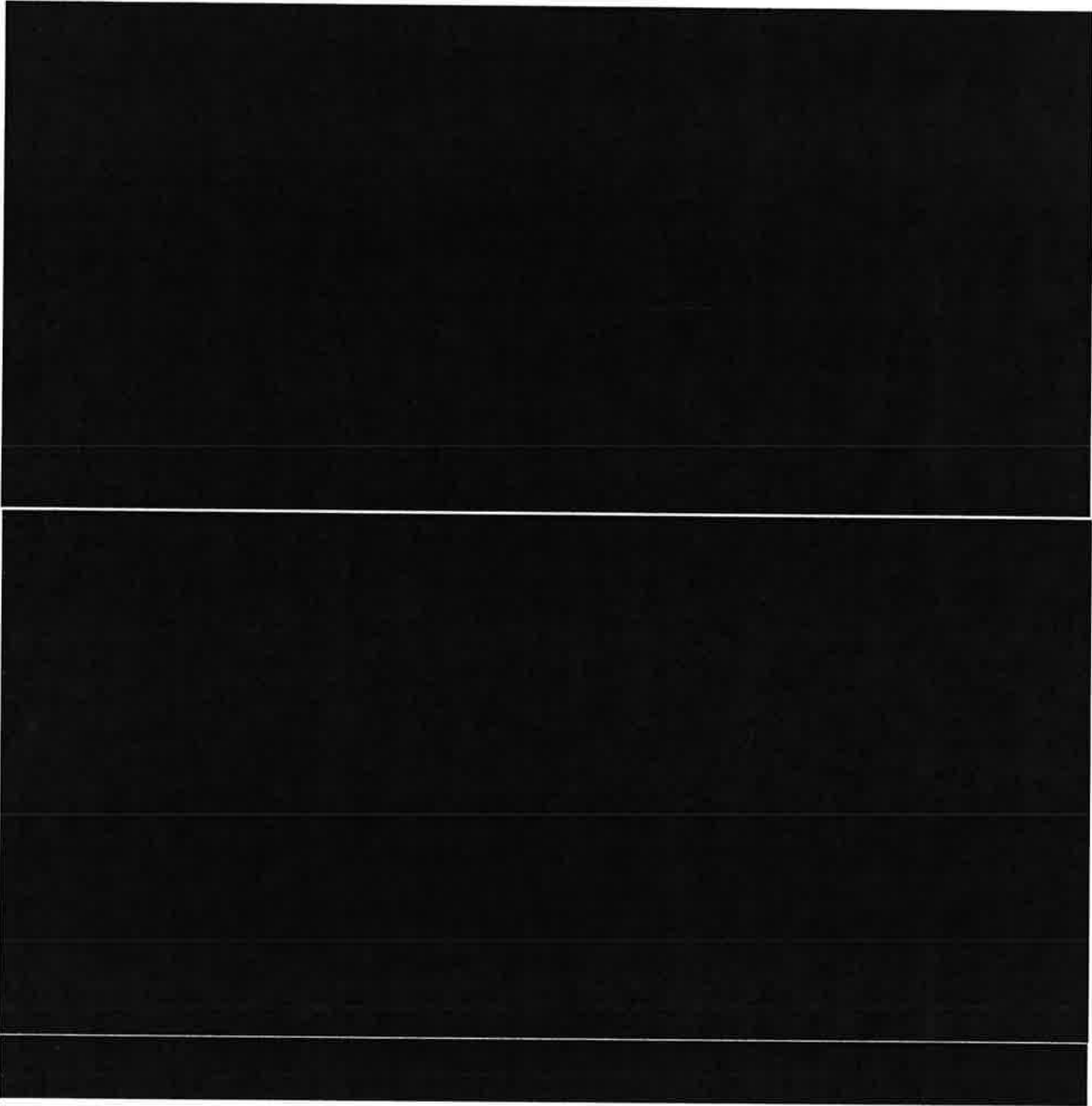
LTD Broadband LLC

Statements of Cash Flows

Years Ended December 31

2018

2017



See notes to financial statements.

LTD Broadband LLC

Notes to Financial Statements

1. Description of Business and Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred and were approximately \$ [REDACTED] for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

Profit and losses of the Company are reported on the income tax returns of the member. Accordingly, no provision for income taxes is recorded by the Company. [REDACTED]

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Company is no longer subject to income tax examinations for years prior to 2015.

Recently Issued Accounting Standards

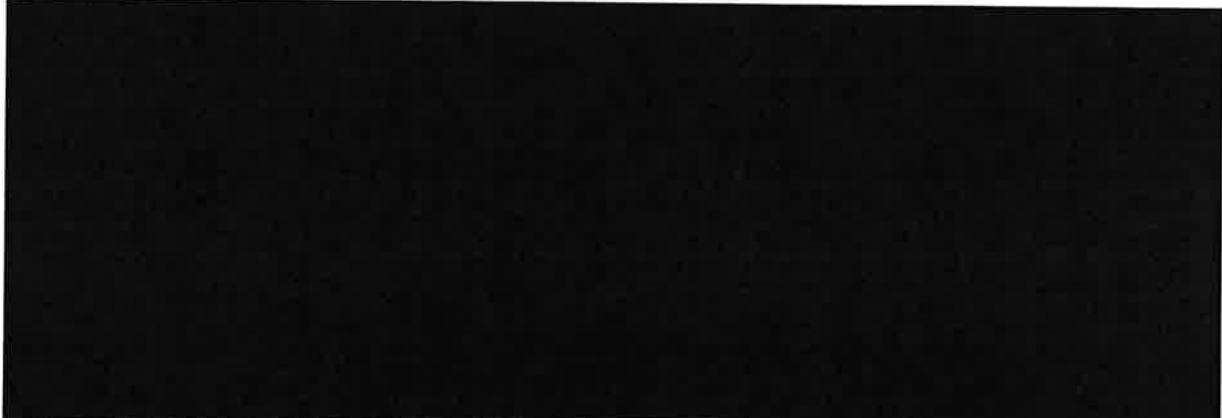
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new guidance will replace most existing revenue recognition guidance in U.S. GAAP and will affect all companies that enter into contracts with customers. The new standard provides a five-step process for determining when revenue should be recognized to match the transfer of goods and services. This update is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact this standard will have its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new guidance will require capitalization of a "right-of-use asset" and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. This update is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact this standard will have on its financial statements.

LTD Broadband LLC

Notes to Financial Statements

2.



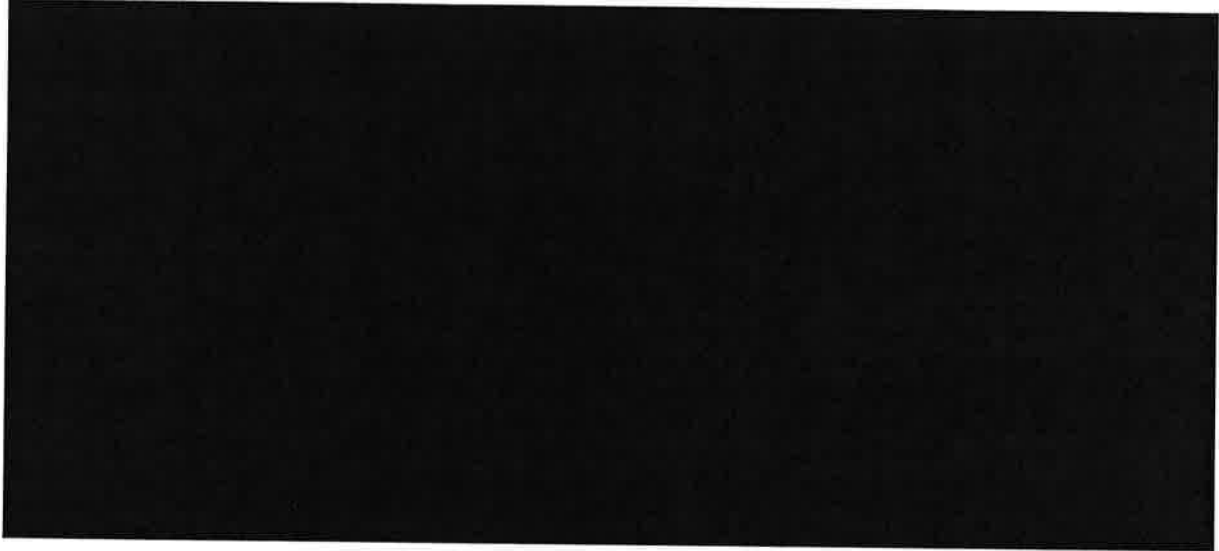
3.



LTD Broadband LLC

Notes to Financial Statements

4.



5. Contingencies and Concentrations

From time to time in the ordinary course of business, the Company may be named as a defendant in legal proceedings related to various issues, including without limitation, tort claims or contractual disputes, none of which are currently expected to have a material adverse impact on the Company.

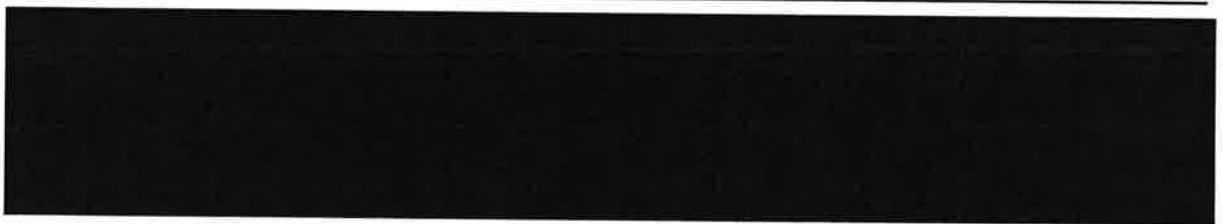
The Company currently focuses on a single service to its customers. Due to this concentration, the Company has the potential for a near-term severe impact resulting from various matters including technology changes and market competition.

6. Retirement Plan

The Company participates in a 401(k) plan covering employees who meet certain eligibility requirements. The Company matches 3% of participant contributions each year. The Company's contribution to the plan was approximately \$ [REDACTED] for the years ended December 31, 2018 and 2017, respectively.

7. Supplementary Disclosures of Cash Flow Information

Additional cash flow information is as follows:



LTD Broadband LLC

Notes to Financial Statements

8. Subsequent Events

[REDACTED]

Management has evaluated subsequent events as of April 15, 2019, the date the financial statements were available to be issued.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

The Member
LTD Broadband LLC
Las Vegas, NV

Report on the Financial Statements

We have audited the accompanying financial statements of LTD Broadband LLC (the Company), which comprise the balance sheet as of December 31, 2019, and the related statements of income, equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Prior Period Financial Statements

Restatement of Prior Year Financial Statements

The financial statements of LTD Broadband as of December 31, 2018 were audited by other auditors whose report dated April 15, 2019, expressed an unmodified opinion on those statements. As discussed in the notes to the financial statements, the 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

As part of our audit of the 2019 financial statements, we also audited the adjustments described in the notes that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of LTD Broadband LLC other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements taken as a whole.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

August 18, 2020



LTD Broadband LLC

Internal Annual Financial Statements and Footnotes

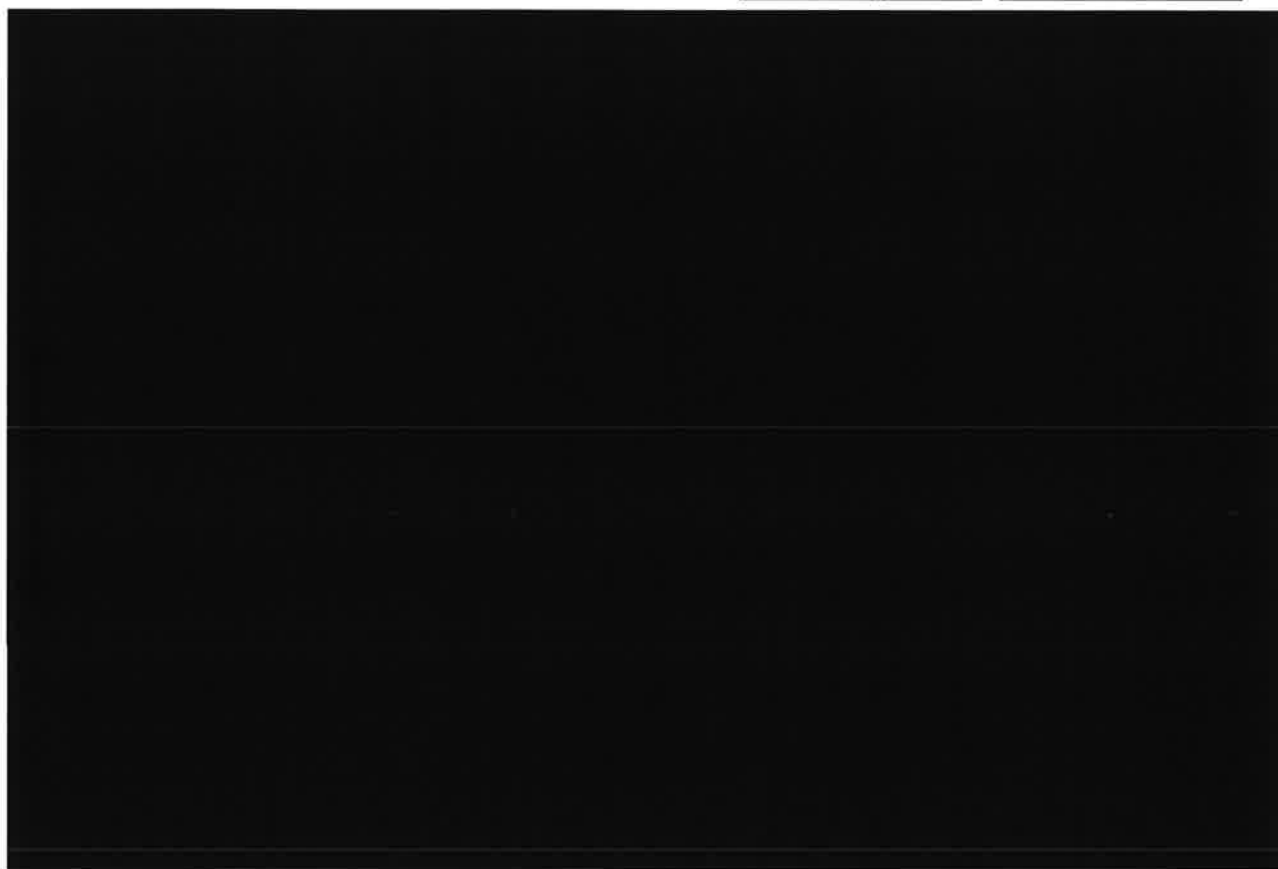
For the years ended 12/31/19 and 12/31/18 (Restated)

LTD Broadband LLC
Balance Sheets
As of 12/31/19 and 12/31/18 (Restated)

(Restated)

2019

2018

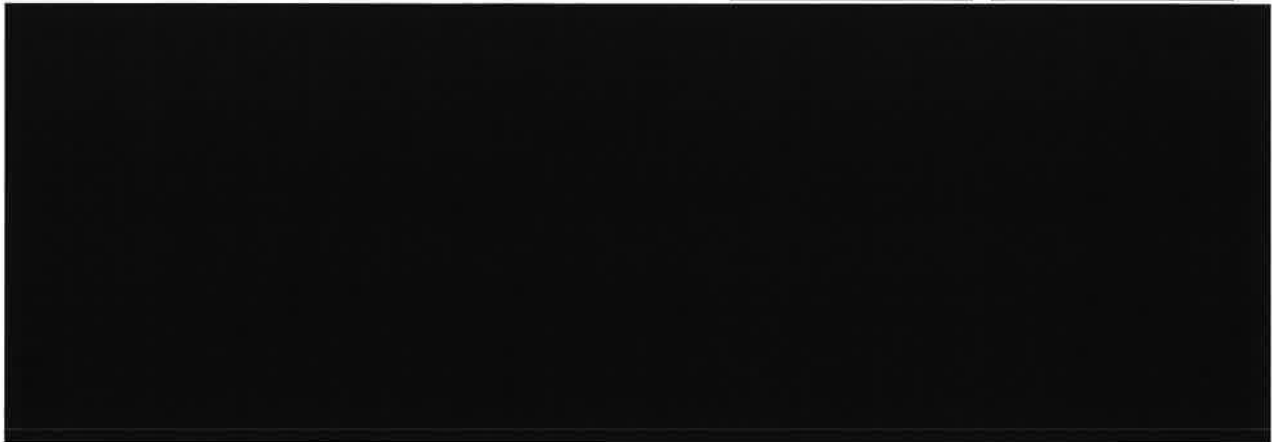
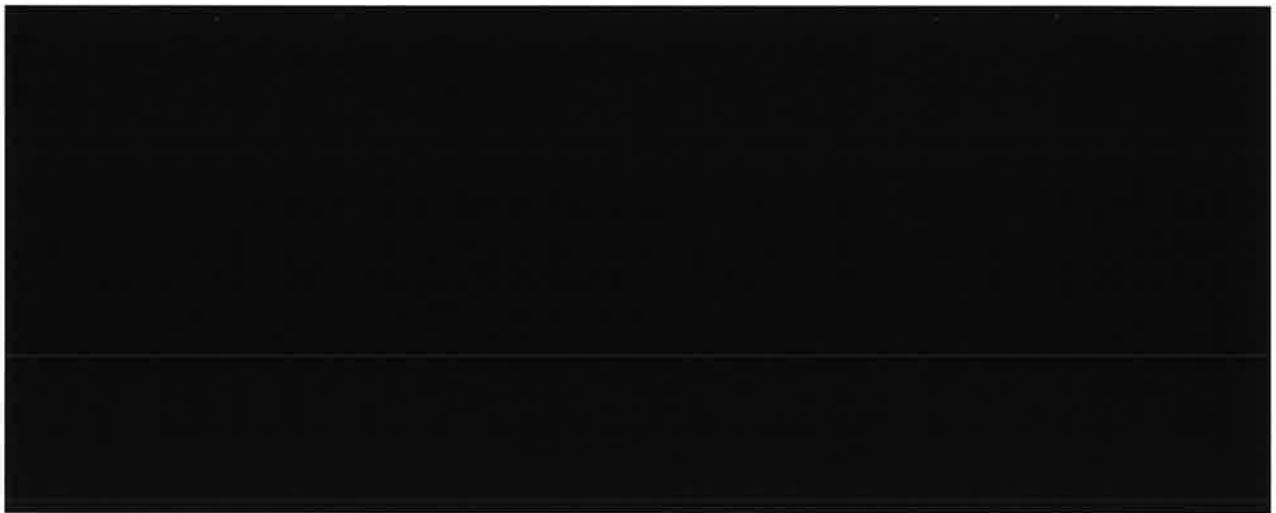


LTD Broadband LLC
Balance Sheets
As of 12/31/19 and 12/31/18 (Restated)

(Restated)

2019

2018

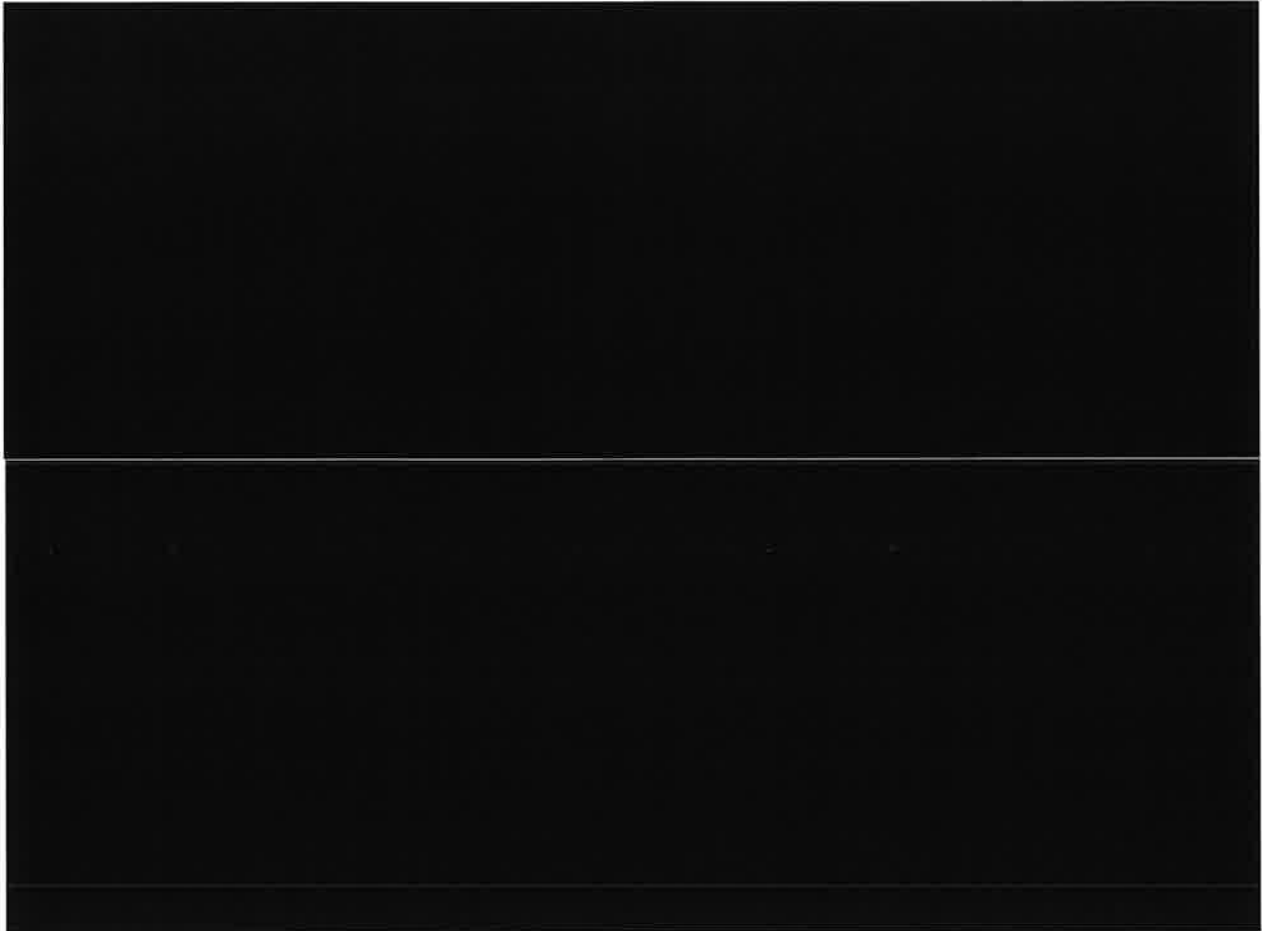
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LTD Broadband LLC
Statements of Income
For the years ended 12/31/19 and 12/31/18 (Restated)

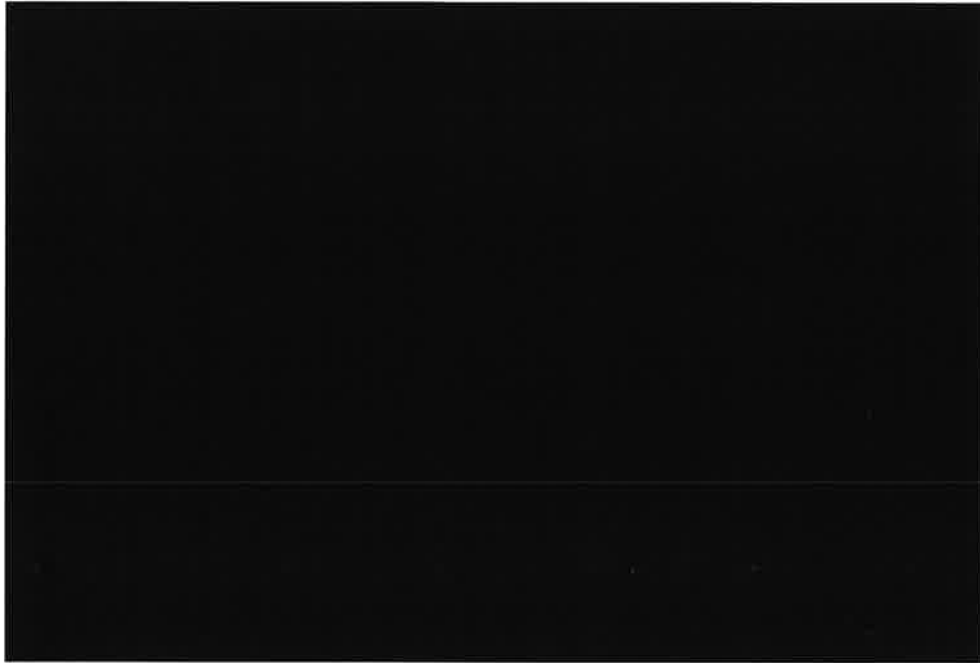
(Restated)

2019

2018



LTD Broadband LLC
Statements of Equity
For the years ended 12/31/19 and 12/31/18 (Restated)



LTD Broadband LLC
Statements of Cash Flows
For the years ended 12/31/19 and 12/31/18 (Restated)

	<u>2019</u>	<u>(Restated)</u> <u>2018</u>

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 1: Summary of Significant Accounting Policies

Business Activity - Nature of Operations

LTD Broadband LLC (the Company) is a provider of broadband internet services within service areas located primarily in Iowa, Minnesota, Nebraska, South Dakota and Wisconsin.

System of Accounts

The accounting records of the Company conform to the Uniform System of Accounts prescribed by the Federal Communications Commission for Class A telephone companies.

Revenue Recognition

Monthly service plan revenues derived from internet service are billed for services to be provided in the future. The portion of the revenues identified as out of period are deferred as service revenues at the end of each month.

Cash and Cash Equivalents

The Company considers cash and working funds, and temporary cash investments with a maturity date of less than three months to be cash and cash equivalents.

Concentrations of Credit Risk

██
██

Trade Accounts Receivable

In the normal course of business, the Company recognizes accounts receivable for services billed. The Company allows 30 days from the date of billing for payment to be received or the service is disconnected. No interest is accrued on delinquent balances. The Company provides an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of the receivables.

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Installation Costs

The Company charges most customers an installation cost for new services, as well as a contract for service ranging from one year to five years. The installation costs represent a portion of the labor, equipment and minor materials needed to connect broadband service to the customers. The deferred installation costs are amortized over the life of the associated customer contract.

Deferred Service Revenues

Deferred service revenues represent amounts billed to customers for internet services not performed as of the years ended December 31, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs represent amounts paid to obtain the Company's obligations under capital leases. These amounts are amortized over the term of the related debt and are reported as a reduction to obligations under capital leases.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Internet Plant in Service

Internet plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward construction are credited to the applicable plant accounts.

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

[Redacted]

[Redacted]

[Redacted]

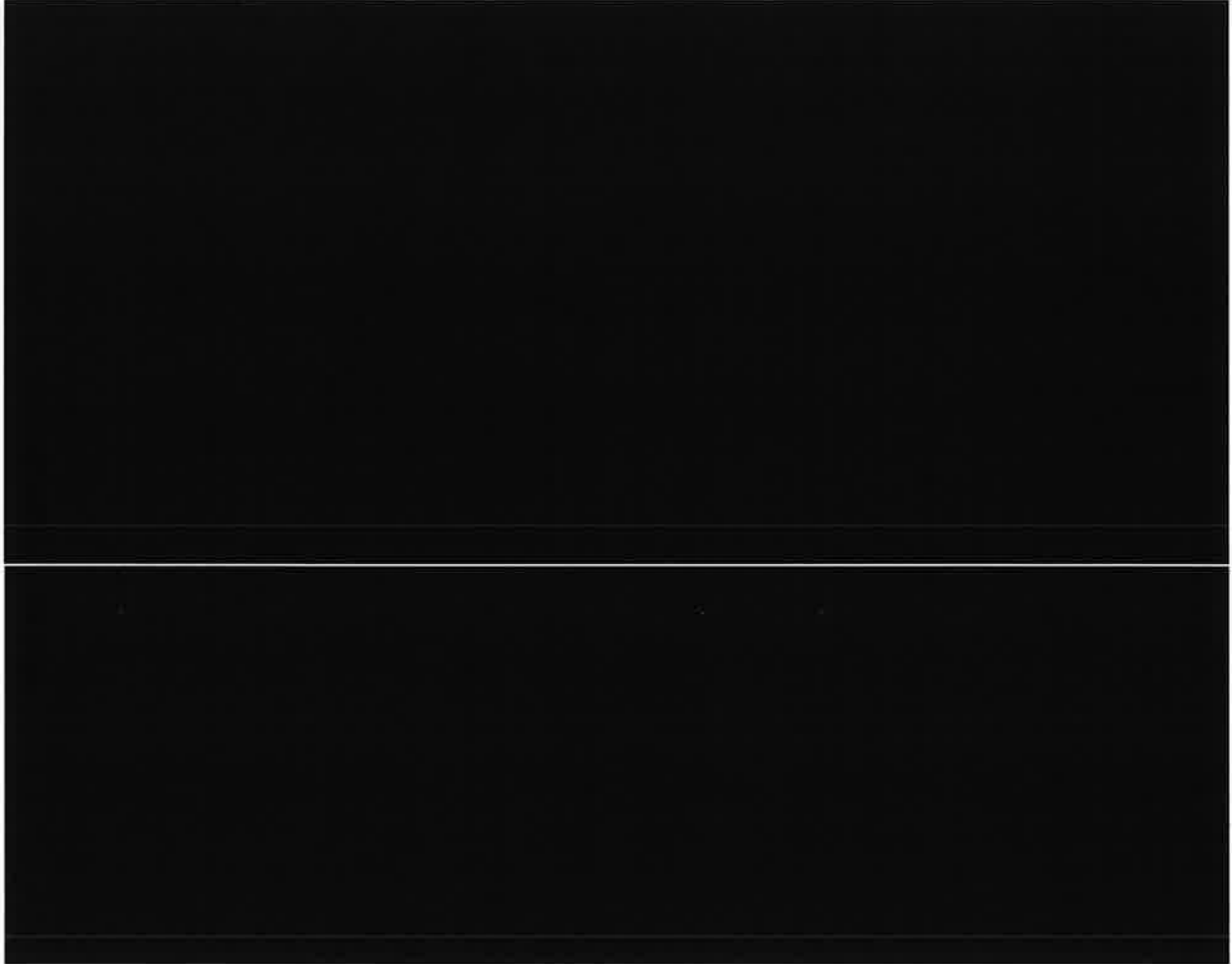
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[Redacted]

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18



LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18



LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18



Note 5: Connect America Fund Phase II

The Connect America Fund Phase II (CAF2) is part of the Federal Communications Commission's (FCC) reform and modernization of its universal service support programs. The universal service support programs were designed to promote the availability of quality services at just, reasonable and affordable rates to all people of the United States.

In 2015, certain price cap telecommunications carriers accepted an offer of CAF2 support in exchange for deploying and maintaining voice and broadband service in the high-cost areas in their respective states. The areas for which these price cap telecommunications carriers did not accept support, as well as other areas, were made available in the CAF2 auction.

In 2018, the FCC conducted the auction to allocate CAF2 support to certain eligible areas across the United States. The auction ran from July 24, 2018 to August 21, 2018.

On August 28, 2018, the FCC released a public notice to announce that bidding in the CAF2 auction had concluded. In this notice, the Company was awarded CAF2 support in the amount of \$1,193,419 to serve 1,018 assigned locations within the states of Illinois, Iowa, and Minnesota. The funding is disbursed over a ten year period, consisting of equal monthly payments concluding in 2029. On December 16, 2019 the Company received final authorization of their winning bids from the FCC. They began receiving their awarded funding in January 2020.

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 5: Connect America Fund Phase II (Continued)

As terms of their award, the Company is required to meet certain network buildout and service obligation requirements throughout the ten year disbursement period.

Note 6: CAF2 Standby Letter of Credit

During 2019, the Company entered into five (5) irrevocable standby letter of credit agreements with MBT Bank as a condition of their CAF2 award from the FCC. The letters can be called at will by the FCC upon default of certain buildout and service obligations through the ten year award period. The financial requirements of the letters of credit increase annually as the Company progresses through the ten year award period.

As a term of the letters of credit, MBT Bank is requiring the Company to deposit funds into an account, held at MBT Bank that will subsidize the letters of credit in full. The funds are not available for withdrawal as of December 31, 2019. Upon approval of satisfactory completion of certain buildout and service obligation requirements, the FCC will decrease the required letter of credit amounts. Subsequent to the approval, the Company would be able to withdrawal certain funds in the encumbered account held with MBT Bank.

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Note 7: Reclassifications

For comparability, some of the 2018 figures have been reclassified in order to conform to the 2019 presentation. These reclassifications had no effect on net income or member's equity as previously reported.

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 8: Subsequent Events

The Company's management has evaluated subsequent events through August 13, 2020, the date the financial statements were available for issue.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 8: Subsequent Events (Continued)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States (U.S.) Subsequent to year-end, the World Health Organization characterized COVID-19 as a pandemic on March 11, 2020. In addition, multiple jurisdictions in the U.S. have declared states of emergency. There has been no material financial impact to the Company's operations resulting from the pandemic to date. These changes may impact operating costs and reduce net income. It is anticipated that these impacts may continue for some time, and any future effects of these issues are unknown.

Note 9: Leasing Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Note 10: Revenue Recognition Standards

Effective January 1, 2020, the Company will be subject to FASB Codification Topic 606 – Revenue from Contracts with Customers. The core principle of this Topic is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 11: Restatement of Prior Year Financial Statements

During 2019, the Company determined errors had been made in previously issued financial statements. These errors are described as follows:

Accounts Receivable – the Company determined it had incorrectly accounted for credit card payments during 2018 that were not received. These amounts were recognized as income in 2018, however it was determined that this was in error.

Accumulated Depreciation – the Company adjusted its depreciation rate for 2018 and corrected depreciation expense.

Debt Issuance Costs – the Company neglected to amortize debt issuance costs for 2018, this required an entry to true this up in 2019.

The impact of the restated items are explained as follows:



LTD BROADBAND, LLC
LAS VEGAS, NEVADA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2020 AND 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

**LTD BROADBAND, LLC
LAS VEGAS, NEVADA**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



LTD Broadband, LLC
Annual Financial Statements
For the Years Ended 12/31/20
and 12/31/19

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

The Member
LTD Broadband LLC
Las Vegas, NV

Report on the Financial Statements

We have audited the accompanying financial statements of LTD Broadband LLC (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

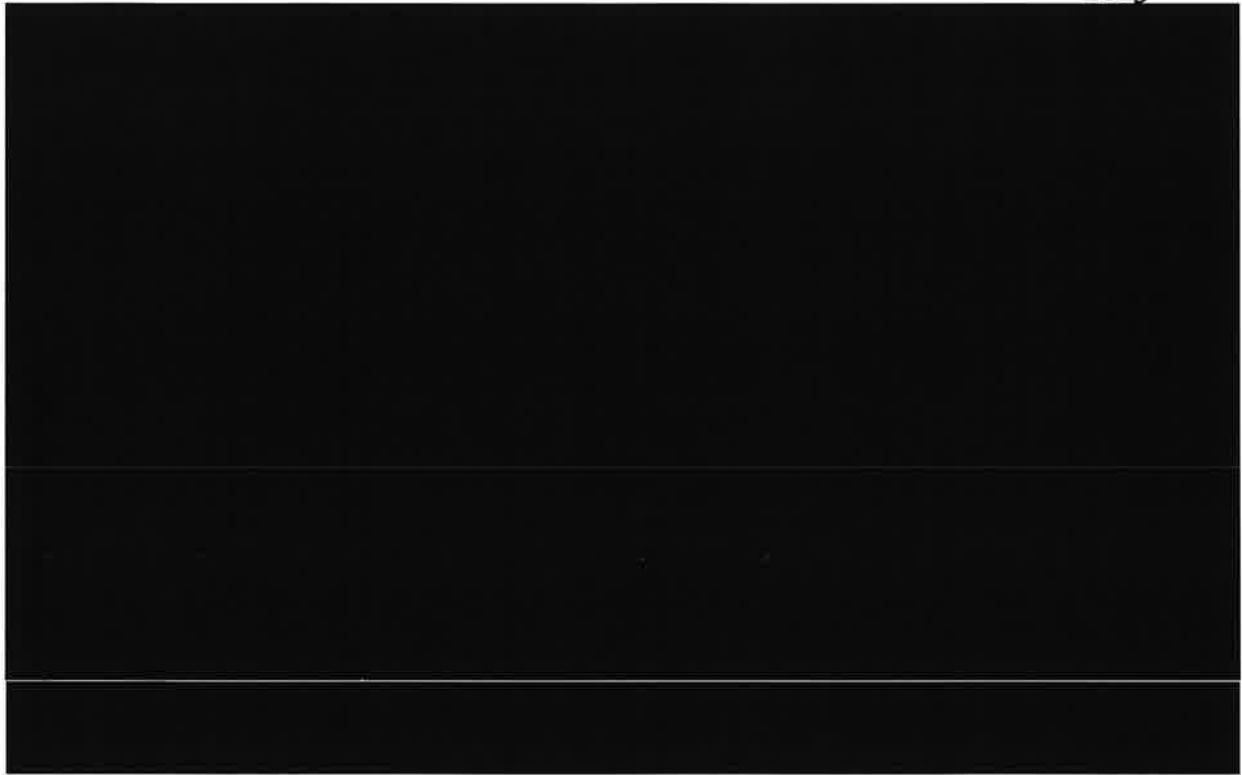
Lubbock, Texas

June 22, 2021

LTD Broadband, LLC
Balance Sheets
As of 12/31/20 and 12/31/19

2020

2019

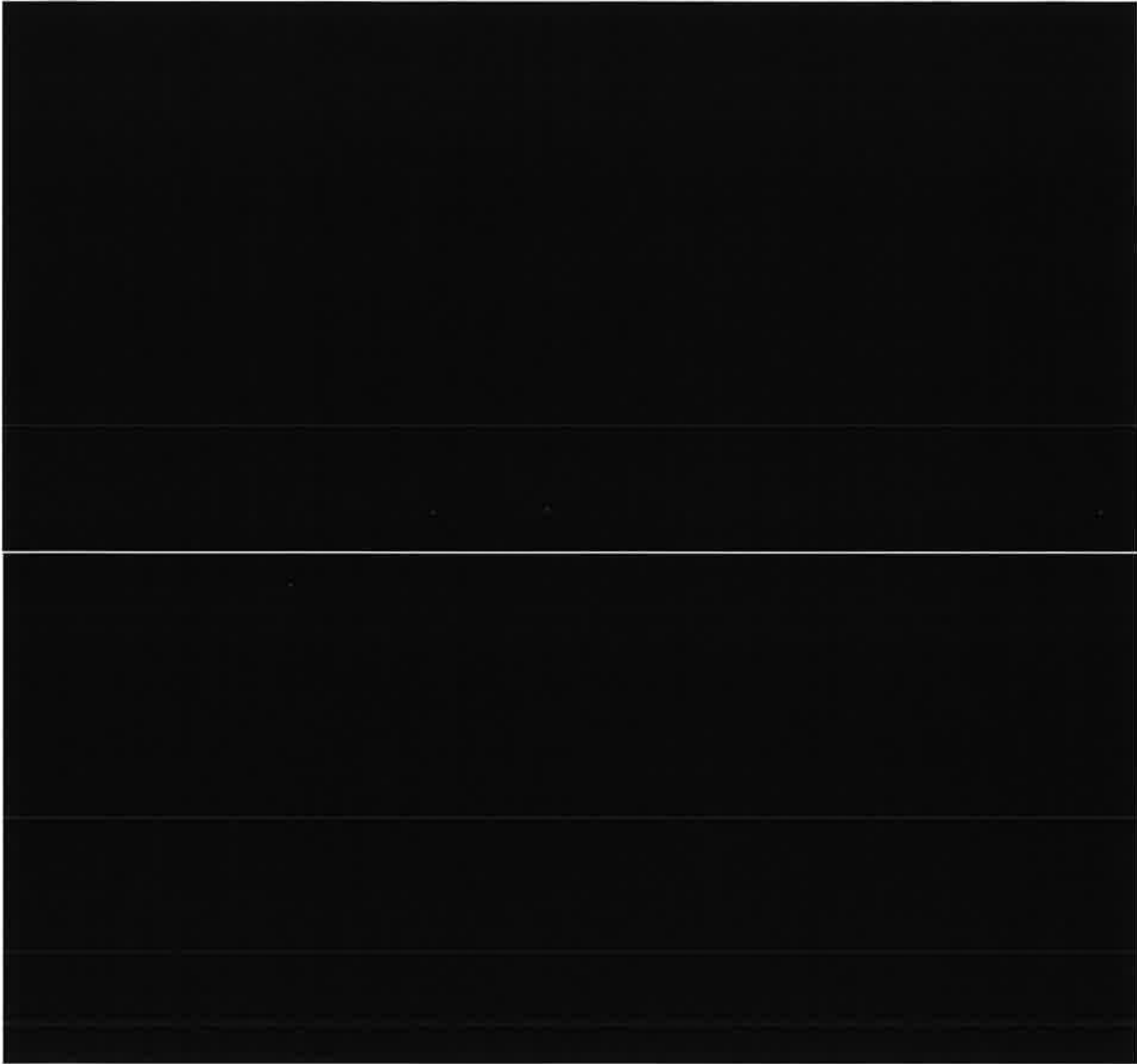


See accompanying notes to
the financial statements

LTD Broadband, LLC
Balance Sheets
As of 12/31/20 and 12/31/19

2020

2019



See accompanying notes to
the financial statements

LTD Broadband, LLC
Statements of Income
For the years ended 12/31/20 and 12/31/19

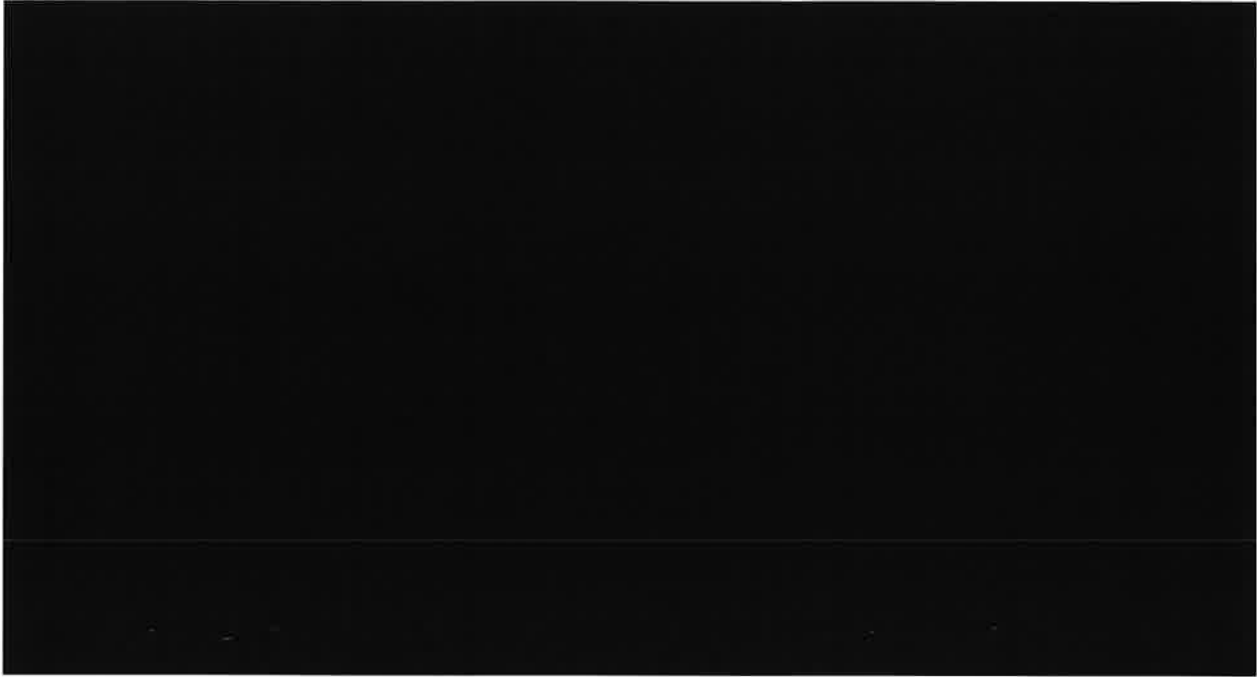
2020

2019



See accompanying notes to
the financial statements

LTD Broadband, LLC
Statements of Members' Equity
For the years ended 12/31/20 and 12/31/19

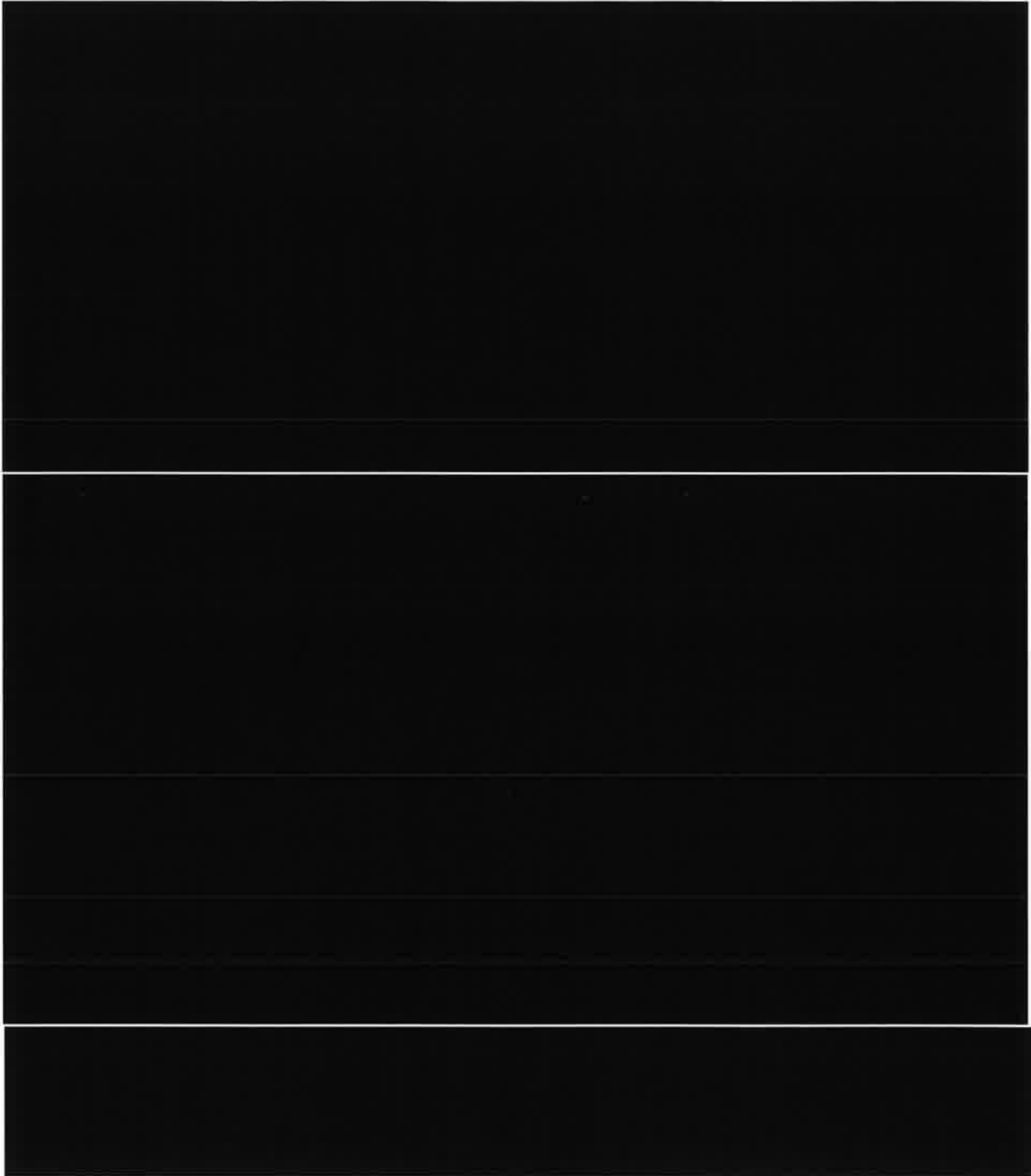


See accompanying notes to
the financial statements

LTD Broadband, LLC
Statements of Cash Flows
For the years ended 12/31/20 and 12/31/19

2020

2019



See accompanying notes to
the financial statements

LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19

Note 1: Summary of Significant Accounting Policies

Business Activity - Nature of Operations

LTD Broadband, LLC (the Company) is a provider of broadband internet services within a service area located primarily in Iowa, Minnesota, Nebraska, South Dakota, and Wisconsin.

System of Accounts

The accounting records of the Company conform to the Uniform System of Accounts prescribed by the Federal Communications Commission for Class A telephone companies.

Revenue Recognition

Monthly service plan revenues derived from internet service are billed for services to be provided in the future. The portion of the revenues identified as out of period are deferred as service revenues at the end of each month.

Concentrations of Credit Risk

██
██

Cash and Cash Equivalents

The Company considers cash and working funds, and temporary cash investments to be cash and cash equivalents.

Trade Accounts Receivable

In the normal course of business, the Company recognizes accounts receivable for services billed. The Company allows 30 days from the date of billing for payment to be received or the service is disconnected. No interest is accrued on delinquent balances. The Company provides an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of the receivables.

Deferred Service Revenues

Deferred service revenues represent amounts billed to customers for internet services not performed as of the years ended December 31, 2020 and 2019.

LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Installation Costs

The Company charges most customers an installation cost for new services, as well as a contract for service ranging from one year to five years. The installation costs represent a portion of the labor, equipment and minor materials needed to connect broadband service to the customers. The deferred installation costs are amortized over the life of the associated customer contract.

Debt Issuance Costs

Debt issuance costs consist of fees and charges paid by the Company to acquire debt. The charges are amortized over the period of the new debt.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, Topic 606, which provides a new framework for the recognition of revenue. The Company implemented the guidance on January 1, 2019.

Generally, revenues that are derived from customers are cancellable on a short-term basis and are billed monthly and recognized as revenue in the month that the performance obligation is fulfilled. Monthly service plan revenues derived from local services, and recurring special access revenues are billed and recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service was provided.

Sales of equipment and other services that are provided are considered to be a separate

LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19

performance obligation. When equipment and installation is a distinct performance obligation, the Company records the sale of the equipment when the customer takes possession of the products and services are accepted by the customer.

Revenue recognized from fixed term contracts that bundle services or equipment is allocated based on the standalone selling price of all required performance obligations of the contract and any discounts are recognized over the contract term. Promotional discounts relating to bundled services are attributed to each required component of the bundled services. There were no material costs to acquire customer contracts that would be required to be deferred and amortized over the contract period.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

All revenues are accounted for under ASC 606 other than CAF2 revenue because all other revenues are considered to be contracts with customers.

Income Taxes

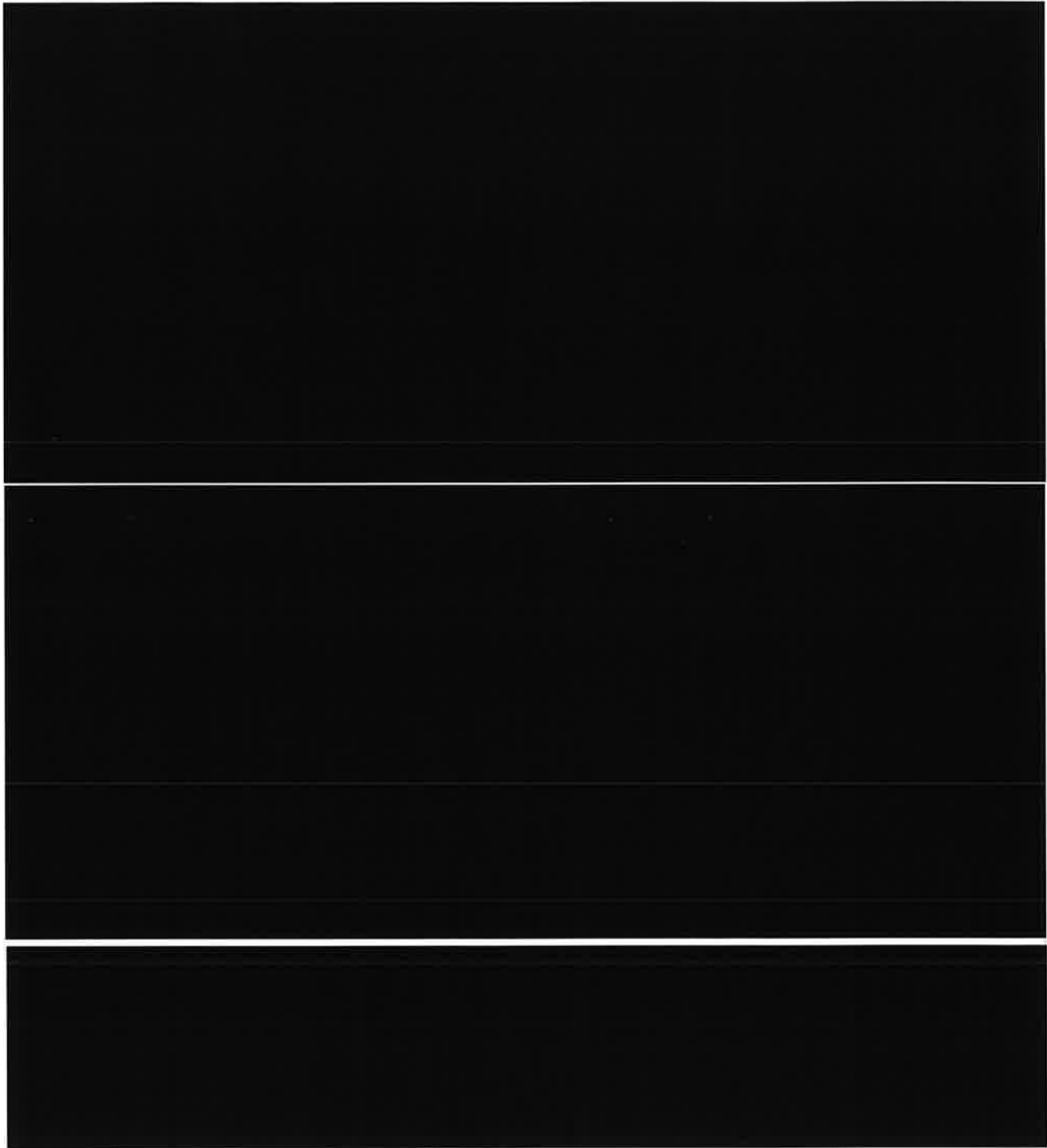
The Company's member has elected to have the company's income taxed as an "S" Corporation under the provisions of the Internal Revenue Code and a similar section of the Nevada income tax law. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal and state income taxes is included in the financial statements.

Note 2: Internet Plant in Service

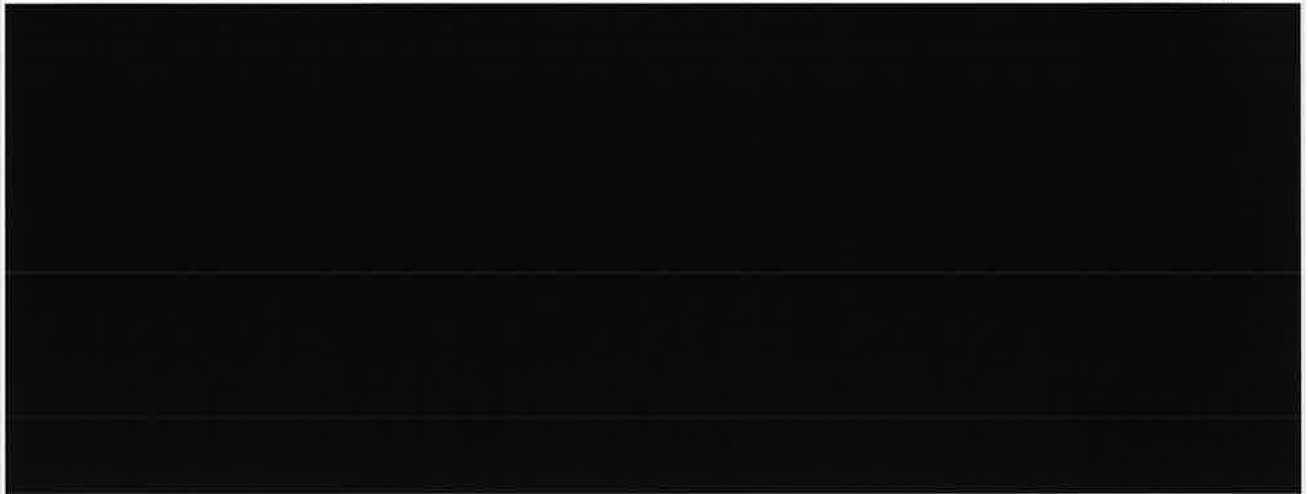
Internet plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward construction are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

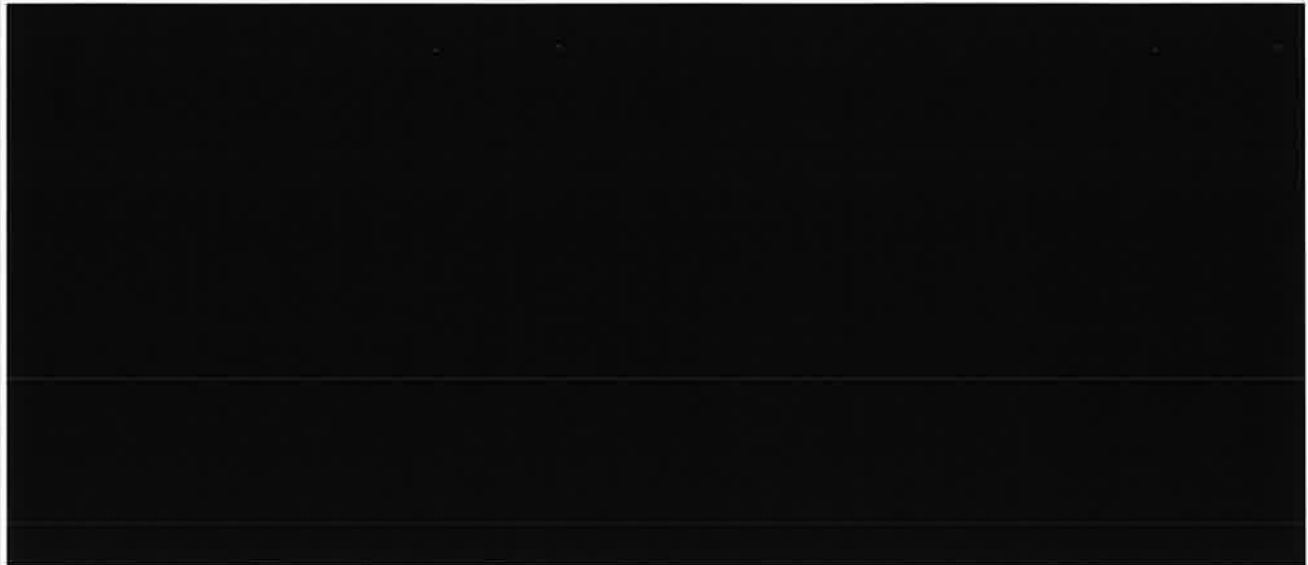
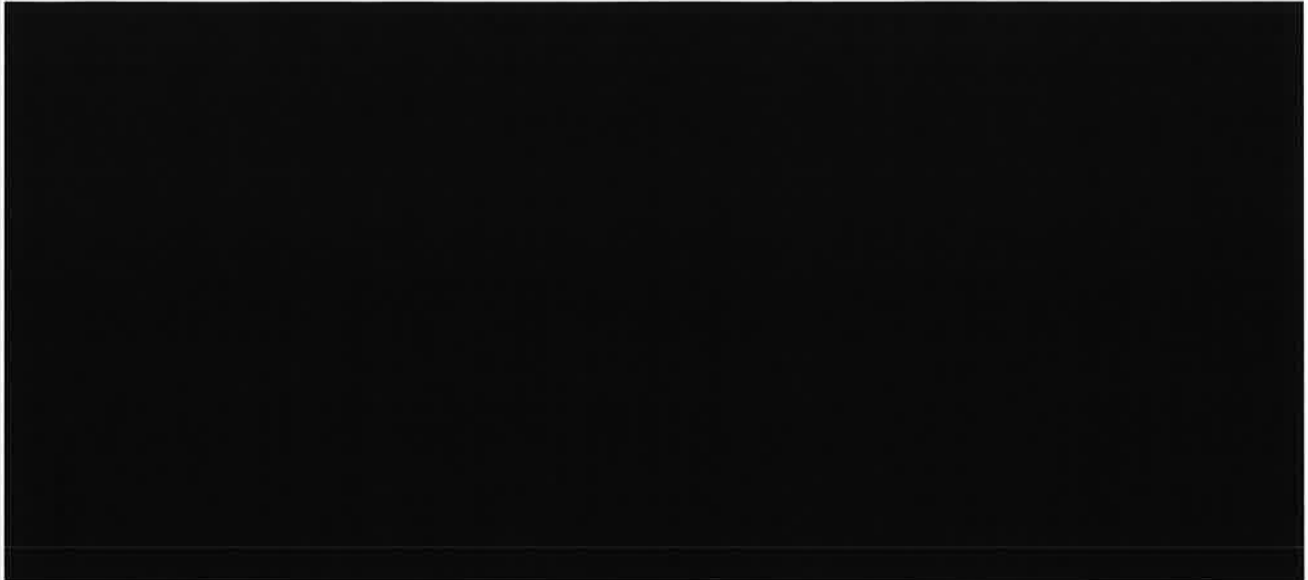
LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19



LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19



LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19



LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19

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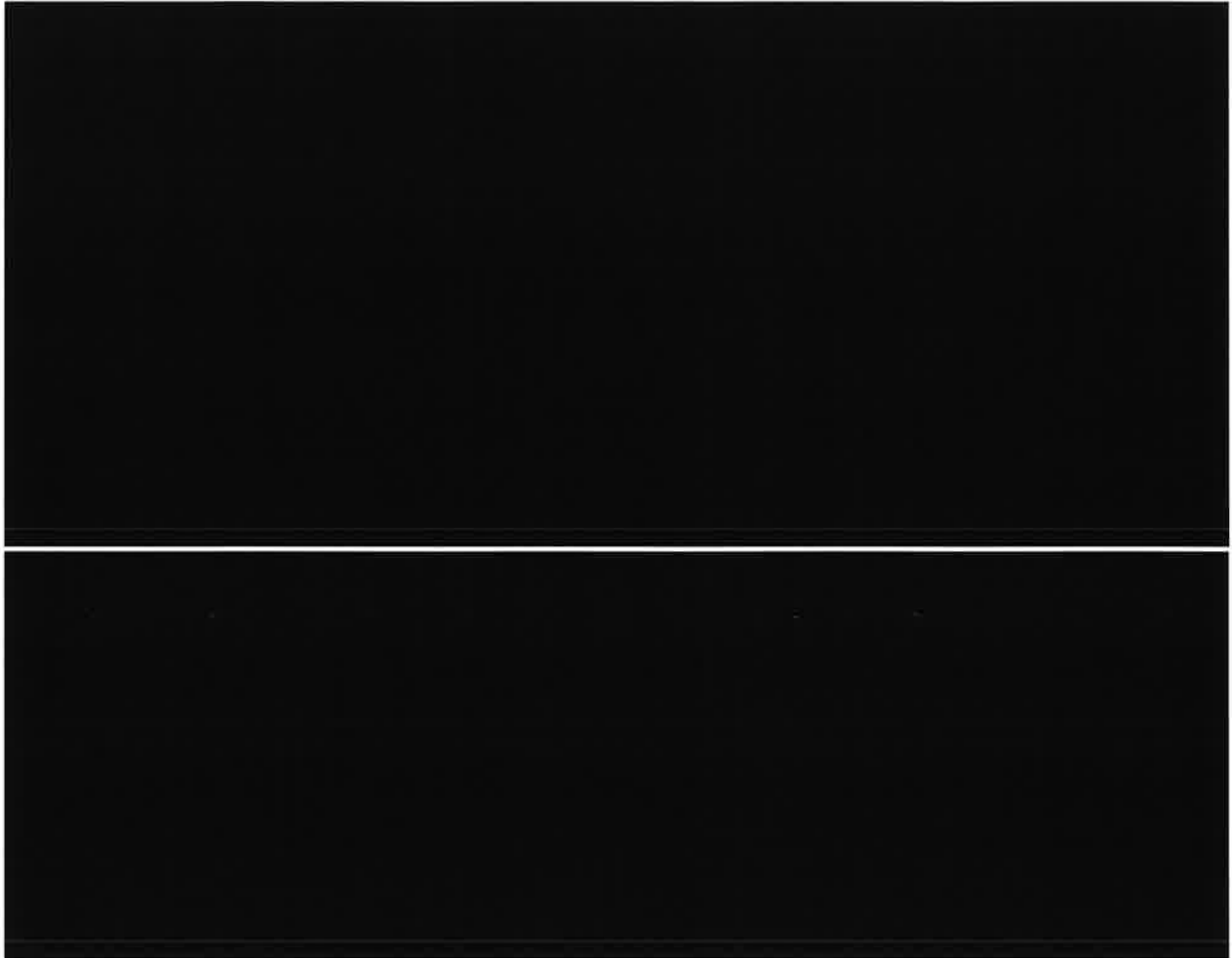
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LTD Broadband, LLC
Notes to the Financial Statements
12/31/20 and 12/31/19



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LTD Broadband, LLC
Notes to the Financial Statements
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Note 10: Subsequent Events

The Company's management has evaluated subsequent events through June 22, 2021, the date the financial statements were available for issue. No matters are reportable.