

Casey A. Furey
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P.O. Box 2798
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October 1, 2021

Via Electronic Mail & Hand Delivery

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
OAH File No. 20210263
Our File No. 061406-000001

Dear Mr. Kahl:

As requested, enclosed for filing in the above-referenced matter please find six hard copies of the Amended Redacted Exhibit A, containing amended redacted copies of the redacted filing Docket No. 23.

Please feel free to contact me with any questions.

Sincerely,


Casey A. Furey

CAF
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)

**AMENDED
REDACTED
EXHIBIT A**

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

LTD Broadband LLC
Case No. PU-21-168

CROWLEY | FLECK PLLP

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**

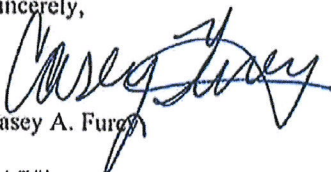
Dear Mr. Kahl:

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 DOZEMAN BUTTE CASPER CHEYENNE HELENA KALISPELL MISSOULA SHERIDAN WILLISTON

C R O W L E Y | F L E C K P L L P



CROWLEY | FLECK PLLP
ATTORNEYS

Casey A. Furey
100 West Broadway, Suite 250
P.O. Box 2798
Bismarck, ND 58502-2798
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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: 

CONFIDENTIAL

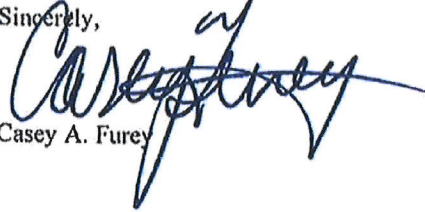
Page 2

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

LTD Broadband LLC

Financial Statements

December 31, 2018 and 2017

LTD Broadband LLC

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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, changes in member's 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 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 black ink that reads "Lurie, LLP".

Lurie, LLP
Minneapolis, Minnesota

April 15, 2019

LTD Broadband LLC

Balance Sheets

December 31	2018	2017
ASSETS		
Current Assets		
Cash		
Prepaid expenses		
Accounts receivable		
Lease deposits		
Total Current Assets		
Property and Equipment		
Deferred Installation Costs		
Lease Deposits		
Total Assets		
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Checks in excess of deposits		
Accounts payable		
Accrued payroll		
Accrued interest		
Deferred revenue		
Current maturities of capital lease obligations		
Total Current Liabilities		
Capital Lease Obligations, net of current maturities		
Total Liabilities		
Member's Equity		
Total Liabilities and Member's Equity		

See notes to financial statements.

LTD Broadband LLC

Statements of Operations

Years Ended December 31	2018	2017
Revenues		
Operating Expenses		
Cost of services		
Depreciation and amortization		
Selling, general, and administrative		
Total Operating Expenses		
Income from Operations		
Interest Expense		
Net Income		

See notes to financial statements.

LTD Broadband LLC

Statements of Member's Equity

Description	Member's Equity
Balance, December 31, 2016	
Contributions	
Distributions	
Balance, December 31, 2017	
Contributions	
Distributions	
Net income	
Balance, December 31, 2018	

See notes to financial statements.

LTD Broadband LLC

Statements of Cash Flows

Years Ended December 31	2018	2017
Operating Activities		
Net income		
Adjustments to reconcile net income activities:		
Depreciation and amortization		
Changes in operating assets and liabilities:		
Prepaid expenses		
Accounts receivable		
Lease deposits		
Deferred installation costs		
Checks in excess of deposits		
Accounts payable		
Accrued payroll		
Accrued interest		
Deferred revenue		
Net Cash Provided by Operating Activities		
Investing Activity		
Purchase of property and equipment		
Net Cash Used by Investing Activity		
Financing Activities		
Proceeds from capital lease obligations		
Payments on capital lease obligations		
Member contributions		
Member distributions		
Net Cash Provided (Used) by Financing Activities		
Net Decrease in Cash		
Cash		
Beginning of year		
End of year		

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 on 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. Property and Equipment

Property and equipment consisted of the following:

December 31	2018	2017
Equipment		
Construction in process		
Total cost		
Less accumulated depreciation and amortization		
Property and Equipment		

Depreciation and amortization expense was [REDACTED] for the years ended December 31, 2018 and 2017, respectively.

3. Capital Leases

The Company leases equipment under capital lease agreements. Equipment under capital leases had a cost of [REDACTED] at December 31, 2018 and 2017, respectively, and accumulated amortization of [REDACTED] at December 31, 2018 and 2017, respectively. Amortization of equipment under capital leases is included in depreciation expense.

The following were the future minimum lease payments required under capital leases as of December 31, 2018:

Years	Amount
2019	
2020	
2021	
Minimum lease payments	
Less amounts representing interest	
Capital lease obligations	
Current maturities of capital lease obligations	
Capital Lease Obligations, net of current maturities	

LTD Broadband LLC

Notes to Financial Statements

4. Operating Leases

The Company has lease agreements for data lines expiring through August 2022. In addition to the minimum required monthly lease payments, the leases may include provisions for data overage and other charges included in rent expense. The Company also leases warehouse and storage space on a month to month basis. Rent expense under all leases was approximately [REDACTED] during 2018 and 2017, respectively. Future minimum lease payments under noncancelable operating leases with an initial term in excess of a year were as follows as of December 31, 2018:

Years	Amount
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]
2022	[REDACTED]
Total	[REDACTED]

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:

Years Ended December 31	2018	2017
Cash paid for interest	[REDACTED]	[REDACTED]
Noncash operating and investing activity:		
Property and equipment purchases in accounts payable	[REDACTED]	[REDACTED]

LTD Broadband LLC

Notes to Financial Statements

8. Subsequent Events

On January 2, 2019, the Company entered into a capital lease agreement requiring a security deposit of [REDACTED] through December 2021. The Company received [REDACTED] of funding related to this agreement.

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.

Bolinger, 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)	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents		
Cash - encumbered funds		
A/R - Due from customers, net of allowance		
Prepayments		
Noncurrent Assets:		
Deferred installation costs		
Property, Plant and Equipment:		
Internet plant in service		
Less accumulated depreciation		
Plant under construction		
Total Assets		

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

	(Restated)	
	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Current portion of obligations under capital leases		
Accounts payable		
Checks in excess of deposits		
Deferred service revenues		
Accrued compensated absences		
Accrued interest payable		
Accrued payroll		
Noncurrent Liabilities:		
Obligations under capital leases, less current portion		
Member's Equity:		
Member's equity		
Total Liabilities and Member's Equity		

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

	(Restated)	
	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Internet services		
Miscellaneous		
Bad Debt Expense		
Operating Expenses:		
Cost of internet		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Operating Income		
Other Income / Expenses		
Interest and dividend income		
Interest expense		
Net Income		

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

	<u>Retained Earnings</u>	<u>Total</u>
Balance 12/31/17 (Restated)		
Net Income		
Contributions		
Owner Draws		
Balance 12/31/18 (Restated)		
Net Income		
Owner Draws		
Balance 12/31/19		

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

	2019	(Restated) 2018
Operating Activities:		
Net Income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		
Payment of debt issuance costs		
Amortization of debt issuance costs		
 Changes in Asset and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		
Prepayments		
Deferred installation costs		
Increase (Decrease) in:		
Accounts payable		
Deferred service revenues		
Checks in excess of deposits		
Other current liabilities		
Net Cash Provided by (Used In) Operating Activities		
 Investing Activities:		
Additions to property and equipment		
Net Cash Provided by (Used In) Investing Activities		
 Financing Activities:		
Proceeds from capital leases		
Repayment of capital leases		
Contributions from members		
Distributions to members		
Net Cash Provided by (Used In) Financing Activities		
 Net Increase (Decrease) in Cash and Cash Equivalents		
 Cash and Cash Equivalents at Beginning of Year		
 Cash and Cash Equivalents at End of Year		

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

Note 2: Internet Plant in Service (Continued)

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.

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts.

The major classes of internet plant in service as of December 31, 2019 and December 31, 2018 are as follows:

	Depreciable Life (Years)	2019	2018
Network equipment			
Vehicles			
Machinery and equipment			
Accumulated depreciation			

The Company provides for depreciation on a straight-line basis at annual rates, which will amortize the property over its estimated useful life. Depreciation charged to depreciation expense on the assets above for the years ended December 31, 2019 and December 31, 2018, [REDACTED] respectively.

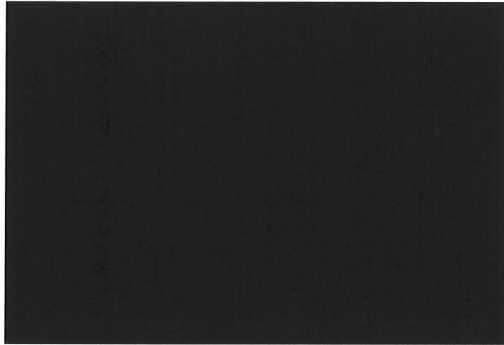
LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 3: Operating Leases

Between 2015 and 2019, the Company entered into lease agreements for internet access circuits and tower leases. These leases expire [REDACTED]. Total lease expenses were [REDACTED] for the years ended December 31, 2019 and 2018, respectively.

Estimated operating lease payments are as follows:

Payments

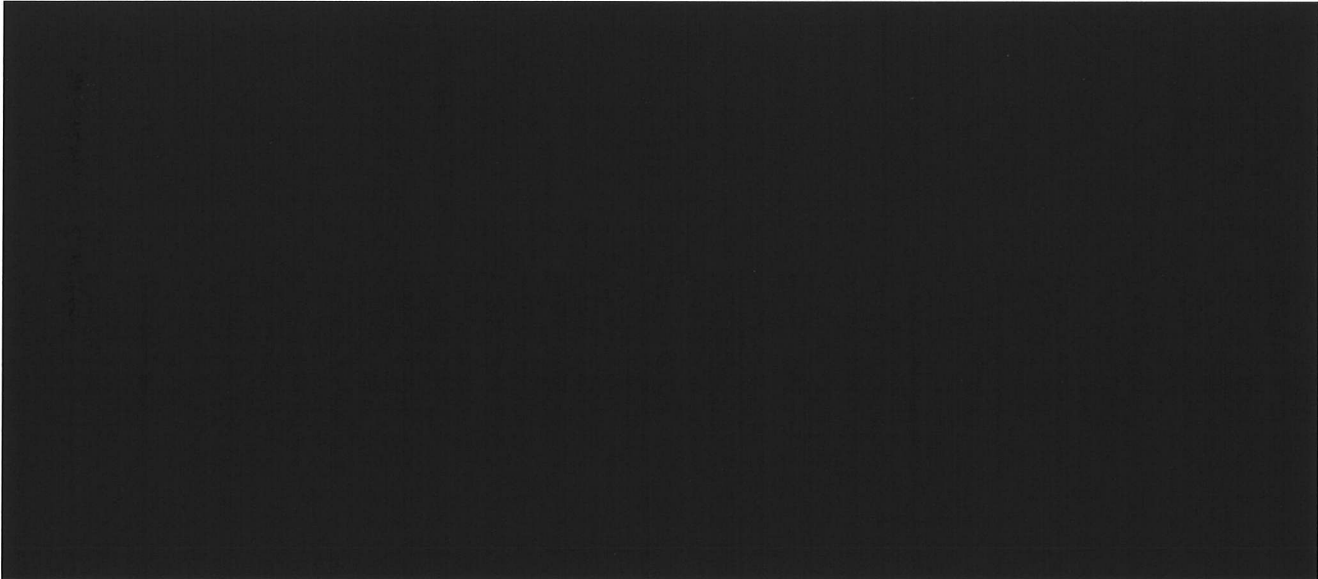


LTD Broadband LLC
Notes to Internal Annual Financial Statements
As of 12/31/19 and 12/31/18

Note 4: Obligations Under Capital Leases

The Company leases network equipment under agreements that are classified as capital leases. The cost of the assets under capital lease included in the balance sheets as internet plant in service were [REDACTED] for December 31, 2019 and December 31, 2018, respectively. Following is a summary of the outstanding capital leases:

<u>Original</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Present</u> <u>Balance</u>	<u>Interest</u> <u>Rate</u>	<u>Monthly</u> <u>Payment</u>	<u>Maturity</u> <u>Date</u>
--------------------------------	----------------------------------	----------------------------------	--------------------------------	----------------------------------	--------------------------------



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

Note 4: Obligations Under Capital Leases (Continued)

Estimated capital lease payments for the next [REDACTED] years are as follows:

<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Debt Issuance Costs</u>	<u>Total Payments</u>
[REDACTED]				

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.

In year one of the award, the standby letters of credit are equal to the cumulative CAF2 funding received in the initial year of the award of \$126,467 and the letters of credit are collateralized by a savings account held with MBT Bank with a balance of [REDACTED] as of December 31, 2019.

The letters of credit are available until September 19, 2020.

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:

	December 31,		
	Year End 2018 as Previously Reported	Restatement Amounts	Year End 2018 as Restated
Member's Equity Beginning of Year, as previously reported Prior Period Adjustment Member's Equity at Beginning of Year, as restated Net Income, as previously reported Contributions Owner Draws Retained Earnings at End of Year			
Accounts Receivable Accumulated Depreciation Debt Issuance Costs Net Income			

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.

Bolinger, 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

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents		
Cash - encumbered funds		
A/R - Due from customers, net of allowance		
████████████████████		
Prepayments		
Noncurrent Assets:		
Deferred installation costs		
Property, Plant and Equipment:		
Internet plant in service		
Less accumulated depreciation		
Total Assets		

See accompanying notes to
the financial statements

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

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Current portion of long-term debt		
Current portion of notes payable		
Current portion of obligations under capital leases		
Accounts payable		
Notes payable -		
Deferred service revenues		
Accrued compensated absences		
Accrued interest payable		
Accrued payroll		
Long-term debt, less current portion		
Noncurrent Liabilities:		
Notes payable, less current portion		
Obligations under capital leases, less current portion		
Members' Equity:		
Members' equity		
Total Liabilities and Members' Equity		

See accompanying notes to
the financial statements

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

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Internet services		
CAF2 revenue		
Consulting services		
Miscellaneous		
Bad debt expense		
Operating Expenses:		
Cost of internet		
Plant specific operations		
Plant nonspecific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Operating Income		
Other Income / Expenses:		
Interest expense		
Interest and dividend income		
Net Income		

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

	Retained Earnings	Total Members' Equity
Balance 12/31/18		
Net Income		
Member Distributions		
Balance 12/31/19		
Net Income		
Member Distributions		
Balance 12/31/20		

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
Operating Activities:		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		
Payment of debt issuance costs		
Amortization of debt issuance costs		
Changes in Asset and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		
Prepayments		
Deferred installation costs		
Increase (Decrease) in:		
Accounts payable		
Deferred service revenues		
Checks in excess of deposits		
Other current liabilities		
Net Cash Provided by (Used In) Operating Activities		
Investing Activities:		
Additions to property and equipment		
Net Cash Provided by (Used In) Investing Activities		
Financing Activities:		
Proceeds from capital leases		
Repayment of capital leases		
Proceeds from notes payable		
Repayment of notes payable		
Proceeds from long-term borrowing		
Proceeds from ██████████		
Distributions to members		
Net Cash Provided by (Used In) Financing Activities		
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest		
Income taxes		

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

Note 2: Internet Plant in Service (Continued)

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts.

The major classes of internet plant in service as of December 31, 2020 and December 31, 2019 are as follows:

	Depreciable Life (Years)	2020	2019
Vehicles and work equipment			
Network equipment			
Gross plant in service			
Accumulated depreciation			
Net plant in service			

The Company provides for depreciation on a straight-line basis at annual rates, which will amortize the property over its estimated useful life. Depreciation charged to depreciation expense on the assets above for the years ended December 31, 2020 and December 31, 2019, [REDACTED] respectively.

Note 3: [REDACTED]

[REDACTED]

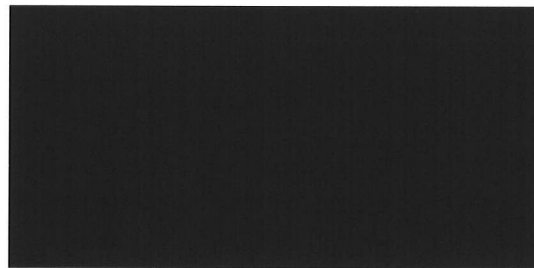
[REDACTED]

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

Note 4: Operating Leases

Between 2015 and 2019, the Company entered into lease agreements for internet access circuits and tower leases. These leases expire between [REDACTED]. Total lease expenses were [REDACTED] for the years ended December 31, 2020 and December 31, 2019, respectively.

Estimated operating lease payments are as follows:



Note 5: Long-Term Debt

Following is a summary of long-term debt:

Original Date	Original Amount	Present Balance	Interest Rate	Monthly Payment	Maturity Date
[REDACTED]					

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

Note 6: Notes Payable

Following is a summary of the outstanding notes payable:

<u>Original</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Present</u> <u>Balance</u>	<u>Interest</u> <u>Rate</u>	<u>Monthly</u> <u>Payment</u>	<u>Maturity</u> <u>Date</u>
--------------------------------	----------------------------------	----------------------------------	--------------------------------	----------------------------------	--------------------------------

[REDACTED]

Estimated payments for the next [REDACTED] are as follows:

<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payments</u>
-------------------------------------	------------------------------------	---------------------------------

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

Note 7: Capital Leases

The Company leases network equipment under agreements that are classified as capital leases. The cost of the assets under capital lease included in the balance sheets as internet plant in service were [REDACTED] for December 31, 2020 and December 31, 2019, respectively. Following is a summary of the outstanding capital leases:

<u>Original</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Present</u> <u>Balance</u>	<u>Interest</u> <u>Rate</u>	<u>Monthly</u> <u>Payment</u>	<u>Maturity</u> <u>Date</u>
--------------------------------	----------------------------------	----------------------------------	--------------------------------	----------------------------------	--------------------------------

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Estimated payments for the next [REDACTED] are as follows:

<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payments</u>
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Cash paid for interest on capital leases, net of amounts capitalized totaled [REDACTED] [REDACTED] for the years ended December 31, 2020 and December 31, 2019, respectively.

Note 8: 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.

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

In 2018, the Commission 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 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.

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 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: 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.