

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36827

Anterix Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

33-0745043
(I.R.S. Employer
Identification No.)

3 Garret Mountain Plaza
Suite 401
Woodland Park, New Jersey
(Address of principal executive offices)

07424
(Zip Code)

(973) 771-0300
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	ATEX	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At January 31, 2021, 17,586,356 shares of the registrant's common stock were outstanding.

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Anterix Inc.
FORM 10-Q
For the quarterly period ended December 31, 2020

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Form 10-Q”) includes statements of our expectations, intentions, plans, and beliefs that constitute “forward-looking statements.” These forward-looking statements are principally, but not solely, contained in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements include, but are not limited to, statements about our strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements contained herein that are not historical facts. Our forward-looking statements are generally, but not always, accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “potential,” “should,” “will,” “may,” “plan,” “goal,” “can,” “could,” “continuing,” “ongoing,” “intend” or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and projections about future events and financial, market and business trends. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. Many of these risks, uncertainties and other factors are beyond our ability to control, influence, or predict. The most significant of these risks, uncertainties and other factors are described in “Item 1A—Risk Factors” in Part II of this Form 10-Q and in our Annual Report on Form 10-K for the year ended March 31, 2020 filed with the SEC on May 28, 2020. As a result, investors are urged not to place undue reliance on any forward-looking statements. These forward-looking statements reflect our views and assumptions only as of the date such forward-looking statements were made. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

Anterix Inc.
Consolidated Balance Sheets
(dollars in thousands, except share data)

	<u>December 31, 2020</u>	<u>March 31, 2020</u>
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 108,486	\$ 137,453
Accounts receivable, net of allowance for doubtful accounts of \$8 and \$12, respectively	19	61
Prepaid expenses and other current assets	4,527	4,638
Total current assets	113,032	142,152
Property and equipment, net	3,752	7,000
Right of use assets, net	5,404	6,500
Intangible assets	118,066	111,526
Equity method investment	16	39
Other assets	845	180
Total assets	\$ 241,115	\$ 267,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 7,347	\$ 5,649
Due to related parties	121	110
Restructuring reserve	36	636
Operating lease liabilities	1,529	1,695
Deferred revenue	729	733
Total current liabilities	9,762	8,823
Noncurrent liabilities		
Operating lease liabilities	5,928	7,051
Deferred revenue	2,186	2,733
Deferred income tax	3,395	3,084
Other liabilities	677	640
Total liabilities	21,948	22,331
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value per share, 10,000,000 shares authorized and no shares outstanding at December 31, 2020 and March 31, 2020	—	—
Common stock, \$0.0001 par value per share, 100,000,000 shares authorized and 17,584,332 shares issued and outstanding at December 31, 2020 and 17,184,712 shares issued and outstanding at March 31, 2020	2	2
Additional paid-in capital	468,578	450,978
Accumulated deficit	(249,413)	(205,914)
Total stockholders' equity	219,167	245,066
Total liabilities and stockholders' equity	\$ 241,115	\$ 267,397

See accompanying notes to consolidated financial statements.

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Anterix Inc.
Consolidated Statements of Operations
(dollars in thousands, except share data)
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Operating revenues				
Service revenue	\$ 53	\$ 178	\$ 193	\$ 690
Spectrum revenue	183	183	547	547
Total operating revenues	236	361	740	1,237
Operating expenses				
Direct cost of revenue (exclusive of depreciation and amortization)	543	631	1,606	2,248
General and administrative	6,300	4,740	17,620	14,145
Sales and support	612	949	1,904	2,922
Product development	1,098	610	2,595	1,846
Depreciation and amortization	1,020	1,135	3,418	2,412
Stock compensation expense	2,672	1,404	13,245	4,393
Restructuring costs	44	35	65	195
Impairment of long-lived assets	11	33	40	33
Total operating expenses	12,300	9,537	40,493	28,194
(Gain)/loss from disposal of intangible assets, net	—	140	3,849	140
(Gain)/loss from disposal of long-lived assets, net	—	—	(6)	62
Loss from operations	(12,064)	(9,316)	(43,596)	(27,159)
Interest income	27	517	99	1,505
Other income	110	142	332	356
(Loss)/income on equity method investment	(7)	(23)	(23)	(8)
Loss before income taxes	(11,934)	(8,680)	(43,188)	(25,306)
Income tax expense	155	131	311	594
Net loss	\$ (12,089)	\$ (8,811)	\$ (43,499)	\$ (25,900)
Net loss per common share basic and diluted	\$ (0.69)	\$ (0.52)	\$ (2.51)	\$ (1.60)
Weighted-average common shares used to compute basic and diluted net loss per share	17,492,539	17,093,133	17,350,671	16,167,845

See accompanying notes to consolidated financial statements.

Anterix Inc.
 Consolidated Statement of Stockholders' Equity
 (dollars in thousands, except share data)
 (Unaudited)

	<u>Number of Shares</u>					
	<u>Common stock</u>	<u>Common stock</u>				
Balance at September 30, 2020	17,487,201	\$ 2	\$ 464,620	\$ (237,324)	\$ 227,298	
Equity based compensation*	22,907	—	2,672	—	2,672	
Equity payment of prior year accrued employee related expenses	4,199	—	—	—	—	
Stock option exercises	70,025	—	1,286	—	1,286	
Shares withheld for taxes	—	—	—	—	—	
Net loss	—	—	—	(12,089)	(12,089)	
Balance at December 31, 2020	17,584,332	\$ 2	\$ 468,578	\$ (249,413)	\$ 219,167	
Balance at March 31, 2020	17,184,712	\$ 2	\$ 450,978	\$ (205,914)	\$ 245,066	
Equity based compensation*	229,347	—	13,245	—	13,245	
Equity payment of prior year accrued employee related expenses	28,131	—	1,537	—	1,537	
Stock option exercises	142,142	—	2,818	—	2,818	
Shares withheld for taxes	—	—	—	—	—	
Net loss	—	—	—	(43,499)	(43,499)	
Balance at December 31, 2020	17,584,332	\$ 2	\$ 468,578	\$ (249,413)	\$ 219,167	

* includes restricted shares

See accompanying notes to consolidated financial statements.

Anterix Inc.
 Consolidated Statement of Stockholders' Equity
 (dollars in thousands, except share data)
 (Unaudited)

Number of Shares

	Common stock	Common stock	Additional paid-in capital	Accumulated deficit	Total
Balance at September 30, 2019	17,125,938	\$ 2	\$ 447,845	\$ (185,365)	\$ 262,482
Equity based compensation*	13,259	—	1,404	—	1,404
Stock option exercises	8,000	—	200	—	200
Shares withheld for taxes	(517)	—	(21)	—	(21)
Net loss	—	—	—	(8,811)	(8,811)
Balance at December 31, 2019	<u>17,146,680</u>	<u>\$ 2</u>	<u>\$ 449,428</u>	<u>\$ (194,176)</u>	<u>\$ 255,254</u>
Balance at April 1, 2019	14,739,145	\$ 1	\$ 349,039	\$ (168,276)	\$ 180,764
Issuance of stock during July 2019 follow-on offering, net of closing costs	2,222,223	1	94,243	—	94,244
Equity based compensation*	93,956	—	4,393	—	4,393
Stock option exercises	102,323	—	2,220	—	2,220
Shares withheld for taxes	(10,967)	—	(467)	—	(467)
Net loss	—	—	—	(25,900)	(25,900)
Balance at December 31, 2019	<u>17,146,680</u>	<u>\$ 2</u>	<u>\$ 449,428</u>	<u>\$ (194,176)</u>	<u>\$ 255,254</u>

* includes restricted shares

See accompanying notes to consolidated financial statements.

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Anterix Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(Unaudited)

	Nine months ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (43,499)	\$ (25,900)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	3,418	2,412
Non-cash compensation expense attributable to stock awards	13,245	4,393
Deferred income taxes	311	594
Bad debt expense	—	45
Net loss from disposal of intangible assets	3,849	—
(Gain)/loss on disposal of long-lived assets, net	(6)	75
Loss on disposal of capitalized patent costs	—	140
Impairment of long-lived assets	40	33
Loss/(income) on equity method investment	23	8
Changes in operating assets and liabilities		
Accounts receivable	42	439
Prepaid expenses and other assets	(639)	640
Right of use assets	1,102	1,063
Accounts payable and accrued expenses	3,838	(511)
Due to related parties	11	(77)
Restructuring reserve	(600)	(2,098)
Operating lease liabilities	(1,289)	(1,044)
Deferred revenue	(551)	(595)
Other liabilities	36	(72)
Net cash used by operating activities	<u>(20,669)</u>	<u>(20,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of intangible assets, including refundable deposits	(10,882)	(1,608)
Purchases of equipment	(234)	(413)
Net cash used by investing activities	<u>(11,116)</u>	<u>(2,021)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from July 2019 follow-on offering	—	94,244
Proceeds from stock option exercises	2,818	2,220
Payments of withholding tax on net issuance of restricted stock	—	(467)
Net cash provided by financing activities	<u>2,818</u>	<u>95,997</u>
Net change in cash and cash equivalents	<u>(28,967)</u>	<u>73,521</u>
CASH AND CASH EQUIVALENTS		
Beginning of the period	<u>137,453</u>	<u>76,722</u>
End of the period	<u>\$ 108,486</u>	<u>\$ 150,243</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period:		
Taxes paid	\$ 36	\$ 25
Non-cash investing activity:		
Capitalized change in estimated asset retirement obligations	\$ —	\$ 503
Barter transaction	\$ —	\$ 34
Contribution of capital equipment to TeamConnect LLC	\$ —	\$ 14
Network equipment provided for wireless licenses	\$ 23	\$ —
Non-cash financing activities:		
Equity payment of prior year accrued employee related expenses	\$ 1,537	\$ —

See accompanying notes to consolidated financial statements.

Anterix Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Nature of Operations

Anterix Inc. (the “Company”) is a wireless communications company focused on commercializing its spectrum assets to enable its targeted utility and critical infrastructure customers to deploy private broadband networks, technologies and solutions. The Company is the largest holder of licensed spectrum in the 900 MHz band (896-901/935-940 MHz) with nationwide coverage throughout the contiguous United States, Hawaii, Alaska and Puerto Rico. On May 13, 2020, the Federal Communications Commission (“FCC”) approved a Report and Order to modernize and realign the 900 MHz band to increase its usability and capacity by allowing it to be utilized for the deployment of broadband networks, technologies and solutions (the “Report and Order”). The Report and Order was published in the Federal Register on July 16, 2020 and became effective on August 17, 2020. The Company is now engaged in qualifying for and securing broadband licenses from the FCC, with a focus on pursuing licenses in those counties in which it believes it has near-term commercial opportunities. At the same time, the Company’s sales and marketing organization is pursuing opportunities to lease the broadband licenses it secures to its targeted utility and critical infrastructure customers.

The Company was originally incorporated in California in 1997 and reincorporated in Delaware in 2014. In November 2015, the Company changed its name from Pacific DataVision, Inc. to pdvWireless, Inc. On August 6, 2019, the Company changed its name from pdvWireless, Inc. to Anterix Inc. The Company maintains offices in Woodland Park, New Jersey and McLean, Virginia.

In December 2020, the Company entered into its first long-term 900 MHz broadband spectrum lease agreements (the “Lease Agreements”) covering Ameren Corporation’s (“Ameren”) service territories. The Lease Agreements will enable Ameren to deploy a private LTE network in its service territories in Missouri and Illinois covering approximately 7.5 million people. Each Lease Agreement is for a term of up to 40 years, consisting of an initial term of 30 years, with an option to extend for an additional 10-year term for an additional payment. The scheduled prepayments for the 30-year initial terms of the Lease Agreements total approximately \$48 million dollars. Full prepayment for the 30-year initial terms is due by 2026, with approximately 50% of the total prepayments due June 2021. The timing of these payments is subject to the Company’s timely clearing of spectrum and delivery of broadband spectrum licenses. The Company is proactively clearing incumbents from the 900 MHz broadband segments in Ameren’s service territories and expects to begin delivering the broadband spectrum licenses by county in June 2021. The Company expects to recognize revenue from the Lease Agreements commencing in fiscal year 2022. Revenue will be recognized as spectrum is delivered based on straight-line amortization over the initial 30-year terms of the Lease Agreements. The Lease Agreements are subject to customary approval terms and conditions, including the approval by both companies’ boards of directors and the Company’s ability to secure broadband licenses from the FCC.

Historical Business Operations

Historically, the Company generated revenue principally from its pdvConnect and TeamConnect businesses. pdvConnect is a mobile communication and workforce management solution. The Company historically marketed pdvConnect primarily through two Tier 1 carriers in the United States. In fiscal year 2016, it began offering a commercial push-to-talk (“PTT”) service, which was marketed as TeamConnect, in seven major metropolitan areas throughout the United States, including Atlanta, Baltimore/Washington, Chicago, Dallas, Houston, New York and Philadelphia. The TeamConnect service was primarily offered to customers indirectly through third-party sales representatives who were largely selected from Motorola’s nationwide dealer network.

In June 2018, the Company announced its plan to restructure its operations to align and focus its business priorities on its broadband spectrum initiatives. Consistent with this restructuring plan, the Company transferred its TeamConnect business in December 2018 to A BEEP LLC (“A BEEP”) and Goosetown Enterprises, Inc (“Goosetown”), with the Company continuing to provide customer care, billing and collection services through April 1, 2019. On December 31, 2018, the Company entered into a memorandum of understanding (“MOU”) with the principals of Goosetown. Under the terms of the MOU, the Company assigned the intellectual property rights to its TeamConnect and pdvConnect related applications to TeamConnect LLC (the “LLC”). The LLC assumed customer care services related to the pdvConnect service, with the Company providing transition services to the LLC through April 1, 2019. On April 1, 2020, the Company transferred its pdvConnect customers to the LLC and the LLC agreed to pay the Company a certain portion of the recurring revenues from these customers.

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Follow-on Offering

In July 2019, the Company completed a registered follow-on offering in which it sold 2,222,223 shares of its common stock at a purchase price to the public of \$45.00 per share. Net proceeds were approximately \$94.2 million after deducting \$5.5 million in underwriting discounts and commissions, and \$0.3 million in offering expenses.

Executive Succession Plan

On June 25, 2020, the Company issued a press release announcing an effective date of July 1, 2020 for its executive leadership succession plan (the “*Succession Plan*”), which followed the achievement of the FCC Report and Order.

TeamConnect LLC

On August 4, 2020, we entered into Amendment 2 (“Amendment 2”) to the IP Assignment, Software Support, and Development Services Agreement, dated as of January 7, 2019, as previously amended, by and between us and TeamConnect, LLC (the “LLC”). Under Amendment 2, we agreed to transfer our pdvConnect customers to the LLC, effective as of April 1, 2020, except for one Tier 1 domestic carrier. In exchange for the customer transfer, the LLC agreed to pay us a certain portion of the recurring revenues from these customers.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The unaudited consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

Because certain information and footnote disclosures have been condensed or omitted, these unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2020, as filed on May 28, 2020 with the SEC. In the Company’s opinion all normal and recurring adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included. The Company believes that the disclosures made in the unaudited consolidated interim financial statements are adequate to make the information not misleading. The results of operations for the interim periods presented are not necessarily indicative of the results for the year. The Company is also required to make certain estimates with regard to the valuation of awards and forfeiture rates for its share-based award programs. New estimates in the period relate to determining the Company’s estimated incremental borrowing rate in recognizing right of use assets and operating lease liabilities. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the applicable period. Accordingly, actual results could materially differ from those estimates.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, including PDV Spectrum Holding Company, LLC formed in April 2014. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the presentation of the corresponding amounts in the financial statements for the three and nine months ended December 31, 2020. These reclassifications had no effect on previously reported net loss or net loss per common share basic and diluted.

Intangible Assets

Intangible assets are wireless licenses that will be used to provide the Company with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. On May 13, 2020, the FCC approved the Report and Order to modernize and realign the 900 MHz band to increase its usability and capacity by allowing it to be utilized for the deployment of broadband networks, technologies and solutions. The Report and Order was published in the Federal Register on July 16, 2020 and became effective on August 17, 2020. The Company is now engaged in qualifying for and securing broadband licenses from the FCC, with a focus on pursuing licenses in those counties in which it believes it has near-term commercial opportunities. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to

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renewal by the FCC. License renewals have occurred routinely and at nominal cost in the past. There are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Company's wireless licenses. As a result, the Company has determined that the wireless licenses should be treated as an indefinite-lived intangible asset. The Company will evaluate the useful life determination for its wireless licenses each year to determine whether events and circumstances continue to support their treatment as an indefinite useful life asset.

The licenses are tested for impairment annually on an aggregate basis, as the Company will be utilizing the wireless licenses on an integrated basis as part of developing broadband. In the year ended March 31, 2020, ("Fiscal 2020"), the Company performed a step zero qualitative approach to test indefinite-lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. There are no triggering events indicating impairment in the three and nine months ended December 31, 2020.

See Note 4 "Intangible Assets" for a discussion of the Company's (gain)/loss from the disposal of intangible assets incurred during the period ended December 31, 2020.

Long-Lived Asset and Right of Use Asset Impairment

The Company evaluates long-lived assets, including right of use assets, other than intangible assets with indefinite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Asset groups are determined at the lowest level for which identifiable cash flows are largely independent of cash flows of other groups of assets and liabilities. When the carrying amount of the asset groups are not recoverable and exceeds its fair value, an impairment loss is recognized equal to the excess of the asset group's carrying value over the estimated fair value. During the three and nine months ended December 31, 2020, the Company recorded a \$11,000 and \$40,000, respectively, a non-cash impairment charge for long-lived assets consisting of network site costs to reduce the carrying values to zero. During the nine months ended December 31, 2019, the Company recorded a \$33,000 non-cash impairment charge for long-lived assets consisting of \$22,000 for property and equipment and \$11,000 for a right of use asset to reduce the carrying values to zero.

Net Loss Per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. For purposes of the diluted net loss per share calculation, preferred stock, stock options, restricted stock and warrants are considered to be potentially dilutive securities. Because the Company has reported a net loss for the three and nine months ended December 31, 2020 and 2019, respectively, diluted net loss per common share is the same as basic net loss per common share for those periods.

Common stock equivalents resulting from potentially dilutive securities approximated 1,402,000 and 1,396,000 at December 31, 2020 and 2019, respectively, and have not been included in the dilutive weighted average shares of common stock outstanding, as their effects are anti-dilutive.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASC 326, *Financial Instruments - Credit Losses* and has subsequently modified several areas of the standard in order to provide additional clarity and improvements. The new standard requires entities to use a Current Expected Credit Loss impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost within the scope of the standard. The entity's estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts, which will result in recognition of lifetime expected credit losses. As a smaller reporting company, the standard will be effective for the Company's fiscal year beginning April 2023, including interim reporting periods within that fiscal year, although early adoption is permitted. The Company is evaluating the potential impact that ASC 326 and subsequent modifications may have on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

3. Revenue

In December 2018, the Company's board of directors (the "Board") approved the transfer of its TeamConnect business and support for its pdvConnect business to help reduce operating costs and to allow the Company to focus on its FCC initiatives and future broadband opportunities. Specifically, the Company entered into: (i) a Customer Acquisition and Resale Agreement with A BEEP on January 2, 2019, (ii) a Customer Acquisition, Resale and Licensing Agreement with Goosetown on January 2, 2019 and (iii) an MOU with the principals of Goosetown on December 31, 2018. Under the A BEEP and Goosetown Agreements, the Company agreed to: (i) transfer its TeamConnect customers located in the Atlanta, Chicago, Dallas, Houston and Phoenix metropolitan markets to A BEEP, (ii) transfer its TeamConnect customers located in the Baltimore/Washington DC, Philadelphia and New York metropolitan markets to Goosetown, (iii) provide A BEEP and Goosetown with access to MotoTRBO Systems and (iv) grant A BEEP and Goosetown the right to resell access to the MotoTRBO Systems pursuant to separate Mobile Virtual Network Operation arrangements for a two-year period. The Company also granted Goosetown a license to sell the business applications the Company developed for its TeamConnect service. On March 31, 2019, the agreements were amended to formally set the transition date for the businesses as April 1, 2019 and to clarify the responsibilities between the parties.

Under these agreements, A BEEP and Goosetown agreed to provide customer care, billing and collection services for their respective acquired customers. The Company continued to provide these services through April 1, 2019 to help facilitate the transitioning of the acquired customers. Additionally, the Company is required to maintain and pay all site lease, backhaul and utility costs required to operate the MotoTRBO Systems for a two-year period. As part of the Company's efforts to clear the 900 MHz spectrum for broadband use, A BEEP and Goosetown are required to migrate the acquired customers off the MotoTRBO Systems over the two-year period. In consideration for the customers and rights the Company transferred, A BEEP and Goosetown are required to pay a certain portion of the recurring revenues they receive from the acquired customers ranging from 100% to 20% during the terms of the agreements. Additionally, A BEEP is required to pay the Company a portion of recurring revenue from customers who utilize A BEEP's push-to-talk Diga-talk Plus application service ranging from 35% to 15% for a period of two years. For a period of two years, Goosetown is required to pay the Company 20% of recurring revenues from the TeamConnect applications it licensed.

Under the terms of the MOU that the Company entered into with the principals of Goosetown on December 31, 2018, the Company assigned the intellectual property rights to its TeamConnect and pdvConnect related applications to the LLC. The LLC also assumed customer care services related to the pdvConnect service, with the Company providing transition services to the LLC through April 1, 2019. On April 1, 2020, the Company transferred its pdvConnect customers to the LLC, and the LLC agreed to pay the Company a certain portion of the recurring revenues from these customers.

In accordance with ASC 606, when the customer purchased or received a discounted handset in connection with entering into a contract for service, the Company allocated revenue between the handset and the service based on the relative standalone selling price. Revenue was recognized when the performance obligation which includes providing the services or transferring control of promised handsets, which are distinct to a customer, had been satisfied. Revenue was recognized in an amount that reflects the consideration the Company expects to be entitled to for those performance obligations.

Long-Term Lease of 900 MHz Broadband Spectrum. In December 2020, the Company entered into its first long-term 900 MHz broadband spectrum lease agreements (the "Lease Agreements") covering Ameren Corporation's ("Ameren") service territories. The Lease Agreements will enable Ameren to deploy a private LTE network in its service territories in Missouri and Illinois covering approximately 7.5 million people. Each Lease Agreement is for a term of up to 40 years, consisting of an initial term of 30 years, with an option to extend for an additional 10-year term for an additional payment. The scheduled prepayments for the 30-year initial terms of the Lease Agreements total approximately \$48 million dollars. Full prepayment for the 30-year initial terms is due by 2026, with approximately 50% of the total prepayments due by June 2021. The timing of these payments is subject to the Company's clearing of spectrum and delivery of broadband spectrum licenses. The Company is proactively clearing incumbents from the 900 MHz broadband segments in Ameren's service territories and expects to begin delivering the broadband spectrum licenses by county in June 2021. The Lease Agreements are subject to customary approval terms and conditions, including the approval by both companies' boards of directors and the Company's ability to secure broadband licenses from the FCC.

Assuming the conditions to the Lease Agreements are satisfied, the Company expects to recognize revenue from the Lease Agreements commencing in fiscal year 2022. The payments of prepaid fees will be accounted for as deferred revenue on the Company's consolidated balance sheets and will be recognized ratably as the Company delivers broadband spectrum by county over the contractual term of approximately 30-years.

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Service Revenue. The Company has historically derived its service revenue from a fixed monthly recurring unit price per user, with 30-day payment terms, for its pdvConnect and TeamConnect service offerings.

pdvConnect is a proprietary cloud-based mobile resource management solution which has historically been sold as a separate software-as-a-service offering for dispatch-centric business customers who utilize Tier 1 cellular networks, and to a lesser extent, who utilize land mobile radio networks not operated by the Company. *pdvConnect* was historically sold directly by the Company or through two Tier 1 domestic carriers. The service is contracted and billed on a month-to-month basis, and the Company satisfies its performance obligation over time as the services are delivered. On April 1, 2020, these customers were transferred to the LLC, except for one Tier 1 domestic carrier. The LLC agreed to pay the Company a certain portion of the recurring revenues from the transferred customers through the term of the agreement.

TeamConnect combines *pdvConnect* with push-to-talk (“PTT”) mobile communication services involving digital network architecture and mobile devices. The contract period for the *TeamConnect* service varies from a month-to-month basis to 24 months. The customer is billed at the beginning of each month of the contract term. The Company recognizes revenue as it satisfies its performance obligation over time as the services are delivered. On April 1, 2019, these customers were transitioned to A BEEP and Goosetown. A BEEP and Goosetown agreed to pay the Company a certain portion of the recurring revenues during the term of the agreements. While the customer remains on the Company’s MotoTRBO Systems, the portion of recurring revenues paid by A BEEP and Goosetown is recorded as revenue.

Spectrum Revenue. In September 2014, Motorola paid the Company an upfront, fully-paid fee of \$7.5 million in order to use a portion of the Company’s wireless spectrum licenses. The payment of the fee is accounted for as deferred revenue on the Company’s consolidated balance sheets and is recognized ratably as the service is provided over the contractual term of approximately ten years. The revenue recognized for the three and nine months ended December 31, 2020 and 2019 were approximately \$183,000 and \$547,000, respectively for each period.

Contract Assets. The Company recognizes a contract asset for the incremental costs of obtaining a contract with a customer. These costs include sales commissions. These costs will be amortized ratably using the portfolio approach over the estimated customer contract period. The Company will review the contract asset on a periodic basis to determine if an impairment exists. If it is determined that there is an impairment, the contract asset will be expensed.

As of December 31, 2020, the Company incurred commission costs required to obtain the Ameren lease agreements amounting to approximately \$126,000 which will be amortized over the contractual term of approximately 30-years.

Historically, these costs include commissions for salespeople and commissions paid to third-party dealers. As a result of transferring customers to A BEEP and Goosetown, all contract and contract acquisition costs were impaired for the nine months ended December 31, 2019. The Company increased direct cost of revenue amounting to \$178,000 and sales and support expense amounting to \$258,000 for the nine months ended December 31, 2019.

The following table presents the activity for the Company’s contract assets (in thousands):

	Contract Assets
Balance at March 31, 2020	\$ —
Additions	126
Amortization	—
Impairment	—
Balance at December 31, 2020	126
Less amount classified as current assets - included in prepaid expenses and other current assets	(4)
Noncurrent assets - included in other assets	\$ 122

Contract liabilities. Contract liabilities primarily relate to advance consideration received from customers for spectrum services, for which revenue is recognized over time, as the services are performed. These contract liabilities are recorded as deferred revenue on the balance sheet. The related liability as of March 31, 2020 of \$3.5 million has been reduced by revenue recognized in the nine months ended December 31, 2020 of \$0.6 million leaving a remaining liability of \$2.9 million as of December 31, 2020.

4. Intangible Assets

Wireless licenses are considered indefinite-lived intangible assets. Indefinite-lived intangible assets are not subject to amortization but instead are tested for impairment annually, or more frequently if an event indicates that the asset might be

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impaired. There were no impairment charges related to the Company's indefinite-lived intangible assets during the three and nine months ended December 31, 2020 and 2019.

During the nine months ended December 31, 2020, the Company entered into agreements with several third parties in multiple U.S. markets to acquire wireless licenses for cash consideration of \$11.6 million after receiving FCC approval.

The nation's railroads, particularly the major freight lines, operate on six narrowband 900 MHz channels licensed to their trade association, the Association of American Railroads ("AAR"). Three of these narrowband channels are located in the 900 MHz broadband segment created by the FCC in the Report and Order. As a result, in order to qualify for broadband licenses under the Report and Order, the Company will be required to provide spectrum for the relocation of the AAR channels to narrowband channels outside the 900 MHz broadband segment.

In January 2020, the Company entered into an agreement with the AAR in which it agreed to cancel licenses in the 900 MHz band to enable the AAR to relocate its operations, including operations utilizing the three channels located in the 900 MHz broadband segment (the "AAR Agreement"). The FCC referenced the AAR agreement in the Report and Order and required the Company to cancel its licenses and return them to the FCC in accordance with the AAR Agreement. The Report and Order provides that the FCC will make the channels associated with these licenses available to the AAR to enable the AAR to relocate their current operations. The Report and Order also provides that the FCC will credit the Company for its cancelled licenses for purposes of determining the Company's eligibility to secure broadband licenses and the calculation of any anti-windfall payments.

In accordance with the Report and Order, the Company cancelled its licenses in the three months ended June 30, 2020. Because the Company did not receive any licenses nor monetary reimbursement in exchange for the cancellation, but only credit for purposes of determining its future eligibility and payment obligations for broadband licenses under the Report and Order, the Company recorded a \$4.7 million loss from disposal of the intangible assets in the Consolidated Statements of Operations for the three months ended June 30, 2020.

In August 2020, the Company closed an agreement with a third party for the exchange of 900 MHz licenses plus approximately \$0.3 million for the reprogramming of their equipment. Since the licenses the Company acquired in the exchange were included in the licenses returned to the FCC in accordance with the AAR Agreement above, the \$0.3 million for equipment reprogramming was recorded as additional loss from disposal of the intangible assets in the Consolidated Statements of Operations for the nine months ended December 31, 2020.

In September 2020, the Company closed an agreement with a third party for the exchange of 900 MHz licenses. Under the agreement, the Company received spectrum licenses at their estimated fair value of approximately \$0.2 million and a payment of \$1.2 million in cash to clear the channels received from incumbents. In January 2018, the Company received \$0.6 million as a refundable deposit when the agreement was executed in Fiscal 2018 and the Company is entitled to receive the remaining \$0.6 million upon receipt of FCC approval and closing of the agreement in September 2020. Under the agreement, the Company transferred spectrum licenses with book value of approximately \$0.3 million to the third party. The Company recognized a \$1.1 million gain from disposal of intangible assets in the Consolidated Statement of Operations when the deal closed in September 2020.

Intangible assets consist of the following at December 31, 2020 and March 31, 2020 (in thousands):

	Wireless Licenses
Balance at March 31, 2020	\$ 111,526
Acquisitions	11,589
Exchanges - licenses received	196
Exchanges - licenses surrendered	(262)
Cancellations	(4,983)
Balance at December 31, 2020	<u>\$ 118,066</u>

5. Equity Method Investment

In connection with the transfer of its TeamConnect business and support for its pdvConnect business, the Company entered into a memorandum of understanding ("MOU") with the principals of Goosetown on December 31, 2018. Under the MOU, the Company agreed to assign the intellectual property rights to its pdvConnect application to the LLC, a new entity formed by the principals of Goosetown, in exchange for a 19.5% ownership interest in the LLC, effective April 30, 2019. The Goosetown principals have agreed to fund the future operations of the LLC, subject to certain limitations. The LLC has assumed the

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Company's software support and maintenance obligations under the Goosetown and A BEEP Agreements. The LLC has also assumed customer care services related to the Company's pdvConnect application. The Company provided transition services to the LLC through April 1, 2019 to facilitate an orderly transition of the customer care services. On April 1, 2020, the Company transferred its pdvConnect customers to the LLC, and the LLC agreed to pay the Company a certain portion of the recurring revenues from these customers.

During the nine months ended December 31, 2020, the change in the carrying value of the investment in the LLC is summarized as follows (in thousands):

	<u>Equity Method Investment</u>
Equity method investment carrying value at March 31, 2020	\$ 39
Share of net loss from LLC	(23)
Equity method investment carrying value at December 31, 2020	<u>\$ 16</u>

6. Related Party Transactions

Under the terms of the MOU, the Company was obligated to pay the LLC a monthly service fee for a 24-month period ending on January 7, 2021 for its assumption of the Company's support obligations under the A BEEP and Goosetown agreements. The Company is also obligated to pay the LLC a certain portion of the billed revenue received by the Company from pdvConnect customers for a 48-month period. For the three and nine months ended December 31, 2020, the Company incurred payments of \$176,000 and \$529,000 under the MOU, respectively. For the three and nine months ended December 31, 2019, the Company incurred payments of \$215,000 and \$729,000 under the MOU, respectively. As of December 31, 2020 and March 31, 2020, the Company owed \$1,000 and \$12,000 to the LLC, respectively.

The Company did not purchase any equipment from Motorola for the three and nine months ended December 31, 2020. The Company purchased \$11,000 of equipment from Motorola for the nine months ended December 31, 2019. The Motorola revenue recognized for the three and nine months ended December 31, 2020 and 2019 were approximately \$183,000 and \$547,000, respectively for each period. As of December 31, 2020 and March 31, 2020, the Company owed \$120,000 and \$98,000 to Motorola, respectively.

On May 5, 2020, the Company entered into a consulting agreement with Rachelle B. Chong under which Ms. Chong will serve as a Senior Advisor to the Company's management team effective May 15, 2020. In connection with the consulting agreement, Ms. Chong submitted her resignation from the Company's Board of Directors and as a member of the Board's Nominating and Corporate Governance Committee. During the three and nine months ended December 31, 2020, the Company incurred \$36,000 and \$96,000, respectively, in consulting fees to Ms. Chong. As of December 31, 2020, the Company did not have any outstanding liabilities to Ms. Chong.

On June 25, 2020, as part of its Executive Succession Plan, the Company announced that Brian D. McAuley had submitted his resignation as Executive Chairman of the Board, effective on July 1, 2020. On August 27, 2020, the Company entered into a consulting agreement with Mr. McAuley under which Mr. McAuley will serve as a Senior Advisor to the Company's management team and provide strategic, corporate governance and Board advisory services. The Consulting Agreement provides that Mr. McAuley will receive cash compensation of \$40,000 per year. Pursuant to the existing terms of his outstanding equity awards, Mr. McAuley will continue to vest in his outstanding equity awards as he continues to provide services to the Company pursuant to the Consulting Agreement. The Consulting Agreement is effective as of September 2, 2020 and terminates by its terms on September 1, 2021, unless terminated earlier by either party or extended upon the mutual agreement of the parties at least thirty (30) days before the end of the term. The Consulting Agreement contains standard confidentiality, indemnification and intellectual property assignment provisions in favor of the Company. The Consulting Agreement also contains a waiver by Mr. McAuley to any severance benefits that he might be entitled to receive under the Company's Executive Severance Plan in connection with his resignation and the Executive Succession Plan. In consideration for this waiver, in the event the Company terminates the Consulting Agreement without cause, Mr. McAuley dies or becomes disabled during the term of the Consulting Agreement, or the Company elects not to extend the term of the Consulting Agreement through September 1, 2023, then the vesting of all outstanding time-based equity awards held by Mr. McAuley shall accelerate on the date his consulting services end such that he will be deemed to have vested in a total of 18,761 shares of Common Stock for his services under the Consulting Agreement. In addition, Mr. McAuley's performance-based equity awards shall remain outstanding (and shall not terminate) and he shall continue to be eligible to obtain vested option shares and vested restricted stock units under his outstanding performance-based equity awards if the "Vesting Conditions" set forth in the performance-based equity awards are satisfied.

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7. Impairment and Restructuring Charges

Long-lived Assets and Right of Use Assets Impairment.

During the three and nine months ended December 31, 2020, the Company recorded a \$11,000 and \$40,000 non-cash impairment charge for long-lived assets, respectively, consisting for network site costs to reduce the carrying values to zero.

During the three and nine months ended December 31, 2019, the Company recorded a \$33,000 non-cash impairment charge for long-lived assets consisting of \$22,000 for property and equipment and \$11,000 for a right of use asset to reduce the carrying values to zero.

Restructuring Charges.

April 2018 and June 2018 restructuring activities. In April 2018, the Company announced a shift in its focus and resources in order to pursue its regulatory initiatives at the FCC and prepare for the future deployment of broadband and other advanced technologies and services. In light of this shift in focus, the Company's Board also approved a chief executive officer transition plan, under which, John Pescatore, the Company's chief executive officer and president, transitioned to the position of vice chairman and Morgan O'Brien, the Company's then-current vice chairman, assumed the position as the new chief executive officer. In connection with the transition, the Company and Mr. Pescatore entered into a Continued Service, Consulting and Transition Agreement and a separate Consulting Agreement (the "CEO Transition Agreements") and the Company also entered into additional consulting and transition agreements with several other key employees.

On June 1, 2018, the Company's Board approved an initial plan to restructure its business aimed at reducing the operating costs of its TeamConnect and pdvConnect businesses and better aligning and focusing its business priorities on its spectrum initiatives. As part of the restructuring plan, the Company eliminated approximately 20 positions, or 20% of its workforce, primarily from its TeamConnect and pdvConnect businesses. In August 2018, the Company continued with its restructuring efforts and eliminated approximately seven additional positions.

For the nine months ended December 31, 2020, total accrued restructuring charges for the April 2018 and June 2018 restructuring activities were as follows (in thousands):

	Restructuring Activities
Balance at March 31, 2020	\$ 565
Cash payments	(565)
Balance at December 31, 2020	<u>\$ —</u>

December 2018 cost reductions. On December 31, 2018, the Company's board of directors approved the following cost reduction actions: (i) the elimination of approximately 20 positions, or 30% of the Company's workforce and (ii) the closure of its office in San Diego, California (collectively, the "December 2018 Cost-Reduction Actions"). For the three and nine months ended December 31, 2020, the Company recorded restructuring charges relating to the December 2018 Cost-Reduction Actions in the amounts of \$45,000 and \$42,000, respectively, related to employee severance and benefit costs. For the three and nine months ended December 31, 2019, the Company recorded an additional restructuring charge relating to the December 2018 Cost-Reduction Actions amounting to \$34,000 and \$206,000, respectively, related to employee severance and benefit costs. For the nine months ended December 31, 2019, the Company reduced the facility exit costs accrual for our San Diego, California office by approximately \$28,000. The Company completed the cost reduction and restructuring actions in July 31, 2019 and the related cash payments for severance costs was completed by the end of August 31, 2019. Final payment of approximately \$36,000 is expected to be made by January 31, 2021.

For the nine months ended December 31, 2020, total December 2018 cost reduction charges were as follows (in thousands):

	Restructuring Activities
Balance at March 31, 2020	\$ 71
Severance costs	42
Cash payments	(77)
Balance at December 31, 2020	<u>\$ 36</u>

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8. Leases

A lease is defined as a contract that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On April 1, 2019, the Company adopted ASC 842 and it primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

Substantially all of the leases in which the Company is the lessee are comprised of corporate office space and tower space. The Company is obligated under certain lease agreements for office space with lease terms expiring on various dates from October 31, 2024 through June 30, 2027, which includes a ten-year lease extension for its corporate headquarters. The Company entered into multiple lease agreements for tower space related to its TeamConnect business. The lease expiration dates range from January 31, 2021 to June 30, 2026.

Substantially all of the Company's leases are classified as operating leases, and as such, were previously not recognized on the Company's Consolidated Balance Sheet. With the adoption of Topic 842, operating lease agreements are required to be recognized on the Consolidated Balance Sheet as Right of Use ("ROU") assets and corresponding lease liabilities.

ROU assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	Nine months ended December 31,	
	2020	2019
Weighted average term - operating lease liabilities	4.51 years	5.19 years
Weighted average incremental borrowing rate - operating lease liabilities	13%	13%

Rent expense amounted to approximately \$0.7 million for the three months ended December 31, 2020 and December 31, 2019, of which approximately \$0.4 million was classified as cost of revenue and the remainder of approximately \$0.3 million was classified in operating expenses in the Consolidated Statements of Operations, respectively. Rent expense amounted to approximately \$2.0 million for the nine months ended December 31, 2020 and December 31, 2019, of which approximately \$1.2 million was classified as cost of revenue and the remainder of approximately \$0.8 million was classified in operating expenses in the Consolidated Statements of Operations, respectively.

In June 2020, the Company terminated an operating tower space lease early resulting in a non-cash reductions in ROU assets by \$19,000, operating lease liabilities by \$20,000 and gain in disposal of long-lived asset by \$1,000.

The following table presents net lease cost for the three and nine months ended December 31, 2020 and 2019 (in thousands):

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Lease cost				
Operating lease cost (cost resulting from lease payments)	\$ 619	\$ 662	\$ 1,890	\$ 1,952
Short term lease cost	50	10	93	42
Sublease income	—	(4)	(6)	(13)
Net lease cost	\$ 669	\$ 668	\$ 1,977	\$ 1,981

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The following table presents supplemental cash flow and non-cash activity information for the nine months ended December 31, 2020 and 2019 (in thousands):

	Nine months ended December 31,	
	2020	2019
Operating cash flow information:		
Operating lease - operating cash flows (fixed payments)	\$ 2,096	\$ 2,012
Operating lease - operating cash flows (liability reduction)	\$ 1,289	\$ 1,044
Non-cash activity:		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 77	\$ 7,904

The following table presents supplemental balance sheet information as of December 31, 2020 and March 31, 2020 (in thousands):

	December 31, 2020	March 31, 2020
Non-current assets - right of use assets, net	\$ 5,404	\$ 6,500
Current liabilities - operating lease liabilities	\$ 1,529	\$ 1,695
Non-current liabilities - operating lease liabilities	\$ 5,928	\$ 7,051

Future minimum payments under non-cancelable leases for office and tower spaces (exclusive of real estate tax, utilities, maintenance and other costs borne by the Company), for the remaining terms of the leases following the nine months ended December 31, 2020 are as follows (in thousands):

Fiscal Year	Operating Leases
2021 (excluding the nine months ended December 31, 2020)	\$ 637
2022	2,297
2023	2,132
2024	1,930
2025	1,524
After 2025	1,373
Total future minimum lease payments	9,893
Amount representing interest	(2,436)
Present value of net future minimum lease payments	\$ 7,457

9. Income Taxes

On March 27, 2020, the Coronavirus Aid Relief and Economic Security (“CARES”) Act was signed into law. The Act contains several new or changed income tax provisions, including but not limited to the following: increased limitation threshold for determining deductible interest expense, class life changes to qualified improvements (in general, from 39 years to 15 years) and the ability to carry back net operating losses (“NOLs”) incurred from tax years 2018 through 2020 up to the five preceding tax years. Most of these provisions are either not applicable or have no material effect on the Company. However, the CARES Act changed the language of when NOLs converted from a 20-year life to an indefinite life. From the Tax Cuts and Jobs Act of 2017 (“TCJA”) rule, NOLs in tax periods ending after December 31, 2017 had an indefinite life. Under the new CARES Act, NOLs generated in periods beginning after December 31, 2017 are carried forward indefinitely. This dating change effectively disqualified the Company's March 31, 2018 NOL as an indefinite lived asset and source of taxable income to offset the Company's deferred tax liability stemming from indefinite-lived intangibles. The Company's NOLs generated after March 31, 2018, may continue to be used as an indefinite-lived asset to offset the deferred tax liability, but limited to 80% of future taxable income (or the balance of the deferred tax liability as of March 31, 2020). The total impact of this date change from the CARES Act increased the Company's net federal deferred tax liability from approximately \$0.2 million to \$1.6 million as of March 31, 2020. The state deferred tax liability of approximately \$1.4 million as of March 31, 2020 is unchanged.

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For the year ended March 31, 2020, the Company had federal and state NOL carryforwards of approximately \$211.9 million and \$112.7 million, respectively. Of these federal and state NOLs, approximately \$125.3 million and \$92.6 million, respectively, are expiring in various amounts from 2020 through 2040, to offset future taxable income. The remaining federal and state NOLs of approximately \$86.6 million and \$20.1 million, respectively, have an indefinite life and the federal NOLs may only offset 80% of taxable income when used. For the nine months ended December 31, 2020, the Company incurred federal and state net operating losses of approximately \$33.5 million and \$27.0 million, respectively, to offset future taxable income, of which \$42.8 million can be carried forward indefinitely, but can only offset 80% of taxable income when used.

The Company used a discrete effective tax rate method to calculate taxes for the three and nine months ended December 31, 2020. The Company determined that applying an estimate of the annual effective tax rate would not provide a reasonable estimate as small changes in estimated “ordinary” loss would result in significant changes in the estimated annual effective tax rate. Accordingly, for the three and nine months ended December 31, 2020, the Company recorded a total deferred tax expense of \$155,000 and \$311,000, respectively, due to the inability to use some portion of federal and state NOL carryforwards against the deferred tax liability created by amortization of indefinite-lived intangibles.

10. Stock Acquisition Rights, Stock Options and Warrants

The Company established the 2014 Stock Plan (the “2014 Stock Plan”) to attract, retain and reward individuals who contribute to the achievement of the Company’s goals and objectives. This 2014 Stock Plan superseded previous stock plans.

The Company’s Board has reserved 4,147,985 shares of common stock for issuance under its 2014 Stock Plan as of December 31, 2020, of which 833,413 shares are available for future issuance. The number of shares may increase, upon Board approval, each January 1 through January 1, 2024 by an amount equal to the lesser of (i) 5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or (ii) a lesser amount determined by the Board. Effective January 1, 2021, the Board elected to increase the shares authorized under the 2014 Stock Plan by 879,216 shares, which represented 5% of the of the Company’s common stock issued and outstanding as of December 31, 2020.

Restricted Stock and Restricted Stock Units

A summary of non-vested restricted stock activity for the nine months ended December 31, 2020 is as follows:

	Restricted Stock	Weighted Average Grant Day Fair Value
Non-vested restricted stock outstanding at March 31, 2020	352,194	\$ 37.93
Granted	286,155	47.10
Forfeited	(7,350)	36.75
Vested	(165,494)	40.15
Non-vested restricted stock outstanding at December 31, 2020	<u>465,505</u>	<u>\$ 42.80</u>

The Company recognizes compensation expense for restricted stock on a straight-line basis over the explicit vesting period. Vested restricted stock units are settled and issuable upon the earlier of the date the employee ceases to be an employee of the Company or a date certain in the future. Stock compensation expense related to restricted stock was approximately \$2.3 million and \$7.2 million for the three and nine months ended December 31, 2020, respectively, which included \$0.8 million of expense related to the Type III modification of restricted stock units held by the Company’s former Chairman of the Board upon his transition to a consultant to the Company that is probable of vesting under the modified condition. Stock compensation expense related to restricted stock was approximately \$1.1 million and \$3.1 million for the three and nine months ended December 31, 2019, respectively.

At December 31, 2020, there was \$14.4 million of unvested compensation expense for restricted stock, which is expected to be recognized over a weighted average period of 2.5 years.

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Performance Stock Units

A summary of the performance stock unit activity for the nine months ended December 31, 2020 is as follows:

	Performance Stock	Weighted Average Grant Day Fair Value
Performance stock outstanding at March 31, 2020	138,984	\$ 46.85
Granted	60,098	43.76
Forfeited/cancelled	(77,817)	48.04
Vested	(91,216)	46.85
Performance stock outstanding at December 31, 2020	<u>30,049</u>	<u>\$ 37.60</u>

Outstanding performance stock units included in the table above are shown at target. Share payout can range from 0% to 200% CEO Performance Units based on the Cumulative Spectrum Proceeds Monetized (“CSPM”) metric.

Performance-Based related to Report and Order and Long-Term Agreement(s)

On February 28, 2020, the Company awarded 95,538 performance-based restricted stock units. The performance goals are:

(A) **Target Goal:** 50% of the shares vest upon (i) achievement by December 31, 2020 of a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (ii) the lack of objection by the Company’s Board to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms and technical and operational rules) set forth or referenced in the Final Order; and

(B) **Stretch Goal:** The remaining 50% of the performance shares vest and settle upon the occurrence of all three of the following conditions: (i) the Company enters into one or more long-term agreement(s) with critical infrastructure or enterprise business(es) to enable such business(es) to utilize the Company’s spectrum for broadband connectivity; (ii) the combined total contract dollars payable to the Company over the initial term(s) of such agreement(s) equals or exceeds a certain amount as specified by the Board; and (iii) the agreement(s) is/are binding on such business(es) and is/are either not contingent on prior Board approval(s) or such approval(s) has/have been received. As of December 31, 2020, not all of these conditions had been achieved by December 30, 2020, and therefore, the applicable 50% of the performance shares expired unvested.

Additionally, on February 28, 2020, the Company awarded 43,446 performance-based restricted stock units. The performance goal related to these units is: 100% of the shares will vest upon (i) achievement by December 31, 2020 of a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (ii) the lack of objection by the Company’s Board to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms and technical and operational rules) set forth or referenced in the Final Order. The goal was achieved when the Report and Order was effective in August 2020.

On September 30, 2020, the Company recorded stock compensation expense amounting to approximately \$4.3 million based on the achievement of the Target Goal or approximately 91,216 shares under the performance-based restricted stock units, upon the Report and Order becoming effective in August 2020. For the three and nine months ended December 31, 2020, there was no stock compensation expense recognized for the Stretch Goal under the performance-based restricted stock units as the 47,768 performance-based restricted stock units expired as unvested.

CEO Performance Units

On December 31, 2020, the Compensation Committee awarded performance-based restricted units to the President and Chief Executive Officer as part of the Succession Plan, (the “CEO Performance Units”). The performance-based restricted units will vest based on Cumulative Spectrum Proceeds Monetized (“CSPM”) metric over a four-year measurement period commencing on June 24, 2020, with 30,049 units vesting if the target CSPM metric is achieved and up to 60,098 vesting if the maximum CSPM metric is achieved. In connection with awarding the CEO Performance Units, the Compensation Committee rescinded the previously reported June 2020 award for up to 60,098 performance-based restricted units.

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For the three and nine months ended December 31, 2020, the Company recorded \$1,000 and reversed approximately net \$65,000 of stock compensation expense relating to the CEO Performance Units, respectively. As of December 31, 2020, there was approximately \$1.1 million of unvested compensation expense for the outstanding performance-based restricted stock units related to the December 31, 2020 CEO Performance Units.

Stock Options

A summary of stock option activity for the nine months ended December 31, 2020 is as follows:

	Options	Weighted Average Exercise Price
Options outstanding at March 31, 2020	1,807,466	\$ 23.93
Options granted	123,058	42.04
Options exercised	(154,729)	(22.78)
Options forfeited/expired	(2,500)	(20.00)
Options outstanding at December 31, 2020	<u>1,773,295</u>	<u>\$ 25.30</u>

On June 24, 2020, the Company awarded a stock option to purchase 60,558 shares of common stock to its newly appointed President and Chief Executive Officer as part of the Succession Plan. The award has a contractual life of 10 years. 25% of the option shares will vest on July 1, 2021 with the remaining shares vesting in three equal annual installments, based on the President and Chief Executive Officer's continuous service to the Company through the applicable vesting dates.

On October 22, 2020, the Company awarded a Senior Executive Officer a stock option to purchase 62,500 shares of common stock. The award has a contractual life of 10 years. 25% of the option shares will vest on November 15, 2021 with the remaining shares vesting in three equal annual installments, based on continuous service to the Company through the applicable vesting dates.

The Black-Scholes option model requires weighted average assumptions to be used for the calculation of the Company's stock compensation expense. The assumptions used during the nine months ended December 31, 2020 were: the expected life of the award was 6.07 years; the risk-free interest rate were 0.43% to 0.51%; the expected volatility rate were 53.41% to 52.43%; the expected dividend yield was 0.0%; and the expected forfeiture rate were 0% to 2%.

Stock compensation expense related to the amortization of the fair value of stock options issued was approximately \$0.4 million and \$0.9 million for the three and nine months ended December 31, 2020. For the three and nine months ended December 31, 2019, stock compensation expense was approximately \$0.3 million and \$1.3 million, respectively.

As of December 31, 2020, there was approximately \$2.2 million of unrecognized compensation expense related to non-vested stock options granted under the Company's stock option plans which is expected to be recognized over a weighted-average period of 1.5 years.

Performance Stock Options

	Performance Options	Weighted Average Exercise Price
Performance Options outstanding at March 31, 2020	82,197	\$ 46.85
Performance Options granted	—	—
Performance Options exercised	—	—
Performance Options forfeited/expired	(33,780)	46.85
Performance Options outstanding at December 31, 2020	<u>48,417</u>	<u>\$ 46.85</u>

On February 28, 2020, the Company awarded 67,562 performance-based stock options. The performance goals are:

(A) **Target Goal:** 50% of the shares vest upon (i) achievement by December 31, 2020 of a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (ii) the lack of objection by the Company's Board to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms and technical and operational rules) set forth or referenced in the Final Order and

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(B) **Stretch Goal:** The remaining 50% of the performance shares vest and settle upon the occurrence of all three of the following conditions: (i) the Company enters into one or more long-term agreement(s) with critical infrastructure or enterprise business(es) to enable such business(es) to utilize the Company's spectrum for broadband connectivity; (ii) the combined total contract dollars payable to the Company over the initial term(s) of such agreement(s) equals or exceeds a certain amount as specified by the Board; and (iii) the agreement(s) is/are binding on such business(es) and is/are either not contingent on prior Board of Director approval(s) or such approval(s) has/have been received. As of December 30, 2020, not all of these conditions had been achieved, and therefore, the 33,780 performance-based stock option shares expired unvested.

Additionally, the Company awarded 14,635 performance-based stock options on February 28, 2020. The performance goal is: 100% of the shares will vest upon (i) achievement by December 31, 2020 of a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (ii) the lack of objection by the Company's Board to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms and technical and operational rules) set forth or referenced in the Final Order. The goal was achieved when the Report and Order was effective in August 2020.

For the nine months ended December 31, 2020, the Company recognized \$0.8 million based on the achievement of the Target Goal under the performance-based stock options, upon the Report and Order becoming effective in August 2020. As of December 31, 2020, there were no unvested compensation expense relating to the outstanding performance-based stock options.

Motorola Investment

On September 15, 2014, Motorola invested \$10.0 million to purchase 500,000 Class B Units of the Company's subsidiary, PDV Spectrum Holding Company, LLC (at a price equal to \$20.00 per unit). The Company owns 100% of the Class A Units in this subsidiary. Motorola has the right at any time to convert its 500,000 Class B Units into 500,000 shares of the Company's common stock. The Company also has the right to force Motorola's conversion of these Class B Units into shares of its common stock at its election. Motorola is not entitled to any assets, profits or distributions from the operations of the subsidiary. In addition, Motorola's conversion ratio from Class B Units to shares of the Company's common stock is fixed on a one-for-one basis, and is not dependent on the performance or valuation of either the Company or the subsidiary. The Class B Units have no redemption or call provisions and can only be converted into shares of the Company's common stock. Management has determined that this investment does not meet the criteria for temporary equity or non-controlling interest due to the limited rights that Motorola has as a holder of Class B Units, and accordingly has presented this investment as part of its permanent equity within Additional Paid-in Capital in the accompanying consolidated financial statements.

11. Contingencies

Litigation

From time to time, the Company may be involved in litigation that arises from the ordinary operations of the business, such as contractual or employment disputes or other general actions. The Company is not involved in any material legal proceedings at this time.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic and COVID-19 continues to cause significant disruptions throughout the United States. The ultimate extent of the impact of COVID-19 on the financial performance of the Company and its ability to secure broadband licenses pursuant to the terms of the 900 MHz Report and Order and to commercialize any broadband licenses it secures, will depend on future developments, including the duration and spread of COVID-19, the laws, orders and restrictions imposed by federal, state and local governmental agencies, the impact of COVID-19 on the Company's targeted utility and critical infrastructure customers, and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's operating results may be materially and adversely affected. The Company is actively managing the business to maintain its cash flow and believes that it has adequate liquidity through at least the next twelve months.

12. Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable.

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The Company places its cash and temporary cash investments with financial institutions for which credit loss is not anticipated.

As of December 31, 2020, the Company sells its pdvConnect product and extends credit predominately to one Tier 1 domestic carrier. The Company maintains allowances for doubtful accounts based on factors surrounding the write-off history, historical trends, and other information.

13. Business Concentrations

For the three and nine months ended December 31, 2020, the Company had one Tier 1 domestic carrier and one reseller that accounted for approximately 20% and 21% of total operating revenues, respectively. For the three and nine months ended December 31, 2019, the Company had one domestic carrier and one reseller that accounted for approximately 23% of operating revenues, respectively.

As of December 31, 2020, the Company had one Tier 1 domestic carrier and one reseller that accounted for approximately 89% of total accounts receivable. As of March 31, 2020, the Company had one domestic carrier and one reseller that accounted for approximately 71% of total accounts receivable.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis of the financial condition and results of operations of Anterix Inc. ("Anterix," the "Company"; "we", "us", or "our") should be read in conjunction with our financial statements and notes thereto included in this Quarterly Report on Form 10-Q (the "Form 10-Q") and the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on May 28, 2020 (the "Annual Report"). In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those identified or referenced in "Item 1A—Risk Factors" in Part II of this Form 10-Q. As a result, investors are urged not to place undue reliance on any forward-looking statements. Except to the limited extent required by applicable law, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-Q.

Overview

We are a wireless communications company focused on commercializing our spectrum assets to enable our targeted utility and critical infrastructure customers to deploy private broadband networks, technologies and solutions. We are the largest holder of licensed spectrum in the 900 MHz band (896-901/935-940 MHz) with nationwide coverage throughout the contiguous United States, Hawaii, Alaska and Puerto Rico.

On May 13, 2020, the Federal Communications Commission ("FCC") approved a Report and Order to modernize and realign the 900 MHz band to increase its usability and capacity by allowing it to be utilized for the deployment of broadband networks, technologies and solutions (the "Report and Order"). The Report and Order was published in the Federal Register on July 16, 2020 and became effective on August 17, 2020. We are now engaged in qualifying for and securing broadband licenses from the FCC, with a focus on pursuing licenses in those counties in which we believe we have near-term commercial opportunities. At the same time, our sales and marketing organization is pursuing opportunities to lease the broadband licenses we secure to our targeted utility and critical infrastructure customers.

In December 2020, the Company entered into its first long-term 900 MHz broadband spectrum lease agreements (the "Lease Agreements") covering Ameren Corporation's ("Ameren") service territories. The Lease Agreements will enable Ameren to deploy a private LTE network in its service territories in Missouri and Illinois covering approximately 7.5 million people. Each Lease Agreement is for a term of up to 40 years, consisting of an initial term of 30 years, with an option to extend for an additional 10-year term for an additional payment. The scheduled prepayments for the 30-year initial terms of the Lease Agreements total approximately \$48 million dollars. Full prepayment for the 30-year initial terms is due by 2026, with approximately 50% of the total prepayments due by June 2021. The timing of these payments is subject to the Company's timely clearing of spectrum and delivery of broadband spectrum licenses. The Company is proactively clearing incumbents from the 900 MHz broadband segments in Ameren's service territories and expects to begin delivering the broadband spectrum licenses by county in June 2021. The Company expects to recognize revenue from the Lease Agreements commencing in fiscal year 2022. Revenue will be recognized as spectrum is delivered based on straight-line amortization over the initial 30-year terms of the Lease Agreements. The Lease Agreements are subject to customary approval terms and conditions, including the approval by both companies' boards of directors and the Company's ability to secure broadband licenses from the FCC.

Securing Broadband Licenses

In the Report and Order, the FCC reconfigured the 900 MHz band to create a 6 MHz broadband segment (240 channels) and two narrowband segments, consisting of a 3 MHz narrowband segment (120 channels) and a 1 MHz narrowband segment (39 channels).

The Role of the County. Under the Report and Order, the FCC established the "county" as the base unit of measure in determining whether a broadband applicant is eligible to secure a broadband license. There are 3,223 counties in the United States, including Puerto Rico.

Broadband License Eligibility Requirements. The Report and Order establishes three eligibility requirements to obtain broadband licenses in a county, which we refer to herein as (i) the "50% Licensed Spectrum Test," (ii) the "90% Broadband Segment Test" and (iii) the "240 Channel Requirement."

1. 50% Licensed Spectrum Test. To be eligible for a broadband license in a particular county, we must demonstrate that we hold more than 50% of the outstanding licensed channels in the county. Because the 50% Licensed Spectrum Test is based on licensed channels, any channels that are not licensed by the FCC are not included in the denominator when determining whether we have satisfied this test. The denominator is determined by the number of channels licensed by all licensees with sites in the county and within 20 miles of the county boundary. In some situations, a single channel is licensed by more than one entity, and therefore could be counted more than once. The FCC has licensed less than 399 channels in all but the most populous counties. As of the date

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of this filing, we satisfy the 50% Licensed Spectrum Test in more than 3,100 counties of the 3,223 counties in the United States and its territories.

2. 90% Broadband Segment Test. The second test, the 90% Broadband Segment Test, addresses the balance between a voluntary market process to clear any Covered Incumbent (i.e., holders of licenses in the broadband segment) and the mandatory relocation process established by the FCC in the Report and Order (which applies to all Covered Incumbents, except for those Covered Incumbents operating “Complex Systems” as described below). This test requires we hold or have agreements with Covered Incumbents for 90% of the licensed channels in the broadband segment in a particular county and within 70 miles of the county’s boundaries. The broadband segment in the 900 MHz band has a total of 241 channels. The 90% Broadband Segment Test is calculated using outstanding licensed channels, which means that if the FCC has licensed 241 channels, we will be required to have control of or agreements covering 217 channels within the broadband segment. In many counties in the United States, the FCC has licensed fewer than 241 channels in the broadband segment and these unlicensed channels are not included in the denominator when determining whether we have satisfied this 90% Broadband Segment Test.

Before filing for a broadband license, we must satisfy the 90% Broadband Segment Test by utilizing our channel holdings and negotiating with Covered Incumbents on a purely voluntary basis for any additional channels we require to satisfy this test. Only after we satisfy the 90% Broadband Segment Test will the FCC issue a broadband license to us and commence the “Mandatory Retuning” period. During this period, any Covered Incumbents that remain in the broadband segment (other than Complex Systems) are required to negotiate with us in good faith to clear the broadband segment, subject to intervention by the FCC if the parties cannot reach an agreement.

3. 240 Channel Requirement. The Report and Order requires the broadband applicant to surrender 6 MHz of spectrum (or 240 channels) in a county to receive the broadband license. If we do not have sufficient channels in the county to return 240 channels to the FCC, we will make an “Anti-Windfall Payment” to the U.S. Treasury to secure the broadband license. The Anti-Windfall Payment for these channels will be based on prices paid in the applicable county in the 600 MHz auction conducted by the FCC.

Treatment of Complex Systems. The Report and Order exempts “Complex Systems” from the mandatory retuning process—even if the Broadband applicant meets the 90% Broadband Segment Test. The FCC defines a Complex System as a radio system that has at least 45 integrated sites. The FCC exempted Complex Systems from the mandatory retuning requirements because retuning these systems would potentially be more disruptive to the operators than retuning the smaller systems operated by other incumbents. Of the small number of systems that qualify for this 45-site exemption, based on our calculation, all but one system belongs to utilities that we have identified as our target customers.

The Association of American Railroads. The nation’s railroads, particularly the major freight lines, operate on six narrowband 900 MHz channels licensed to their trade association, the Association of American Railroads (“AAR”). Three of these narrowband channels are located in the 900 MHz broadband segment created by the FCC in the Report and Order. As a result, in order to qualify for broadband licenses under the Report and Order, we are required to provide spectrum for the relocation of the AAR channels to narrowband channels outside the 900 MHz broadband segment.

In January 2020, we entered into an agreement with the AAR in which it agreed to cancel licenses in the 900 MHz band to enable the AAR to relocate its operations, including operations utilizing the three channels located in the 900 MHz broadband segment (the “AAR Agreement”). The FCC referenced the AAR agreement in the Report and Order and required us to cancel our licenses and return them to the FCC in accordance with the AAR Agreement. The Report and Order provides that the FCC will make the channels associated with these licenses available to the AAR to enable the AAR to relocate their current operations. The Report and Order also provides that the FCC will credit us for our cancelled licenses for purposes of determining our eligibility and the calculation of our requirement to pay any anti-windfall payments to secure broadband licenses.

In accordance with the Report and Order, we cancelled our licenses and recorded a loss on the disposal of intangible assets, in the nine months ended December 31, 2020.

Costs of Securing Broadband Licenses

As a broadband applicant, we can satisfy the three eligibility requirements discussed above by including our existing licensed channels and by acquiring or retuning additional channels when necessary through (i) spectrum purchases, (ii) spectrum relocations and/or (iii) Anti-Windfall Payments, or any combination thereof.

1. Channel Acquisition. In 2015, we began acquiring targeted additional channels in various markets in anticipation of the Report and Order. We will continue to employ spectrum acquisition as a tool for those situations where an incumbent desires to exit the 900 MHz band. We may selectively acquire channels outside the 900 MHz broadband segment and use them to swap for channels within the broadband segment. For purposes of broadband license eligibility, any potential acquisitions of 900MHz channels we

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negotiate will be included as part of our broadband application, but the acquisition does not need to be consummated at the time we submit our license application.

2. **Retuning Costs.** Retuning is the exercise of exchanging, also referred to as swapping, broadband segment channels held by Covered Incumbents and moving them to channels outside of the 900 MHz broadband segment. A retune or swap adds to the number of channels we hold for computational purposes in the 90% Broadband Segment Test. We began retuning or swapping channels with Covered Incumbents in 2015 in anticipation of the Report and Order. We have continued retuning channels with Covered Incumbents since that time.

3. **Anti-Windfall Payments.** To obtain a 6 MHz broadband license, the broadband applicant must surrender up to 240 licensed channels in the county. As this band has been underutilized historically, most counties in the United States do not have 240 channels licensed. When the broadband applicant does not surrender 240 channels, they will pay for the difference between the spectrum held and the 6 MHz it will be receiving as the broadband licensee by making an Anti-Windfall Payment. As noted above, the FCC will use as a reference the spectrum price based on the average price paid in the FCC's 600 MHz auction in each given county.

Importantly, the markets where the FCC has channels in inventory and where we may need to make Anti-Windfall Payments to effectively return 240 channels to the FCC are generally in smaller urban, suburban and rural markets. Our spectrum position is greatest in the largest, most populated and therefore most expensive markets, with a few exceptions. Although we will need to make Anti-Windfall Payments to secure broadband licenses in some counties, the cost for the channels, on average, will be lower than the nationwide average amount paid in the FCC's 600 MHz auction.

When combining our estimated clearing and spectrum acquisition costs with our anticipated Anti-Windfall Payments to the U.S. Treasury, we anticipate the combined total costs of securing broadband licenses from the FCC will range from \$130 to \$160 million, the significant majority of which we intend to spend by the end of fiscal year 2024. We will deploy this capital at our determined pace based on several key ongoing factors, including customer demand, market opportunity and offsetting income from spectrum leases.

Historical Spectrum Initiatives

We acquired our 900 MHz spectrum and certain related equipment from Sprint in September 2014 for \$100 million. While the spectrum we initially purchased can support narrowband and wideband wireless services, the most significant business opportunities we identified requires contiguous spectrum that allows for greater bandwidth than allowed by the current configuration of our spectrum. As a result, since purchasing our 900 MHz spectrum in 2014, we pursued initiatives at the FCC seeking to modernize and realign a portion of the 900 MHz band to increase its usability and capacity by allowing it to accommodate the deployment of broadband networks, technologies and solutions. Specifically, in November 2014, we and the Enterprise Wireless Alliance ("EWA") submitted a Joint Petition for Rulemaking to the FCC to propose a realignment of a portion of the 900 MHz band to create a 6 MHz broadband authorization, while retaining 4 MHz for continued narrowband operations. Comments on the proposed rules were filed in June 2015 and reply comments in July 2015.

In August 2017, the FCC issued a Notice of Inquiry ("NOI") announcing that it had commenced a proceeding to examine whether it would be in the public interest to change the existing rules governing the 900 MHz band to increase access to spectrum, improve spectrum efficiency and expand flexibility for a variety of potential uses and applications, including broadband and other advanced technologies and services. We and EWA filed a joint response to the FCC's NOI in October 2017 and reply comments in November 2017.

On March 14, 2019, the FCC unanimously adopted a Notice of Proposed Rulemaking (the "NPRM") that endorsed the Company's objective of creating a broadband opportunity in the 900 MHz band for critical infrastructure and other enterprise users. In the NPRM, the FCC requested comments from interested parties, including us, on a number of important topics that would impact the timing and costs of obtaining a broadband license. The Company filed comments to the NPRM in June 2019 and reply comments in July 2019.

On May 13, 2020, the FCC approved a Report and Order to modernize and realign the 900 MHz band to increase its usability and capacity by allowing it to be utilized for the deployment of broadband networks, technologies and solutions.

The Report and Order was published in the Federal Register on July 16, 2020 and became effective on August 17, 2020.

Historical Business Operations

Historically, we generated revenue principally from our pdvConnect and TeamConnect businesses. We historically marketed pdvConnect, a mobile communication and workforce management solution, primarily through two Tier 1 carriers in the United States. In Fiscal 2016, we began offering a commercial push-to-talk ("PTT") service, which we marketed as TeamConnect, in seven major

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metropolitan areas throughout the United States, including Atlanta, Baltimore/Washington, Chicago, Dallas, Houston, New York and Philadelphia. We primarily offered the TeamConnect service to customers indirectly through third-party sales representatives who were primarily selected from Motorola's nationwide dealer network.

In June 2018, we announced our plan to restructure our operations to align and focus our business priorities on our spectrum initiatives. Consistent with this restructuring plan, we transferred our TeamConnect business and support obligations for our pdvConnect business in December 2018. Specifically, we entered into: (i) a Customer Acquisition and Resale Agreement with A BEEP LLC ("A BEEP") on January 2, 2019, (ii) a Customer Acquisition, Resale and Licensing Agreement with Goosetown Enterprises, Inc. ("Goosetown") on January 2, 2019 and (iii) a memorandum of understanding ("MOU") with the principals of Goosetown on December 31, 2018. Under the A BEEP and Goosetown Agreements, we agreed to: (i) transfer our TeamConnect customers located in the Atlanta, Chicago, Dallas, Houston and Phoenix metropolitan markets to A BEEP, (ii) transfer our TeamConnect customers located in the Baltimore/Washington DC, Philadelphia and New York metropolitan markets to Goosetown, (iii) provide A BEEP and Goosetown with access to our TeamConnect Metro and Campus Systems (the "MotoTRBO Systems") and (iv) grant A BEEP and Goosetown the right to resell access to our MotoTRBO Systems pursuant to separate Mobile Virtual Network Operation arrangements for a two-year period. We also granted Goosetown a license to sell the business applications we developed for our TeamConnect service.

We retained a number of significant obligations under our A BEEP and Goosetown agreements related to the TeamConnect and pdvConnect businesses. To help ensure the transitioning of the TeamConnect customers, we continued to provide customer care, billing and collection services through April 1, 2019. We are required to pay all site lease, backhaul and utility costs required to operate the MotoTRBO Systems for a two (2)-year period which ended on January 2, 2021. By the end of this two-year period, A BEEP and Goosetown are required to migrate their respective customers off of the MotoTRBO Systems. We are required to continue to pay the cell tower leases for the TeamConnect networks we deployed for the balance of the lease terms. We also retained customer billing and collection responsibility for the pdvConnect business.

Under the terms of the MOU, we assigned the intellectual property rights to our TeamConnect and pdvConnect related applications to TeamConnect LLC (the "LLC"), a new entity formed by the principals of Goosetown, in exchange for a 19.5% ownership interest in the LLC, effective April 30, 2019. The Goosetown Principals have agreed to fund the future operations of the LLC, subject to certain limitations. The LLC assumed our software support and maintenance obligations under the A BEEP and Goosetown Agreements. The LLC also assumed customer care services related to the pdvConnect service. We provided transition services to the LLC through April 1, 2019. We are also obligated to pay the LLC a monthly service fee for a 24-month period ending on January 7, 2021 for its assumption of our support obligations under the A BEEP and Goosetown Agreements. We are obligated to pay the LLC a certain portion of the billed revenue we received from pdvConnect customers for a 48-month period. On April 1, 2020, we transferred the pdvConnect customers to the LLC, and the LLC agreed to provide us a portion of the billed revenue they receive from these customers.

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Results of Operations

Comparison of the three and nine months ended December 31, 2020 and 2019

The following table sets forth our results of operations for the three and nine months ended December 31, 2020 (“Fiscal 2021”) and 2019 (“Fiscal 2020”). The period-to-period comparison of financial results is not necessarily indicative of the financial results we will achieve in future periods.

Operating revenues

(in thousands)	Three months ended December 31,		Aggregate Change		Nine months ended December 31,		Aggregate Change	
	2020	2019	2020 from 2019		2020	2019	2020 from 2019	
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
Service revenue	\$ 53	\$ 178	\$ (125)	-70%	\$ 193	\$ 690	\$ (497)	-72%
Spectrum lease revenue	183	183	—	0%	547	547	—	0%
Total operating revenues	\$ 236	\$ 361	\$ (125)	-35%	\$ 740	\$ 1,237	\$ (497)	-40%

Overall operating revenues decreased by \$0.1 million, or 35%, to \$0.2 million for the three months ended December 31, 2020 from \$0.4 million for the three months ended December 31, 2019. For the nine months ended December 31, 2020, operating revenue decreased by \$0.5 million, or 40%, to \$0.7 million from \$1.2 million for the nine months ended December 31, 2019. The decrease in the three and nine month periods are attributable to the transfer of pdvConnect customers to the LLC.

Operating expenses

(in thousands)	Three months ended December 31,		Aggregate Change		Nine months ended December 31,		Aggregate Change	
	2020	2019	2020 from 2019		2020	2019	2020 from 2019	
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
Direct cost of revenue (exclusive of depreciation and amortization)	\$ 543	\$ 631	\$ (88)	-14%	\$ 1,606	\$ 2,248	\$ (642)	-29%
General and administrative	6,300	4,740	1,560	33%	17,620	14,145	3,475	25%
Sales and support	612	949	(337)	-36%	1,904	2,922	(1,018)	-35%
Product development	1,098	610	488	80%	2,595	1,846	749	41%
Depreciation and amortization	1,020	1,135	(115)	-10%	3,418	2,412	1,006	42%
Stock compensation expense	2,672	1,404	1,268	90%	13,245	4,393	8,852	202%
Restructuring costs	44	35	9	26%	65	195	(130)	-67%
Impairment of long-lived assets	11	33	(22)	-67%	40	33	7	21%
Total operating expenses	\$ 12,300	\$ 9,537	\$ 2,763	29%	\$ 40,493	\$ 28,194	\$ 12,299	44%

Direct cost of revenue. Direct cost of revenue decreased by \$0.1 million, or 14%, to \$0.5 million for the three months ended December 31, 2020 from \$0.6 million for the three months ended December 31, 2019. For the nine months ended December 31, 2020, direct cost of revenue decreased by \$0.6 million, or 29%, to \$1.6 million for the nine months ended December 31, 2019. The decreases in the three and nine months ended December 31, 2020 primarily resulted from lower support costs related to the transfer of pdvConnect customers to the LLC. In addition, in the nine months period ended December 31, 2019, we recorded a \$0.2 million impairment of contract costs related to the TeamConnect customers transferred to A BEEP and Goosetown that we incurred in Fiscal 2020.

General and administrative expenses. General and administrative expenses increased by \$1.6 million, or 33%, to \$6.3 million for the three months ended December 31, 2020 from \$4.7 million for the three months ended December 31, 2019. The increase for the three months period was primarily due to higher compensation costs due to increased headcount as well as a realignment of the business development team from sales and support to general and administrative. For the nine months ended December 31, 2020, general and administrative expenses increased by \$3.5 million, or 25%, to \$17.6 million from \$14.1 million for the nine months ended December 31, 2019. The increase of \$3.5 million for the nine months ended December 31, 2020 resulted mainly from \$2.4 million higher employee related costs due to increased headcount as well as the realignment of the business development team and \$1.1 million higher consulting and professional services charges related to our strategic spectrum initiatives. These increases were partially offset by a \$0.3 million decrease in employee related travel and meeting costs due to the pandemic.

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Sales and support expenses. Sales and support expenses decreased by \$0.3 million, or 36%, to \$0.6 million for the three months ended December 31, 2020 from \$0.9 million for three months ended December 31, 2019. For the three months ended December 31, 2020, the decrease resulted from the realignment of the business development team from Sales and support to General and administrative. For the nine months ended December 31, 2020, sales and support expenses decreased by \$1.0 million, or 35%, to \$1.9 million from \$2.9 million for the nine months ended December 31, 2019. The decrease in the nine months ended primarily resulted from \$0.7 million related to the realignment of the business development team from Sales and support to General and administrative, \$0.1 million lower employee related travel and meeting costs due to the pandemic a \$0.2 million decrease for rebranding efforts in Fiscal 2020 that did not occur in Fiscal 2021 and a \$0.3 million impairment of contract costs incurred in Fiscal 2020 related to the TeamConnect customers transferred to A BEEP and Goosetown, partially offset by \$0.3 million increase in headcount and employee related costs resulting from building the sales team

Product development expenses. Product development expenses increased by \$0.5 million, or 80%, to \$1.1 million for the three months ended December 31, 2020 from \$0.6 million for three months ended December 31, 2019. The increase in the three months ended December 31, 2020 mainly resulted from \$0.2 million higher consulting charges and \$0.3 million higher technology and equipment related charges to assist with the development of future product offerings. For the nine months ended December 31, 2020, product development expenses increased by \$0.7 million, or 41%, to \$2.6 million from \$1.8 million for the nine months ended December 31, 2019. The increase in the nine months ended December 31, 2020 is primarily attributable to \$0.5 million higher consulting charges, \$0.3 million higher technology and equipment related charges to assist with the development of future product offerings, offset by \$0.2 million lower employee related travel and meeting costs due to the pandemic.

Depreciation and amortization. Depreciation and amortization remained relatively flat for the three months ended December 31, 2020 as compared to the three months ended December 31, 2019. For the nine months ended December 31, 2020, depreciation and amortization increased by \$1.0 million, or 42%, to \$3.4 million from \$2.4 million for the nine months ended December 31, 2019. The increase for the nine months resulted from the change in the useful life of our network sites during the last two quarters of Fiscal 2020 that resulted in higher depreciation expense for the nine months ended December 31, 2020.

Stock compensation expense. Stock compensation expense increased by \$1.3 million, or 90%, to \$2.7 million for the three months ended December 31, 2020 from \$1.4 million for the three months ended December 31, 2019. For the nine months ended December 31, 2020, stock and compensation expense increased by \$8.9 million, or 202%, to \$13.2 million from \$4.4 million for the nine months ended December 31, 2019. The increase of \$1.3 million in the three months ended December 31, 2020 was attributable to the higher valuation of grants awarded in Fiscal 2021. The increase in the nine months ended December 31, 2020 was attributable to \$5.1 million in stock compensation expense recognized upon the achievement of the Target Goal under the performance-based restricted stock units and performance-based stock options, upon the Report and Order becoming effective in August 2020 (see Note 10), \$0.8 million relating to the Type III modification to the restricted stock units held by the former Chairman of the Board upon his transition to a consultant to the Company and approximately \$3.0 million due to higher valuation of grants awarded in Fiscal 2021.

Restructuring costs. Restructuring costs remained relatively flat for the three months ended December 31, 2020 compared to the three months ended December 31, 2019. Restructuring costs decreased by \$130,000, or 67%, to \$65,000 for the nine months ended December 31, 2020 from \$195,000 for the nine months ended December 31, 2019. The decrease in the nine months ended December 31, 2020 was mainly due to the completion of the December 2018 cost reduction and restructuring actions associated with the transfer of the TeamConnect business to A BEEP and Goosetown and the transfer of the pdvConnect business to the LLC in Fiscal 2020.

Impairment of long-lived assets. The impairment for the three and nine months ended December 31, 2020 resulted from the \$11,000 and \$40,000 non-cash impairment charge for long-lived assets for network sites, respectively. For the three and nine months ended December 31, 2019, the \$33,000 non-cash impairment charge for long-lived assets consisted of \$22,000 for property and equipment and \$11,000 for a right of use asset to reduce the carrying values to zero.

(Gain)/loss from disposal of intangible assets, net

(in thousands)	Three months ended		Aggregate Change	Nine months ended		Aggregate Change
	December 31,			December 31,		
	2020	2019	2020 from 2019	2020	2019	2020 from 2019
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
(Gain)/loss from disposal of intangible assets, net	\$ —	\$ 140	\$ (140) -100%	\$ 3,849	\$ 140	\$ 3,709 2649%

For the nine months ended December 31, 2020, we cancelled licenses in the 900 MHz band in accordance with the Report and Order and our agreement with the AAR. Because we did not receive any licenses nor monetary reimbursement in exchange for the cancellation, but only credit for purposes of determining our future eligibility and payment requirements for broadband licenses under

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the Report and Order, we recorded a \$5.0 million loss from disposal of the intangible assets in the Consolidated Statements of Operations for the nine months ended December 31, 2020.

In September 2020, we closed an agreement with a third party for the exchange of 900 MHz licenses. Under the agreement, we received spectrum licenses at their estimated fair value of approximately \$0.2 million and a payment of \$1.2 million in cash, of which we previously received \$0.6 million as a refundable deposit when the agreement was executed in Fiscal 2018 and we are entitled to receive the remaining \$0.6 million upon receipt of FCC approval and closing of the agreement in September 2020. Under the agreement, we transferred spectrum licenses with a book value of approximately \$0.3 million to the third party. We recognized a \$1.1 million gain from disposal of intangible assets in the Consolidated Statement of Operations when the deal closed in September 2020.

For the nine months ended December 31, 2019, we recorded a loss on disposal of capitalized patent costs amounting to \$140,000 relating to the transfer of the intellectual property to the LLC.

(Gain)/loss from disposal of long-lived assets, net

(in thousands)	Three months ended December 31,		Aggregate Change 2020 from 2019	Nine months ended December 31,		Aggregate Change 2020 from 2019
	2020	2019		2020	2019	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
(Gain)/loss from disposal of long-lived assets, net	\$ —	\$ —	\$ — 0%	\$ (6)	\$ 62	\$ (68) -110%

For the nine months ended December 31, 2020, we incurred approximately \$6,000 in a gain on disposal of right of use assets relating to early termination of operating leases.

For the nine months ended December 31, 2019, we disposed network, computer and other equipment relating to our pdvConnect application services resulting in a \$62,000 loss on disposal on long-lived assets.

Interest income

(in thousands)	Three months ended December 31,		Aggregate Change 2020 from 2019	Nine months ended December 31,		Aggregate Change 2020 from 2019
	2020	2019		2020	2019	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Interest income	\$ 27	\$ 517	\$ (490) -95%	\$ 99	\$ 1,505	\$ (1,406) -93%

Interest income decreased by 95% and 93% for the three and nine months ended December 31, 2020, as compared to the three and nine months ended December 31, 2019 due a lower cash balance driven by payments for our spectrum initiatives, along with lower effective money market rates.

Other income

(in thousands)	Three months ended December 31,		Aggregate Change 2020 from 2019	Nine months ended December 31,		Aggregate Change 2020 from 2019
	2020	2019		2020	2019	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Other income	\$ 110	\$ 142	\$ (32) -23%	\$ 332	\$ 356	\$ (24) -7%

Other income remained relatively flat for the three and nine months ended December 31, 2020 as compared to the three and nine months ended December 31, 2019.

(Loss)/income on equity method investment

(in thousands)	Three months ended December 31,		Aggregate Change 2020 from 2019	Nine months ended December 31,		Aggregate Change 2020 from 2019
	2020	2019		2020	2019	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
(Loss)/income on equity method investment	\$ (7)	\$ (23)	\$ 16 -70%	\$ (23)	\$ (8)	\$ (15) 188%

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The Company reported loss on investment for the three and nine months ended December 31, 2020 amounting to (\$7,000) and (\$23,000), respectively, compared to loss on investment for the three and nine months ended December 31, 2019 amounting to (\$23,000) and (\$8,000), respectively, relating to the 19.5% ownership interest in TeamConnect LLC.

Income tax expense

(in thousands)	Three months ended December 31,		Aggregate Change		Nine months ended December 31,		Aggregate Change	
	2020	2019	2020 from 2019		2020	2019	2020 from 2019	
	(Unaudited)	(Unaudited)			(Unaudited)	(Unaudited)		
Income tax expense	\$ 155	\$ 131	\$ 24	18%	\$ 311	\$ 594	\$ (283)	-48%

On March 27, 2020, the Coronavirus Aid Relief and Economic Security (“CARES”) Act was signed into law. The new CARES Act modified Section 172(b)(1)(A) of the Internal Revenue Code to state that net operating loss (“NOL”) arising in a taxable year beginning before January 1, 2018, is carried forward 20 years provided that a carryback claim is not effected. From this adjusted provision, our March 31, 2018 NOL carryforward changed from an indefinite life to a 20-year life. We used a discrete effective tax rate method to calculate taxes for the three and nine months ended December 31, 2020. We determined that applying an estimate of the annual effective tax rate would not provide a reasonable estimate as small changes in estimated “ordinary” loss would result in significant changes in the estimated annual effective tax rate. Accordingly, for the three and nine months ended December 31, 2020, we recorded a total deferred tax expense of \$0.1 million and \$0.3 million, respectively, due to the inability to use some portion of federal and state NOL carryforwards against the deferred tax liability created by amortization of indefinite-lived intangibles.

A non-cash deferred income tax expense of \$0.1 million and \$0.6 million was recorded for the three and nine months ended December 31, 2019, respectively. The state income tax expense portion resulted from our determination that most of our state operating loss carryforwards are not indefinite. As a result, we recorded approximately \$56,000 and \$467,000 of state deferred tax expense and additional related state deferred tax liability reflecting our inability to use the state NOL carryforward against the indefinite-lived intangible for the three and nine months ended December 31, 2019, respectively. A non-cash federal deferred income tax expense and liability of \$75,000 and \$127,000 were recorded for the three and nine months ended December 31, 2019, respectively.

Liquidity and Capital Resources

At December 31, 2020, we had cash and cash equivalents of \$108.5 million.

Our accounts receivable are heavily concentrated in one Tier 1 domestic carrier partner. As of December 31, 2020, our net accounts receivable balance was approximately \$19,000, of which \$17,000, or approximately 89%, was owed by this one Tier 1 domestic carrier.

Cash Flows from Operating, Investing and Financing Activities

(in thousands)	Nine months ended December 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Net cash used by operating activities	\$ (20,669)	\$ (20,455)
Net cash used by investing activities	\$ (11,116)	\$ (2,021)
Net cash provided by financing activities	\$ 2,818	\$ 95,997

Net cash used by operating activities. Net cash used in operating activities was \$20.7 million for the nine months ended December 31, 2020, as compared to \$20.5 million for the nine months ended December 31, 2019. The majority of net cash used by operating activities during the nine months ended December 31, 2020 resulted from our net loss of \$43.5 million partially offset by non-cash stock-based compensation of \$13.2 million, net loss from disposal of intangible assets of \$3.8 million and depreciation of \$3.4 million. The majority of net cash used by operating activities during the nine months ended December 31, 2019 resulted from our net loss of \$25.9 million offset by non-cash stock-based compensation of \$4.4 million.

Net cash used by investing activities. Net cash used in investing activities was approximately \$11.1 million for the nine months ended December 31, 2020 as compared to \$2.0 million used for the nine months ended December 31, 2019. The net cash used by investing activities during the nine months ended December 31, 2020 resulted from wireless license acquisitions net of change in refundable deposits amounting to \$10.9 million and purchase of equipment amounting to \$0.2 million. The net cash used during the nine months ended December 31, 2019 resulted from wireless license acquisitions including refundable deposits amounting to \$1.6 million and purchase of equipment amounting to \$0.4 million.

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Net cash provided by financing activities. For the nine months ended December 31, 2020 net cash provided by financing activities was \$2.8 million primarily resulting from the proceeds from stock option exercises. For the nine months ended December 31, 2019, net cash provided by financing activities was \$96.0 million primarily from the \$94.2 million net proceeds from the July 2019 follow-on offering and \$2.2 million from the proceeds from stock option exercises.

We are now engaged in qualifying for and securing broadband licenses from the FCC pursuant to the Report and Order. At the same time, our sales and marketing department are pursuing opportunities to lease the broadband licenses we secure to our targeted utility and critical infrastructure customers. Our future capital requirements will depend on many factors, including: the timeline and costs to acquire broadband licenses pursuant to the Report and Order, including the costs to acquire additional spectrum, the costs related to retuning, or swapping spectrum held by, Covered Incumbents and the costs of paying Anti-Windfall payments to the U.S. Treasury; costs related to the commercializing of our spectrum assets; and our ability to sign customer contracts and generate revenues from the license or transfer of any broadband licenses we secure; the terms and conditions of any customer contracts, including the timing of payments; the costs associated with expanding our business development, sales and marketing organization, the costs and ongoing obligations related to our former TeamConnect and pdvConnect businesses; the revenues we generate from royalties we may receive from our agreements we entered into with the buyers of our TeamConnect and our pdvConnect businesses; and our ability to control our operating expenses.

On April 3, 2020, we filed a shelf registration statement (the “Shelf Registration Statement”) on Form S-3 with the SEC that was declared effective by the SEC on April 20, 2020, which permits us to offer up to \$150 million of common stock, preferred stock, debt securities and warrants in one or more offerings and in any combination, including in units from time to time. Our Shelf Registration Statement is intended to provide us with additional flexibility to access capital markets for general corporate purposes, which may include working capital, capital expenditures, repayment of debt, other corporate expenses and acquisitions of complementary products, technologies, or businesses.

We entered into an Amended and Restated Controlled Equity Offering Sales Agreement and an Amended and Restated Sales Agreement (collectively, the “Sales Agreements”) with Cantor Fitzgerald & Co. and B. Riley FBR, Inc., respectively (collectively, the “Agents”), and on April 3, 2020, registered the sale of up to an aggregate of \$50,000,000 in shares of our common stock in at the market sales transactions pursuant to the Sales Agreements under the Shelf Registration Statement. Through the date of this filing, we have not sold any shares of our common stock in at the market transactions or any securities under the Shelf Registration Statement.

We believe our cash and cash equivalents on hand will be sufficient to meet our financial obligations through at least the next 12 months. As noted above, our future capital requirements will depend on a number of factors, including among others, the costs and timing of securing broadband licenses, including our spectrum retuning activities, spectrum acquisitions and the Anti-Windfall payments to the U.S. Treasury, and our operating activities and any revenues we generate through our commercialization activities. When combining our estimated clearing and spectrum acquisition costs with our anticipated Anti-Windfall payments to the U.S. Treasury to effectively acquire additional spectrum from the FCC’s inventory in markets where we need it, we anticipate the combined total costs to range from \$130 to \$160 million, the significant majority of which we intend to spend over through the end of fiscal year 2024. We will deploy this capital at our determined pace based on several key ongoing factors, including customer demand, market opportunity, and offsetting income from spectrum leases. As we cannot predict the duration or scope of the COVID-19 pandemic and its impact on our targeted customers, the potential negative financial impact to our results of operations and financial condition cannot be reasonably estimated. We are actively managing the business to maintain our cash flow and believe that we currently have adequate liquidity. To implement our business plans and initiatives, however, we may need to raise additional capital. We cannot predict with certainty the exact amount or timing for any future capital raises. See “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q for a reference to the risks and uncertainties that could cause our costs to be more than we currently anticipate and/or our revenue and operating results to be lower than we currently anticipate. If required, we intend to raise additional capital through debt or equity financings, including pursuant to our Shelf Registration Statement, or through some other financing arrangement. However, we cannot be sure that additional financing will be available if and when needed, or that, if available, we can obtain financing on terms favorable to our stockholders and to us. Any failure to obtain financing when required will have a material adverse effect on our business, operating results, financial condition and liquidity.

Off-balance sheet arrangements

As of December 31, 2020 and March 31, 2020, we did not have and do not have any relationships with unconsolidated entities or financial partnerships that were established for the purpose of facilitating off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our financial instruments consist of cash, cash equivalents, trade accounts receivable and accounts payable. We consider investments in highly liquid instruments purchased with original maturities of 90 days or less to be cash equivalents. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the highly liquid instruments in our portfolio, a 10% change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operations.

Our operations are based in the United States and, accordingly, all of our transactions are denominated in U.S. dollars. We are currently not exposed to market risk from changes in foreign currency.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, our management, including our President and Chief Executive Officer and our Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of the end of such period.

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our President and Chief Executive Officer and our Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our President and Chief Executive Officer and our Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not involved in any material legal proceedings.

Item 1A. Risk Factors.

In evaluating us and our common stock, we urge you to carefully consider the risks (including those disclosed below) and other information in this Quarterly Report on Form 10-Q as well as the risk factors disclosed in our Annual Report on Form 10-K for the year ended March 31, 2020, filed with the Securities and Exchange Commission (the “SEC”) on May 28, 2020 (the “Annual Report”). Except for the additional risk factor below related to the lease agreements (the “Lease Agreements”) the Company entered into covering Ameren Corporation’s (“Ameren’s”) service territories, there have been no material changes from the risk factors as previously disclosed in our Annual Report. Any of the risks discussed in this Quarterly Report on Form 10-Q and in our Annual Report, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

The Company’s Lease Agreements covering Ameren’s service territories are subject to contingencies, including approval by Ameren’s Board of Directors, and obligations by the Company, including the delivery of cleared spectrum and broadband licenses in Ameren’s service territories, and as a result, there is no assurance that the Company will receive payments from Ameren in the amounts and on the timeline expected by the Company, or at all.

In December 2020, the Company announced that it had entered into long-term Lease Agreements for 900 MHz broadband spectrum licenses covering Ameren’s service territories in Missouri and Illinois. The Lease Agreements are subject to contingencies, including the approval of the Lease Agreements by Ameren’s Board of Directors. In addition, the Company is required to clear incumbents from the 900 MHz segment in Ameren’s service territories and apply for and obtain broadband licenses from the Federal Communications Commission (the “FCC”) in these service territories. There is no assurance that Ameren’s Board of Directors will approve the Lease Agreements. Further, there is no assurance that the Company will be able to clear incumbents from Ameren’s service territories and obtain broadband licenses from the FCC on the timeline required under the Lease Agreements, or at all. Ameren’s obligations under the Lease Agreements, including its payment obligations and the timing of any payments to the Company, are contingent on the Company delivering cleared spectrum and broadband spectrum licenses on a timely basis and for a required portion of Ameren’s service territories. As a result, there is no assurance that the Company will receive payments from Ameren in the amounts and on the timeline expected by the Company, or at all. Moreover, Ameren may not elect to exercise its option for the additional 10-year terms under the Lease Agreements, which will reduce the overall value of the Lease Agreements to the Company. Further, the Company’s costs to clear incumbents and qualify for broadband licenses in Ameren’s service territories may be significantly more than currently anticipated by the Company, which will increase the Company’s operating expenses and reduce the net value of the Lease Agreements to the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

Exhibit No.	Description of Exhibit
3.1(1)	Amended and Restated Certificate of Incorporation of Anterix Inc. (the “Company”).
3.2(2)	Certificate of Amendment No. 1 to Amended and Restated Certificate of Incorporation of the Company.
3.3(3)	Certificate of Amendment No. 2 to Amended and Restated Certificate of Incorporation of the Company.
4(4)	Amended and Restated Bylaws of the Company.
4.1(5)	Amendment No. 1 to the Amended and Restated ByLaws of the Company.
4.2(1)	Form of Common Stock Certificate of the Company.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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- (1) Incorporated by reference to Exhibit 3.1 of the Registrant’s Registration Statement on Form S-1 (File No. 333-201156), filed with the SEC on December 19, 2014.
 - (2) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File No. 001-36827), filed with the SEC on November 5, 2015.
 - (3) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File No. 001-36827), filed with the SEC on August 6, 2019.
 - (4) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File No. 001-36827), filed with the SEC on June 27, 2017.
 - (5) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File No. 001-36827), filed with the SEC on May 8, 2020.

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 8, 2021

Anterix Inc.

/s/ Robert H. Schwartz

Robert H. Schwartz
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 8, 2021

/s/ Timothy A. Gray

Timothy A. Gray
Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Robert H. Schwartz, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 31, 2020 of Anterix Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2021

By: /s/ Robert H. Schwartz

Robert H. Schwartz

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Timothy A. Gray, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended December 31, 2020 of Anterix Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - a) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2021

By: /s/ Timothy A. Gray

Timothy A. Gray

Chief Financial Officer

(Principal Financial and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Anterix Inc. (the "Company") on Form 10-Q for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert H. Schwartz, President and Chief Executive Officer of the Company, certify, solely for purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2021

By: /s/ Robert H. Schwartz

Robert H. Schwartz

President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Anterix Inc. and will be retained by Anterix Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification that accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Anterix Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Anterix Inc. (the "Company") on Form 10-Q for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy A. Gray, Chief Financial Officer of the Company, certify, solely for purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2021

By: /s/ Timothy A. Gray

Timothy A. Gray

Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Anterix Inc. and will be retained by Anterix Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification that accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Anterix Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.
