Fellow Stockholders:

As long-term stockholders know well, your company has generated good returns over the years in part through periodic investments in new businesses. In 2016, we had the unusual opportunity and ability to close on three sizable investments in the same year: KeyTech in Bermuda and Cayman, Innovative in the Virgin Islands and Vibrant Energy in India for a total initial cash investment of about $150 million. Although we had almost $400 million in cash at the beginning of the year, we were able to finance these investments in part with debt that preserved our strong and flexible balance sheet, ending the year with approximately $270 million in cash and long term debt of less than $160 million.

An immediate financial impact of these investments in 2016 was to increase our property, plant and equipment by over 40% to $1.1 billion on December 31, 2016. Consolidated revenues also improved by 29% and EBITDA by 9%. But the costs of integrating the acquisitions and ramping up India operations, as well as the impact of purchase accounting, negatively impacted net income, which was down 26% in 2016. Under the GAAP provisions for purchase accounting we were required to write up historical asset values and assign new values to certain intangible assets (like the customer base) which significantly increased depreciation and amortization expense. While this accounting treatment has some internal logic, we believe it makes comparisons within our portfolio more difficult and also muddies the waters when one makes external investments by making it harder to see the underlying trends demonstrated by changes to net income. It is also true that net income was impacted adversely with respect to these acquisitions by our having to spend a fair amount of money on lawyers, bankers and technical and regulatory advisors to help us complete the transactions and integrate the businesses.

Operating and net income for the year was further negatively impacted by an $11.4 million impairment charge related to our US Telecom segment. Specifically, we had to write down our wireline business in the Northeastern United States—Sovernet Communications and its subsidiary ION—a business in which we first invested in early 2006. We announced the sale of this business late in 2016 and that transaction closed recently, in March 2017. That was an investment that did not succeed from an investor standpoint. While we recovered slightly more than we invested initially and in connection with some major network expansions, the returns were quite low and we likely could have done better investing that capital elsewhere. Our mistakes are often someone else's gain and in this case it is some comfort to know that the team at Sovernet was able to add fiber connectivity in large under-served areas of rural New York and Vermont and generally made a positive impact on the quality and competitiveness of those markets for businesses, governments and consumers alike.

The remainder of the US Telecom segment is mainly composed of the wholesale and retail wireless business. There the results were mixed. One the one hand, we experienced declining revenues and operating margins as a result of the predicted and ongoing re-pricing of our wholesale coverage. On the other, management was able to reduce costs in a number of areas, including within the smaller retail wireless business. Going forward, we will continue to look for ways to improve operating efficiencies and bolster revenue streams to optimize our investments in this critical rural infrastructure, as we expect continued pressure on the core business. We have also started to make some smaller investments, such as tower and backhaul infrastructure, in areas adjacent to our existing operations where we see the potential for solid cash returns.

In International Telecom, the result of the KeyTech and Innovative investments is that we now have three similarly sized businesses making up the bulk of this segment. In Bermuda, One Communications (renamed after the integration of KeyTech with our wireless operations, CellOne) is the leading mobile wireless provider and the leading video and high speed internet service provider. In the US Virgin Islands, Innovative (now Viya after the integration with our wireless operations, Choice Communications) is the leading video and high speed internet provider as well as the traditional wireline telephone services company and a mobile wireless operator. In Guyana, GT&T is one of two mobile wireless operators and the incumbent telephone provider and the largest (and still growing) provider of high speed internet and other data services. Though the competitive dynamics differ by geography and both direct and indirect competition always present a risk and a force to be reckoned with, we find this positioning to fit well with our approach and to allow us to invest with a longer term horizon. While we made some strides in 2016, there is a great deal of work to be done to improve operational efficiencies and competitive positioning in all of these markets.

In our Renewables segment, the main development was our decision to invest in building solar power plants in India through a newly formed company, Vibrant Energy. The investment involved the purchase of a commercial and industrial sector solar production pipeline from a UK-based company, Armstrong Energy. Together with a number of the principals from Armstrong and their India development platform, we formed Vibrant Energy. At the same time, we earmarked an initial investment of $50 million to $100 million towards developing the production pipeline and we announced a development target of 250 MWs through 2018. The targeted builds are initially focused on the southern India states of Andhra Pradesh, Maharashtra and Telangana.

This is a riskier investment than our first renewable energy investment in a US development platform. India has great promise: it is a rapidly growing market without an adequate power generation infrastructure in much of the country. Some of the structural issues that have resulted in this mismatch of supply and demand still exist and there have been major infrastructure investments in India that have not gone well, however, both the federal and state governments well recognize this situation and have made rapid progress in attracting both internal and external investment into the sector. The opportunity to invest in long-term infrastructure in a growing country of this size and potential is exciting and attractive.

However, we are far from alone in recognizing this opportunity, which itself poses additional risk. In infrastructure investments the tipping point from not enough investment to too much is a dangerous place to be—leading to lower pricing and returns well after your investments have been made or committed. To add to that, the investment involves the rapid scaling of local operations and human resources. Some of the execution risks and difficulties this brings are already apparent as our initial target of having approximately 50MWs of production facilities operational early in 2017 is at least one quarter behind schedule due both to unanticipated events like a major change in Indian currency denominations in circulation and Vibrant Energy's own growing pains. So, we are watching things carefully but at this point we do not see any fundamental flaw in the plan and we continue to have a positive outlook on the market, Vibrant Energy and the longer term opportunity.

Let us turn now to some additional information that should be important to stockholders. In September, for the 18th consecutive year, the Board of Directors decided to increase the quarterly dividend—from $0.32 per share to $0.34 per share, a 6% increase. Operating cash flow was $112 million for the year ($139 million for 2015) and we spent $124 million on capital expenditures ($65 million in 2015), which represented a very large 27% of annual revenue (18% in 2015). Management stated in the fourth quarter earnings release in February 2017 that it expects capital expenditures this year to be between $135 million and $175 million, which would amount to 26-34% of annualized fourth quarter revenue. While that figure is a rough estimate as both capital expenditures and revenue are likely to differ, it is a remarkably large number in both absolute and relative terms.

The generation of cash being the ultimate goal of all of our investments and our primary focus in understanding whether the intrinsic value of your company is expanding or contracting over time, these are figures worth further analysis. To do that, it is worth reviewing the segment level numbers for 2016. In International Telecom, capital expenditures totaled $63 million and went towards upgrading and extending the wireline networks, especially within the businesses acquired during the year, and upgrading the capacity and capability of our wireless networks. Indeed, in both of the acquisitions we planned on and expected high levels of near-term capital expenditures as part of our overall investment thesis. These wireless and wireline upgrades will continue well into 2017, but we fully expect a reduction of segment capital expenditures following completion of this work—both in absolute dollars and as a percentage of revenue. These investments also represent a mix of spending necessary to maintain current revenues and market position and spending that we hope will generate incremental revenues.

The US Telecom segment had capital expenditures of $32 million in 2016, and while we expect lower levels in 2017, they are still higher than we would like with an underlying core business (wholesale wireless) that for the moment has featured declining revenues and tightening operating margins. Much of that spending was considered necessary to maintain existing revenue streams, though a significant sum was related to the now-sold US fiber business and to the modest offensive moves referred to above in backhaul and towers and some smaller geographic expansion of the wireless network. Management will pay even more careful attention to capital expense in this segment in 2017.

In the Renewable Energy segment, the dynamic around capital spending differs in key respects from that in our telecommunications businesses. Once a solar power production facility is built we expect very little additional capital expenditure over a long period of time to generate the anticipated stream of revenue absent un-covered equipment failure or damage. Therefore, the vast majority of capital investments in the solar business is associated with incremental revenue generation and really should be distinguished when investors analyze the company's future and current cash flows. Capital expenditures for this segment totaled $23 million in 2016 and substantially all of that amount was spent in connection with the buildout of solar PV generation facilities in India.

In summary, 2016 was a difficult year for net income but gave us a major increase in productive facilities and potential future cash flows as we invested heavily in new telecom assets and a new renewable energy market that we believe will pay off in future years. We have long term goals in managing our business and we expect these investments to begin making a more positive impact in 2017. To date, the market appears to be less enthused, with the market price per share of common stock ending the year where it started—$80 per share—and falling from there in the first part of 2017. Again, it will take time to determine the impact of these investments, but your board and management team will be working hard to achieve a positive outcome in any event.

Michael T. Prior
President and
Chief Executive Officer

Cornelius B. Prior, Jr.
Chairman of the Board