

ATN INTERNATIONAL, INC.

FORM 10-Q (Quarterly Report)

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Sector	Telecommunication Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2017

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 001-12393

ATN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

800 Counseling Center
Beverly, MA 01915
(Address of principal executive office, including zip code)
(781) 434-1200
(Registrant's telephone number, including area code)

01-072866
(I.R.S. Employer Identification Number)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post 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 1201 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if smaller reporting company) Emerging growth 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

As of May 9, 2017, the registrant had outstanding 16,191,297 shares of its common stock (\$0.01 par value).

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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q for the "Report" contains forward-looking statements relating to, among other matters, our future financial performance and results of operations, the competitive environment in our key markets, demand for our services and industry trends, the outcome of regulatory matters, changes to governmental regulations and laws affecting our business, our continued access to the credit and capital markets, the pace of our network expansion and deployment, including our level of estimated future capital expenditures and our realization of the benefits of those investments, our growth opportunities, and management's plans and strategy for the future. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events or results. Actual future events and results could differ materially from the events and results indicated in these statements as a result of many factors, including, among others: (1) our ability to operate our newly acquired business in Bermuda and the U.S. Virgin Islands and integrate those operations into our existing operations; (2) the general performance of our operations, including operating margins, revenues, and the future growth and retention of our major customers and subscriber base and consumer demand for solar power; (3) government regulation of our business, which may impact FCC and other telecommunications business or our non-telecom business; (4) economic, political and other risks facing our operations; (5) our ability to maintain favorable working relationships; (6) our ability to efficiently and cost-effectively upgrade our networks and information technology ("IT") platforms to address rapid and significant technological changes in the telecommunications industry; (7) the loss of or an inability to renew a license granted to us or various jurisdictions, including key markets of operation; (8) our ability to find investment or acquisition or divestiture opportunities that fit our strategic goals for the Company; (9) increased competition; (10) our ability to operate and expand our renewable energy business; (11) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure; (12) the adequacy and expense capabilities of our network capacity and customer service systems to support our continued growth; (13) the occurrence of weather events and natural catastrophes; (14) our continued access to capital and credit markets; (15) the risk of currency fluctuations for those markets in which we operate; and (16) our ability to realize the value that we believe exists in our business. These and other additional factors that may cause actual future events and results to differ materially from the events and results indicated in the forward-looking statements above are set forth more fully under Item 1A, "Risk Factors" herein and in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 3, 2017, and the other reports we file from time to time with the SEC. The Company undertakes no obligation and has no intention to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect our forward-looking statements.

In this Report, the words "the Company", "we," "our," "us," "us" and "ATN" refer to ATN International, Inc. and its subsidiaries. This Report contains trademarks, service marks and trade names that are the property of, or licensed to, ATN, and its subsidiaries. References to dollars (\$) refer to U.S. dollars unless otherwise specifically indicated.

PART I – FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
ALYF INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands)

	March 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 260,017	\$ 260,721
Marketable securities	71	528
Accounts receivable, net of allowances of \$13.3 million and \$1.1 million, respectively	8,215	8,215
Prepaid expenses and other current assets	12,524	12,524
Total current assets	<u>281,227</u>	<u>282,018</u>
Property and equipment		
Property and equipment	1,122,469	1,119,362
Accumulated depreciation	(448,724)	(449,842)
Net fixed assets	<u>673,745</u>	<u>669,520</u>
Intangible assets, net	22,771	22,771
Customer relationships, net	11,888	12,019
Goodwill	8,177	8,177
Other assets	1,700,886	1,700,886
Total assets	<u>1,976,624</u>	<u>1,975,341</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,218	\$ 12,888
Deferred revenue	189,451	18,768
Short-term debt	2,265	1,817
Accounts payable and accrued expenses	19,896	17,214
Other current liabilities	211	215
Total current liabilities	<u>224,026</u>	<u>153,682</u>
Non-current liabilities		
Other non-current liabilities	36,266	47,010
Total non-current liabilities	<u>36,266</u>	<u>47,010</u>
Total liabilities	<u>260,292</u>	<u>200,692</u>
Equity		
Common stock, \$0.01 par value (30,000,000 shares authorized; 26,000,000 shares issued and outstanding; 26,000,000 shares authorized; 26,000,000 shares issued and outstanding, respectively)	260,000	260,000
Additional paid-in capital	251,941	251,941
Retained earnings	15,283	15,283
Total A.Y.F. International, Inc. stockholders' equity	<u>427,224</u>	<u>427,224</u>
Noncontrolling interests	1,100	1,100
Total equity	<u>428,324</u>	<u>428,324</u>
Total liabilities and equity	<u>1,976,624</u>	<u>1,975,341</u>

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

ATN INTERNATIONAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
 (in millions)
 (in thousands)

	Three Months Ended	
	2017	2016
Net income	\$ 1,584	\$ 15,795
Other comprehensive income:		
Foreign currency translation adjustment	1,930	3
Revaluation of gains on sale of marketable securities to net income	(289)	—
Unrealized loss on available-for-sale securities	(41)	—
Postpaid pension benefit obligation	(21)	—
Other comprehensive income, net of tax	2,179	3
Comprehensive income	\$ 3,763	\$ 15,801
Less: Comprehensive income attributable to non-controlling interest	(4,372)	(4,579)
Comprehensive income attributable to ATN International, Inc.	\$ (609)	\$ 11,222

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

ATN INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. ORGANIZATION AND BUSINESS OPERATIONS

The Company is a holding company that, through our operating subsidiaries, (i) provides wireless and wireless telecommunications services in North America, Bermuda and the Caribbean, (ii) develops, owns and operates commercial distributed generation solar power systems in the United States and India, and (iii) owns and operates terrestrial and submarine fiber optic transport systems in the United States and the Caribbean. The Company was incorporated in Delaware in 1997 and began trading publicly in 1998. Since that time, the Company has engaged in strategic acquisitions and investments to grow our operations. The Company continues to actively evaluate additional domestic and international acquisition, divestiture, and investment opportunities and other strategic transactions in the telecommunications, energy-related and other industries that meet our return-on-investment and other acquisition criteria.

The Company offers the following principal services:

- **Wireless.** In the United States, the Company offers wholesale wireless voice and data roaming services to national, regional, local and selected international wireless carriers in rural markets located principally in the Southwest and Midwest United States. The Company also offers wireless voice and data services to retail customers in Bermuda, Guyana, and in other smaller markets in the Caribbean and the United States.
- **Wireless.** The Company's wireless services include local telephone and data services in Bermuda, Guyana, the U.S. Virgin Islands, and in other smaller markets in the Caribbean and the United States. The Company's wireless services also include video services in Bermuda and the U.S. Virgin Islands. Through March 31, 2017, the Company also offered facilities-based integrated voice and data communications services and wholesale transport services to enterprise and residential customers in New England, primarily Vermont, and in New York State. In addition, the Company offers wholesale long distance voice services to telecommunications carriers.
- **Renewable Energy.** In the United States, the Company provides distributed generation solar power to corporate, utility and municipal customers. Beginning in April 2016, the Company began developing projects in India to provide distributed generation solar power to corporate and utility customers. The Company began to generate revenue from the India project during the three months ended March 31, 2017.

The following chart summarizes the operating activities of the Company's principal subsidiaries, the segments in which the Company reports its revenue and the markets it served as of March 31, 2017:

U.S. Region	Market	Subsidiary	Subsidiary	Subsidiary
U.S. Tobacco	Woolen	United States (total markets)	Camden, China, China NTUA	Woolen
	Woolen	United States	Eastford	
International Tobacco	Woolen	Bermuda, Cayman, U.S. Virgin Islands	OTFC, Ono, Intertaba (non-VIOP), Long	
	Woolen	Bermuda, Cayman, U.S. Virgin Islands	Ono, CTT*, Intertaba (non-VIOP), Choice (non-VIOP)	
Video Services	Video Services	Bermuda, U.S. Virgin Islands, Cayman Islands, British Virgin Islands	Ono, Intertaba (non-VIOP), Long, VIY, Choice TV	
	Video Services	United States (Maine, Missouri, California, and New Jersey)	Video Entertainment, VWare Energy	
Renewable Energy	None	India		

The Company actively evaluates potential acquisitions, investment opportunities and other strategic transactions, both domestic and international, that meet its return on investment and other criteria. The Company provides management, technical, financial, regulatory, and marketing services to subsidiaries and typically receives management fee equal to a percentage of their respective revenues. Management fees from subsidiaries are eliminated in consolidation.

2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (including only those required by accounting principles generally accepted in the United States of America) that are necessary for a fair statement of the Company's financial position and results of operations for each period. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Results of certain periods may not be indicative of results for the full year. These condensed consolidated financial statements and related notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 1, 2017.

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and certain entities, which are consolidated in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") authoritative guidance on the consolidation of variable interest entities since it is determined that the Company is the primary beneficiary of these entities.

Certain reconciliations have been made in the prior period financial statements to confirm the Company's consolidated income statements to how management analyzes its operations in the current period. The changes did not impact operating income. For the three months ended March 31, 2016 the aggregate impact of the changes included a decrease to maintenance and access fees of \$1.2 million, an increase to engineering and operations expenses of \$0.7 million, an increase to sales and marketing expenses of \$0.6 million and a decrease to general and administrative expenses of \$0.1 million.

The Company's effective tax rate for the three months ended March 31, 2017 and 2016 was 21.3% and 10.0%, respectively. The effective tax rate for the three months ended March 31, 2017 was primarily impacted by the differing rates in all jurisdictions ("2s" basis) for the net capital loss due to the stock sales of the Company's subsidiaries in New England, New York and St. Martin, and the rate of income generated during the jurisdictions in which it operates. The effective tax rate for the three months ended March 31, 2016 was primarily impacted by the rate of income generated among the jurisdictions in which it operates. The Company's effective tax rate is based upon estimated income before provision for income taxes for the rate composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for personal tax consequences, benefits and/or realization of tax consequences. The Company's consolidated tax rate will continue to be impacted by the rate of income generated among the jurisdictions in which it operates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. On July 9, 2015, the FASB approved the deferral of the new standard's effective date to one year. The new standard is now effective for annual reporting periods beginning after December 15, 2017. The FASB will permit companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, "Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)". In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing". In May 2016, the FASB issued ASU 2016-12, "Simplifying the Scope, Improvements and Practical Expedients". In December 2016, the FASB issued Accounting Standards Update 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These updates provide additional adoption guidance and clarification to ASU 2014-09. The amendments are to be adopted concurrently. The Company must apply the modified provisions of ASU 2014-09, including the local developments from the Transition Resource Group. Assets and liabilities recognized may include, but not be limited to, the reclassification of revenue recognition and the derecognition of revenue contract equipment and services. In addition, the new standard may require certain amounts to be classified in accounts receivable and deferred revenues on the balance sheet and enhanced disclosures around performance obligations. The Company does not currently have or cannot reasonably estimate quantitative information related to the impact of the new standard on our Consolidated Financial Statements. The Company will adopt the standard on January 1, 2018. Preliminary, the Company plans to use the modified retrospective adoption method which requires it to apply the standard only to the most current period presented with the cumulative effect of applying the standard being recognized at the adoption date.

In August 2014, the FASB issued ASU 2014-13, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)", which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU 2014-13 is effective for annual reporting periods ending after December 15, 2016. Early application is permitted. The Company adopted this guidance for the fourth quarter ended December 31, 2016. The adoption of this guidance did not impact The Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement", which provides guidance about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer's accounting for service contracts. The adoption of ASU 2015-05 by the Company on January 1, 2017 did not have a material impact on the Company's financial position, result of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which provides comprehensive lease accounting guidance. The standard requires entities to recognize lease assets and liabilities on the balance sheet as well as disclosure of key information about lease arrangements. ASU 2016-02 will become effective for fiscal years, and

interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its Consolidated Financial Statements.

In March 2018, the FASB issued ASU 2018-05, "Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting." The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The Company adopted ASU 2018-05 on January 1, 2017. The guidance requires the recognition of the income tax effects of awards in the income statement when the award vests or is forfeited, thus eliminating additional paid-in capital gains. This had no impact on the Company's historical results. Also as a result of the adoption, the Company changed its policy election to account for forfeitures in they occur rather than on an estimated basis. The change resulted in the Company recognizing \$0.3 million from additional paid-in capital as retained earnings for the six consecutive fiscal adjustments in each compensation expense related to prior periods.

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments," which provides further clarification on eight cash flow classification issues. The standard further clarifies the classification of the following: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in real estate transactions; and (viii) separately identifiable cash flows and application of the predominant principle. ASU 2018-15 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. ASU 2018-15 should be applied using a retrospective transition method for each period presented. The Company is currently evaluating the impact of the new standard on its Consolidated Financial Statements.

In October 2018, the FASB issued ASU 2018-16, "Accounting for Income Taxes - Intra-Entity Asset Transfers of Assets Other than Inventory." The new standard eliminates for all intra-entity sales of assets other than inventory, the recognition under current standards that parties to an effective intra-entity asset transfer in a defined entity (the transferee) must record the transfer as if that party effectively succeeded through the sale. As a result, a reporting entity would recognize its net expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs. Any deferred tax assets that arise in the buyer's jurisdiction would also be recognized at the time of the transfer. The new standard will be effective for the Company on January 1, 2019. The Company is currently evaluating the potential impact that this standard may have on its results of operations.

In November 2018, the FASB issued Accounting Standards Update 2018-18, "Statement of Cash Flows (Topic 230) - Restricted Cash," or ASU 2018-18. The amendments in ASU 2018-18 are intended to reduce diversity in practice related to the classification and presentation of changes in restricted or restricted cash equivalents on the statement of cash flows. The amendments in ASU 2018-18 require that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning and end of period total presented thereon on the statement of cash flows. ASU 2018-18 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential impact that this standard may have on its Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update 2017-01, "Business Combinations (Topic 805) - Clarifying the Definition of a Business," or ASU 2017-01. The amendments in ASU 2017-01 provide a screen to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Under ASU 2017-01, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If that threshold is met, the acquirer is not a business. If it is not met, the entity then evaluates whether the acquirer meets the requirement that a business includes, at a minimum, an input and a substantive process that together qualify as a skill set to create outputs. ASU 2017-01 also narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 860. ASU 2017-01 will be effective for annual reporting periods, including interim periods within those periods.

beginning after December 15, 2017, with early adoption permitted. The Company prospectively adopted ASU 2017-01 in the fourth quarter of 2016. The standard will result in its accounting for more transactions as asset acquisitions as opposed to business combinations.

In January 2017, the FASB issued Accounting Standards Update 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," or ASU 2017-04. The amendments in ASU 2017-04 simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities. Instead, under the amendments in ASU 2017-04, an entity performs its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but not more than the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the potential impact that this standard may have on its Consolidated Financial Statements.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to the allowance for doubtful accounts, useful lives of the Company's fixed and intangible-asset-eligible assets, allocation of purchase price to assets acquired and liabilities assumed in business combinations, fair value of traditional fixed-amount-asset, goods sold and revenue taxes. Actual results could differ significantly from these estimates.

4. ACQUISITIONS AND DISPOSITIONS

International Telecom

One Communications (formerly KeyTech Limited)

On May 1, 2016, the Company completed our acquisition of a controlling interest in KeyTech Limited ("KeyTech"), a publicly-held Bermuda company listed on the Bermuda Stock Exchange ("BSX") that provides broadband and value services and other telecommunications services to residential and enterprise customers under the "1-800" name in Bermuda and the Cayman Islands. Subsequent to the completion of our acquisition of KeyTech, KeyTech changed its legal name to One Communications Ltd. and changed its "1-800" and "1-800" trade names to Bermuda to One Communications ("One Communications"). Prior to our acquisition, One Communications also owned a minority interest of approximately 47% in the Company's consolidated subsidiary, Bermuda Digital Communications Ltd. ("BDC"), which provides wireless services in Bermuda. As part of the transaction, the Company combined its ownership interest of approximately 47% in BDC and approximately 162 million in cash in exchange for a 17% ownership interest in One Communications. As part of the transaction, BDC was merged with and into a company within the One Communications group and the approximate 17% interest in BDC held by the aggregate, by BDC's minority shareholders was converted into the right to receive common shares in One Communications. Following the transaction, BDC became wholly owned by One Communications, and One Communications continues to be listed on the BSX. As part of the cash proceeds that One Communications received upon closing was used to fund a one-time special dividend to the contributors' owning shareholders and to return to One Communications substantial debt. On May 1, 2016, the Company began consolidating the results of One Communications within our financial statements in our consolidated financial statements.

The One Communications Acquisition was accounted for as a business combination of a controlling interest in One Communications in accordance with ASC 805, "Business Combinations", and the acquisition of an incremental ownership interest in BDC in accordance with ASC 310, "Consolidation". The total purchase consideration of \$41.6

millions of cash was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition.

Consideration Transferred	
Cash consideration - One Communications	\$ 34,316
Cash consideration - HIC	2,465
Total consideration transferred	41,383
Non-controlling interest - One Communications	22,968
Total value to allocate	\$ 22,415
Value to allocate - One Communications	97,477
Value to allocate - HIC	7,045
Purchase price allocation One Communications:	
Cash	3,185
Accounts receivable	6,451
Other current assets	3,341
Property, plant and equipment	100,892
Identifiable intangible assets	76,995
Other long term assets	3,464
Accounts payable and accrued liabilities	(16,013)
Advance payments and deposits	(6,429)
Current debt	(26,429)
Long term debt	(26,429)
Net assets acquired	76,731
Gain on One Communications bargain purchase	\$ 7,304
Purchase price allocation HIC:	
Carrying value of HIC, non-controlling interest acquired	2,465
Excess of purchase price paid over carrying value of non-controlling interest acquired	\$ 2,102

The acquired property, plant and equipment is comprised of telecommunication equipment located in Bermuda and the Cayman Islands. The property, plant and equipment was valued using the income and cost approaches. Cash flows were discounted at approximately 15% using the discount rate value under the income approach. The property, plant and equipment has useful lives ranging from 1 to 14 years and the customer relationships acquired have useful lives ranging from 9 to 12 years. The fair value of the non-controlling interest was determined using the income approach and a discount rate of approximately 15%. The acquired receivables consist of trade receivables received in the ordinary course of business. The Company has collected the full amount of the receivables.

The purchase price and resulting bargain purchase gain are the result of the market conditions and competitive environment in which One Communications operates along with the Company's strategic position and revenues in these areas markets. Each of the Company and One Communications realized that their combined resources could better serve customers in Bermuda. The bargain purchase gain is included in operating income for the year ended December 31, 2016.

Viya (formerly Anovate)

On July 1, 2016, the Company completed its acquisition of all of the membership interests of Caribbean Asset Holdings LLC ("CAH"), the holding company for the group of companies operating video services, Internet, wireless and feature services in the U.S., Virgin Islands, British Virgin Islands and through January 2017, St. Maarten (collectively, "Viya") from the National Retail Utilities competitive Finance Corporation ("NRC"). In April 2017, the U.S. Virgin Islands operations and the Company's existing wireless operations obtained their trademarks from "Innovative" and "Clear" respectively, as "Viya". The Company acquired the Viya operations for a contractual purchase price of \$145 million, reduced by purchase price adjustments of \$1.7 million (the "Viya Transaction"). In connection with the transaction, the Company assumed \$60 million of the purchase price with a term from an affiliate of CTC, CTC, the Real Telephone Finance Corporation ("RTFC") on the terms and conditions of a Loan Agreement by and among RTFC, CAH and ATN VVI Holdings, LLC, the parent entity of CAH and a wholly-owned subsidiary of the Company. The Company funded the remaining purchase price with (i) \$15.9 million in cash and (ii) \$12.9 million in additional cash paid directly to Real Viya's pension in the fourth quarter of 2016, and (iii) \$5.5 million recorded as accrued cash to satisfy Viya's other postretirement benefit plans. On July 1, 2016, the Company began consolidating the results of Viya within its financial statements in its International Telecom segment.

The Viya Transaction was accounted as a business combination in accordance with ASC 805. The consideration transferred to CTC of \$111.9 million, and used for the purchase price allocation, differed from the contractual purchase price of \$145 million due to certain GAAP purchase price adjustments including a reduction of \$5.7 million related to working capital adjustments and the Company assuming pension and other postretirement benefit liabilities of \$27.8 million as discussed above. The Company transferred \$19 million in cash and \$60 million in loan proceeds to CTC. The total consideration of \$111.9 million that was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition. The table below represents the allocation of the consideration transferred to the net assets of Viya based on their acquisition date fair values:

Consideration Transferred	\$111,900
Noncontrolling interests	221
Total value to allocate	112,121
Purchase price allocation:	
Cash	4,229
Accounts receivable	6,335
Intangible assets	6,335
Other current assets	10,227
Property, plant and equipment	108,284
Telecommunication licenses	7,625
Goodwill	20,566
Intangible assets	7,406
Other assets	4,294
Accounts payable and accrued liabilities	(15,973)
Accrued payments and deposits	(7,793)
Deferred tax liability	(2,935)
Pension and other postretirement benefit liabilities	(27,780)
Net assets acquired	112,121

The acquired property, plant and equipment is comprised of telecommunication equipment located in the U.S., Virgin Islands, British Virgin Islands and St. Maarten. The property, plant and equipment was valued using the straight-line cost approach. Cash flows were discretized between 10% and 20% based on the risk associated with the cash flows to determine fair value under the income approach. The property, plant and equipment have useful lives ranging

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from 1 to 15 years and the customer relationships acquired have useful lives ranging from 7 to 11 years. The fair value of the noncontrolling interest was determined using the income approach with discount rates ranging from 17% to 27%. The acquired receivables consist of trade receivables acquired in the ordinary course of business. The Company has collected the full amount of the receivables. The Company recorded a liability equal to the funded status of the plan as its purchase price allocation. Discount rates between 3.6% and 3.9% were used to determine the benefit obligation.

The goodwill generated from the Vioja transaction is primarily related to value placed on the acquired employee workforces, service offerings, and capabilities of the acquired businesses as well as expected synergies from future combined operations. The goodwill is not deductible for income tax purposes.

The Company acquired Vioja's pension and other postretirement benefit plans as part of the transaction. The plans cover employees located in the U.S. Virgin Islands and consist of noncontributory defined benefit pension plans and noncontributory defined medical, dental, vision and life benefit plans. As noted above, the contractual purchase price included an adjustment related to the funded status of Vioja's pension and other postretirement benefit plans. As contemplated by the transaction, the Company contributed approximately \$27.5 million during the fourth quarter of 2016 to Vioja's pension plans. This payment is recorded as a cash outflow from operations in the statement of cash flows as of December 31, 2016. As March 31, 2017, the Company held \$1.1 million of unvested cash equal to the unfunded status of the other postretirement benefit plans. The cash is restricted due to the Company's intent to use the cash to satisfy future postretirement benefit obligations.

Dispositions

On January 3, 2017, the Company completed the sale of the Vioja cable operations located in St. Maarten for \$4.8 million and recognized a gain of \$0.1 million on the transaction.

On December 13, 2016, the Company transferred control of its subsidiary in Archa to another stockholder in a nonreciprocal transfer. Subsequent to that date, it no longer consolidated the results of the operations of the Archa business. The Company did not recognize a gain or loss on the transaction.

The results of the St. Maarten and Archa operations are not material to the Company's historical results of operations. Since the dispositions do not relate to a strategic shift in our operations, the historical results and financial position of the operations are presented within continuing operations.

F.S. Federal

Acquisitions

In July 2016, the Company acquired certain telecommunications fixed assets and the associated operations located in the western United States. The acquisition qualified as a business combination for accounting purposes. The Company transferred \$9.1 million of cash consideration in the acquisition. The consideration transferred was allocated to \$10.2 million of acquired fixed assets, \$3.7 million of deferred tax liability, and \$0.7 million to other net liabilities, resulting in goodwill of \$1.1 million. Results of operations for the business are included in the U.S. Telecom segment and are not material to the Company's historical results of operations.

Dispositions

On August 6, 2016, the Company entered into a stock purchase agreement to sell its integrated voice and data communications and wholesale transport businesses in New England ("Severnet") to an affiliate of funds managed by Oak Hill Capital Management, L.P. ("Oak Hill"). On March 8, 2017, the Company completed the sale for consideration of \$21.9 million. The consideration includes \$20.9 million of cash, \$1.0 million of assets held, and \$0.0 million of contingent consideration. The \$1.0 million of receivables are held in escrow to satisfy working capital adjustments in favor of Oak Hill, to fund certain capital expenditure projects related to the assets sold and to secure the Company's indemnification obligations. The contingent consideration represents the fair value of future payments related to certain operational milestones of the disposed assets. The value of the contingent consideration could be up to \$4.0 million.

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based on whether or not the operational restructurings are achieved by December 31, 2017 (the "Sovest Transaction"). The table below identifies the assets and liabilities transferred (amounts in thousands):

Consideration Transferred	\$ 25,026
Assets and liabilities disposed	
Cash	1,825
Accounts receivable	1,696
Inventory	639
Prepaid	1,854
Property, plant and equipment	25,294
Other assets	284
Accounts payable and accrued liabilities	(1,718)
Deferred payments and deposits	(1,987)
Net assets disposed	<u>22,127</u>
Consideration less net assets disposed	(2,211)
Transaction costs	(1,556)
Loss	<u>\$ (2,387)</u>

The Company repurchased non-controlling interests from Sovest's minority shareholders for \$0.7 million. The non-controlling interest had a book value of zero. Additionally the Company recorded a loss on demeritization of \$0.3 million.

The Company incurred \$1.1 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which \$0.5 million were incurred during the three months ended March 31, 2017. Sovest does not qualify as a discontinued operation because the disposition does not relate to a strategic shift in our operations.

Prior to the Sovest Transaction, in the second quarter of 2016, the Company recorded an impairment loss of \$11.1 million on assets related to Sovest. The impairment consisted of a \$5.6 million impairment of property, plant and equipment and \$5.5 million impairment of goodwill.

Pro Forma Results

The following table reflects unaudited pro forma operating results of the Company for the three months ended March 31, 2016 as if the One Communications and Vija Transactions occurred on January 1, 2016. The pro forma amounts adjust One Communications' and Vija's results to reflect the adjustments and amortization that would have been recorded assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2016. Also, the pro forma results were adjusted to reflect changes to the acquired entities' financial structure related to the transaction. One Communications' results reflect the retirement of \$24.7 million of debt. Vija's results reflect the retirement of \$59.8 million of debt and the addition of \$60 million of purchase price debt. Finally, ATN's results were adjusted to reflect ATN's incremental ownership in BEC. The pro forma results were not adjusted for the Renewable Energy transaction because it was not material to the Company's historical results.

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The pro forma results for the three months ended March 31, 2010 include \$4.3 million of impairment charges recorded by One Communications prior to ATN's acquisition of the business. Amounts are presented in thousands, except per share data.

(continued)	Three months ended March 31,		
	As Reported	As Adjusted	As Adjusted
Revenue	\$ 49,200	\$ 49,200	\$ 49,200
Net income attributable to ATN International, Inc. Stockholders	4,120	4,120	4,120
Earnings per share:			
Basic	0.38	0.38	0.38
Diluted	0.38	0.37	0.37

The unaudited pro forma data is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the acquisitions had been consummated on these dates or of future operating results of the combined company following the transactions.

Renewable Energy

Vibron Energy

On April 7, 2010, the Company completed its acquisition of a solar power development portfolio in India from Arun Energy Global Limited ("Arun Energy"), a well-known developer, builder, and owner of solar farms (the "Vibron Energy Acquisition"). The business operates under the name Vibron Energy. The Company also retained several Arun Energy employees in the UK and India who are employed by the Company to oversee the development, construction and operation of the India solar projects. The projects to be developed currently are located in the states of Andhra Pradesh and Karnataka and are based on a commercial and industrial business model, similar to the Company's existing renewable energy operations in the United States. As of April 7, 2010, the Company began consolidating the results of Vibron Energy in its financial statements within its Renewable Energy segment.

The Vibron Energy Acquisition was accounted for as a business combination in accordance with ASC 805. The total purchase consideration of \$6.2 million was allocated to the assets acquired and liabilities assumed at their estimated fair value as of the date of the acquisition. The table below represents the allocation of the consideration transferred to the net assets of Vibron Energy based on their acquisition date fair values (in thousands).

Consideration Transferred	\$ 6,200
Purchase price allocation:	
Cash	\$ 136
Prepayments and other assets	636
Property, plant and equipment	2,221
Goodwill	3,279
Accounts payable and accrued liabilities	(1,772)
Net assets acquired	\$ 6,200

The consideration transferred includes \$1.5 million paid and \$2.7 million payable at fair value, which is contingent upon the passage of time and achievement of initial production milestones which are considered probable. The acquired property, plant and equipment is comprised of solar equipment and the accounts payable and accrued liabilities consists mainly of amounts payable for certain asset purchases. The fair value of the property, plant, and

equipment was based on recent acquisition costs for the assets, given their recent purchase dates from third parties. The goodwill is not deductible for income tax purposes and primarily relates to the assembled workforce of the business acquired.

A. FAIR VALUE MEASUREMENTS

In accordance with the provisions of fair value accounting, a fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

The fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset and liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include money market funds, debt and equity securities and derivative contracts that are traded on an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes corporate obligations and non-exchange traded derivative contracts.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments and tangible assets that have been reported whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and liabilities of the Company measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016 are summarized as follows (in thousands):

Description	March 31, 2017			
	Overnight Funds in Money Markets	Fixed Income	Equity and Other	Total
Overnight Funds in Money Markets	\$ —	\$ —	\$ 297	\$ 297
Fixed Income	\$ 19,787	\$ —	\$ —	\$ 19,787
Equity and Other	\$ —	\$ 2,627	\$ —	\$ 2,627
Commercial Paper	\$ 1,239	\$ —	\$ —	\$ 1,239
Total assets measured at fair value	\$ 21,266	\$ 2,627	\$ 297	\$ 24,190

Description	December 31, 2016			
	Overnight Funds in Money Markets	Fixed Income	Equity and Other	Total
Overnight Funds in Money Markets	\$ —	\$ —	\$ 297	\$ 297
Fixed Income	\$ 20,627	\$ —	\$ —	\$ 20,627
Equity and Other	\$ 1,794	\$ 7,665	\$ —	\$ 9,459
Commercial Paper	\$ 1,122	\$ 29,981	\$ —	\$ 31,103
Total assets measured at fair value	\$ 33,543	\$ 37,647	\$ 297	\$ 71,487

Classification of Deposit

As of March 31, 2017 and March 31, 2016, this asset class consisted of a time deposit at a financial institution denominated in U.S. dollars. The asset class is classified within Level 2 of the fair value hierarchy because the fair value was based on observable market data.

Money Market Funds

As of March 31, 2017 and March 31, 2016, this asset class consisted of a money market portfolio that comprises Federal government and U.S. Treasury securities. The asset class is classified within Level 1 of the fair value hierarchy because its underlying investments are valued using quoted market prices in active markets for identical assets.

Short Term Investments and Commercial Paper

As of March 31, 2017, this asset class consisted of short term foreign and U.S. corporate bonds and equity securities. Corporate bonds are classified within Level 2 of the fair value hierarchy because the fair value is based on observable market data. Equity securities are classified within Level 1 because fair value is based on quoted market prices in active markets for identical assets.

Other Fair Value Disclosures

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short-term maturities of these financial instruments. The fair value of marketable securities is estimated using Level 2 inputs. As March 31, 2017, the fair value of marketable securities approximated its carrying amount of \$2.7 million and is included in other assets on the consolidated balance sheet.

The fair value of long-term debt is estimated using Level 2 inputs. As March 31, 2017, the fair value of long-term debt, including the current portion, was \$151.6 million and its book value was \$152.4 million. At December 31, 2016, the fair value of long-term debt, including the current portion, was \$151.9 million and its book value was \$154 million.

6. LONG-TERM DEBT

On December 19, 2014, the Company amended and renamed its then existing credit facility with Citibank, ACH and a syndicate of other lenders to provide for a \$225 million revolving credit facility (the "Credit Facility") that includes (i) up to \$10 million under the Credit Facility for standby or bank letters of credit, (ii) up to \$20 million under the Credit Facility for letters of credit that are necessary or desirable to qualify for disbursements from the "FC", mobility fund and (iii) up to \$10 million under a revolving sub-facility.

Notwithstanding the Company that borrows under the Credit Facility, the interest at a rate equal to, at its option, either (i) the London Interbank

Offered Rate ("LIBOR") plus an applicable margin ranging between 1.50% to 1.75% or (ii) a base rate plus an applicable margin ranging from 0.50% to 0.75%. Swingline loans will bear interest at the base rate plus the applicable margin for base rate loans. The base rate is equal to the higher of (a) 1.00%, (b) the higher of (i) the one-week LIBOR and (ii) the one-month LIBOR, (c) the Federal funds effective rate (as defined in the Credit Facility) plus 0.50% per annum, and (iii) the prime rate (as defined in the Credit Facility). The applicable margin is determined based on the ratio (as further defined in the Credit Facility) of the Company's indebtedness to EBITDA. Under the terms of the Credit Facility, the Company must also pay a fee ranging from 0.175% to 0.250% of the average daily unused portion of the Credit Facility over each calendar quarter.

On January 11, 2016, the Company amended the Credit Facility (the "Amendment") to provide for lender consent to, among other actions, (i) the contribution by the Company of all of its equity interests in ATN Bermuda Holdings, L.P., ATN Overseas Holdings, L.P. in connection with the One Communications Transaction, and subject to the terms of the One Communications Transaction, a one-time, non-prorated cash distribution by One Communications to an aggregate amount not to exceed \$11.0 million to certain of One Communications' shareholders, and (ii) the incurrence by certain subsidiaries of the Company of secured debt in an aggregate principal amount not to exceed \$60 million in connection with the Company's ongoing financing program of the Visa Transaction. The Amendment increases the amount the Company is permitted to receive as "restricted" subsidiaries of the Company, which are not subject to the covenants of the Credit Facility. From \$27.0 million to \$40.0 million (as such increased amount shall be reduced from time to time by the aggregate amount of certain dividend payments to the Company's subsidiaries). The Amendment also provides for the acquisition by the Company of structured term loan facilities, when combined with increases to revolving loan commitments under the Credit Facility, in an aggregate amount not to exceed \$200.0 million, which facilities shall be subject to certain conditions, including pro forma compliance with the total net leverage ratio financial covenant under the Credit Facility.

On April 14, 2017, the Company further amended the Credit Facility to increase the amount One Communications Debt (as defined below) to an aggregate amount of \$60.0 million.

The Credit Facility contains customary representations, warranties and covenants, including a financial covenant that requires a maximum ratio of indebtedness to EBITDA, as well as covenants by the Company limiting additional indebtedness, liens, guarantees, mergers and consolidations, substantial asset sales, investments and loans, sale and assignments, transactions with affiliates and fundamental changes. In addition, the Credit Facility contains a financial covenant by which requires a maximum ratio of indebtedness to EBITDA. As of March 31, 2017, the Company was in compliance with all of the financial covenants of the Credit Facility.

As of March 31, 2017, the Company had no borrowings under the Credit Facility and approximately \$5.9 million of outstanding letters of credit.

Alabama Debt

On December 24, 2014, in connection with the Alabama Acquisition, the Company assumed \$30 million in long-term debt (the "Original Alabama Debt"). The Original Alabama Debt included multiple loan agreements with banks that have interest at rates between 4.7% and 6.0%, matured at various times between 2019 and 2023 and were secured by certain solar facilities. Repayment of the Original Alabama Debt was being made, in cash on a monthly basis until maturity.

The Original Alabama Debt also included a loan from Public Service Electric & Gas (the "PS&G Loan"). The PS&G Loan bears interest at 11.7%, matures in 2027, and is secured by certain solar facilities. Repayment of the Original Alabama Debt with PS&G can be made in either cash or solar receivable energy credits ("SRECs"), at the Company's discretion, with the value of the SRECs being fixed at the time of the loan's closing. Historically, the Company has made all payments of the PS&G Loan using SRECs.

On December 19, 2016, Aluma's wholly owned subsidiary, Aluma Operations, issued \$20.6 million in aggregate principal amount of 4.427% senior notes due 2029 (the "Series A Notes") and \$41.2 million in aggregate principal amount of 5.527% senior notes due 2031 (the "Series B Notes") and collectively with the Series A Notes and the PS&G Loan, the "Alabama Debt"). Interest and principal are payable semi-annually beginning on March 31, 2017, until the respective maturity dates of March 31, 2029 (for the Series A Notes) and September 30, 2031 (for the Series B Notes). Cash flows generated by the solar projects that secure the Series A Notes and Series B Notes are only available for payment of such debt and are not available to pay other obligations or the claims of the creditors of Aluma or its subsidiaries. However, subject to certain restrictions, Aluma Operations holds the right to the excess cash flows not needed to pay the Series A Notes and Series B Notes and other obligations arising out of the securitizations. The Series A and Series B Notes are secured by certain assets of Aluma and are guaranteed by certain of its subsidiaries.

In addition to the proceeds from the issuance of the Series A Notes and Series B Notes were used to repay the Original Alabama Debt in full except for the PS&G Loan which remained outstanding after the refinancing.

The Series A Notes and the Series B Notes contain customary representations, warranties and certain affirmative and negative covenants, which limit additional indebtedness, lease guarantees, merger and reorganizations, substantial asset sales, investments and loans, sale and leasebacks, transactions with affiliates and bankruptcy changes. The Series A Notes and Series B Notes are subject to financial covenants that impose 1) a maximum debt service coverage ratio and 2) a maximum ratio of the present value of Aluma's future cash flow to the aggregate principal amounts of all outstanding obligations. These financial covenants are tested semi-annually based on Aluma Operations on a consolidated basis and on an individual basis for certain subsidiaries. Both the Series A Notes and Series B Notes may be redeemed at any time, in whole or part, subject to a make-whole premium. As of March 31, 2017, the Company was in compliance with all of the financial covenants of the Series A Notes and the Series B Notes.

As of March 31, 2017, \$2.1 million of the Original Alabama Debt and \$64.6 million of the Series A Notes and Series B Notes remained outstanding.

One Communications Debt

In connection with the One Communications Transaction on May 1, 2016, the Company assumed \$1.4 million in debt (the "One Communications Debt") in the form of a loan from HSBC Bank Bermuda Limited. The One Communications Debt matures in 2021, bears interest at the three-month LIBOR rate plus a margin of 3.25%, and repayment is made quarterly until maturity. The One Communications Debt contains customary representations, warranties and affirmative and negative covenants (including limitations on additional debt, guarantees, sale of assets and assets) and a financial covenant that limits the maximum ratio of indebtedness to cash and other operating cash flow. The debt is also subject to certain financial covenants that are tested at the end of each fiscal year: 1) a maximum ratio of free cash flow to debt service requirement; 2) maximum ratio of net debt to EBITDA; and 3) a minimum ratio of consolidated EBIT to net interest costs. The debt is secured by the property and assets of certain One Communications subsidiaries. As of March 31, 2017, the Company was in compliance with all of the financial covenants.

As of March 31, 2017, \$29.9 million of the One Communications Debt remained outstanding.

Viya Debt (formerly Assurance Debt)

The Viya Debt agreement contains customary representations, warranties and affirmative and negative covenants (including limitations on additional debt, guarantees, sale of assets and leases) and a financial covenant that limits the maximum ratio of indebtedness to cash to annual operating cash flow. The covenant is tested on an annual basis commencing fiscal 2017. Interest is paid quarterly and principal repayment is as required until maturity on July 1, 2020. Prepayment of the Viya Debt may be subject to a fee under certain circumstances. The debt is secured by certain assets of the Company's Viya subsidiaries.

The Company paid a fee of \$0.9 million to lock the interest rate at 4% per annum over the term of the debt. The fee was recorded as a reduction to the debt carrying amount and will be amortized over the life of the loan.

As of March 31, 2017, \$60.0 million of the Viya Debt remained outstanding and \$0.9 million of the rate lock fee was unamortized.

7. GOVERNMENT GRANTS

The Company has received funding from the U.S. Government and its agencies under Stimulus and Universal Service Fund programs. These are generally designed to fund telecommunications infrastructure expansion into rural or underserved areas of the United States. The fund programs are evaluated to determine if they represent funding related to capital expenditures (capital grants) or operating activities (revenue grants).

Phase I Mobility Fund Grants

As part of the Federal Communications Commission's ("FCC") rollout of its Universal Service Fund ("USF") program, which previously provided support to carriers seeking to offer telecommunications service in high-cost areas and to low-income households, the FCC created the Phase I Mobility Fund ("Phase I Mobility Fund"), a revenue-neutral trust to support wireless coverage in underserved geographic areas in the United States. The Company has received \$21.1 million of Phase I Mobility Fund support to its wholesale wireless business (the "Mobility Funds") to expand voice and broadband networks in certain geographic areas in order to offer 911 or 4G coverage. As part of the receipt of the Mobility Funds, the Company consented to comply with certain additional FCC construction and other requirements. A portion of these funds will be used to offset network capital costs and a portion is used to offset the costs of supporting the networks for a period of five years from the award date. In connection with its application for the Mobility Funds, the Company has issued approximately \$1.9 million in letters of credit, which are outstanding as of March 31, 2017, to the Universal Service Administration Company ("USAC") to secure these obligations. If the Company fails to comply with any of the terms and conditions upon which the Mobility Funds were granted, or if a loss eligibility for the Mobility Funds, USAC will be entitled to draw the entire amount of the letter of credit applicable to the affected project plus penalties.

The Mobility Funds require and their results are included within our U.S. telecom segment. As of March 31, 2017, the Company has received approximately \$21.1 million in Mobility Funds. Of these funds, \$7.2 million was recorded as an offset to the cost of the property, plant, and equipment associated with these projects and, consequently, a reduction of future depreciation expense. The remaining \$13.9 million received offsets operating expenses, of which \$0.9 million has been recorded as debt, \$0.9 million is recorded within current liabilities, and the remaining \$12.0 million is recorded within term liabilities, in the Company's consolidated balance sheet as of March 31, 2017. The balance sheet presentation is based on the timing of the expected usage of the funds which will reduce future operations expenses through the expiration of the arrangements by July 2018.

8. FORTY

Stockholders' equity was as follows (in thousands):

	Three months ended March 31					
	2017		2016		2015	
	2017	2016	2017	2016	2015	2014
	Actual	Actual	Actual	Actual	Actual	Actual
Equity, beginning of period	\$ 157,727	\$ 132,114	\$ 159,157	\$ 151,219	\$ 142,517	\$ 147,724
Stock-based compensation	2,566	—	2,660	2,228	—	2,224
Comprehensive income	6,879	4,722	11,564	6,120	4,678	10,792
Net income	513	—	513	—	—	—
Reclassification of gains on sale of marketable securities to net income	(249)	—	—	—	—	—
Dividend from non-marketable securities	(452)	—	(452)	—	—	—
Foreign Currency translation adjustment	1,539	—	1,592	—	—	—
Total comprehensive income	8,977	4,722	13,697	6,120	4,678	10,792
Issuance of common stock upon exercise of stock options	95	—	95	582	—	582
Dividends declared on common stock	(5,409)	—	(5,409)	(5,366)	—	(5,366)
Distributions to non-voting class members	(2,800)	—	(2,800)	—	(1,000)	(1,000)
Reclassification of non-controlling interests	—	80	—	—	—	—
Loss on derecognition of subsidiary	—	529	—	—	—	—
Change in accounting method adoption of AEC	—	—	—	—	—	—
2016-09	110	—	110	—	—	—
Repurchase of non-voting securities	(6,700)	(1,400)	(4,970)	—	—	—
Purchase of treasury stock	(2,212)	—	(2,212)	(2,212)	—	(2,212)
Equity, end of period	\$ 167,513	\$ 138,406	\$ 173,514	\$ 161,214	\$ 151,017	\$ 160,211

9. NET INCOME PER SHARE

For the three months ended March 31, 2017 and 2016, outstanding stock options were the only potentially dilutive securities. The reconciliation from basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Three months ended March 31	
	2017	2016
Basic weighted average shares of common stock outstanding	16,157	16,072
Stock options	89	226
Diluted weighted average shares of common stock outstanding	16,246	16,298

The above calculation for the three months ended March 31, 2017 and 2016, does not include approximately 5,000 shares related to certain stock options because the effect of such options were anti-dilutive.

REVENUE REPORTING

The Company included its reported operating segment in the first quarter of 2016 in order to align with how management began to allocate resources and assess the performance of its business operations. The Company's reportable segment consists of the following: (i) U.S. Telecom, consisting of the Company's former U.S. Wireless segment, (ii) International Telecom, consisting of the Company's former Inland Wireless and International Inland Telecom segments and the results of its On-Net Communications (formerly KeyTech, Ltd.) and Vya Acquisitions as discussed below, and (iii) Renewable Energy, consisting of the Company's former Renewable Energy segment and the results of its Vibram Energy Acquisition.

The following tables provide information for each operating segment (in thousands):

For the Three Months Ended March 31, 2017					
	U.S. Telecom	International Telecom	Renewable Energy	Reversing Items (1)	Consolidated
Revenue					
Wireless	\$ 37,162	\$ 19,068	\$ —	\$ —	\$ 56,230
Wireless	6,951	37,769	—	—	44,720
Renewable Energy	—	—	4,300	—	4,300
Equipment and Other	789	4,424	1,512	—	6,725
Total Revenue	44,902	61,261	5,812	—	111,975
Depreciation and amortization	6,551	10,117	1,454	1,312	19,434
Non-cash stock-based compensation	—	129	29	1,208	1,466
Operating income (loss)	16,817	9,996	1,441	(192,311)	(173,057)

For the Three Months Ended March 31, 2016					
	U.S. Telecom	International Telecom	Renewable Energy	Reversing Items (1)	Consolidated
Revenue					
Wireless	\$ 39,464	\$ 19,414	\$ —	\$ —	\$ 58,878
Wireless	6,086	18,798	—	—	24,884
Renewable Energy	—	—	5,589	—	5,589
Equipment and Other	688	2,080	—	—	2,768
Total Revenue	46,238	39,592	5,589	—	91,419
Depreciation and amortization	5,644	9,341	2,227	1,352	18,564
Non-cash stock-based compensation	—	—	29	1,208	1,237
Operating income (loss)	16,746	1,227	61	(1,663)	15,371

(1) Reversing items refer to corporate overhead costs and consolidating adjustments.

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	U.S.		International		Receivables		Revolving		Committed
	Liabilities	Equity	Liabilities	Equity	Liabilities	Equity	Liabilities	Equity	
March 31, 2017									
Cash, cash equivalents, and Investments	\$ 16,443	\$ 97,104	\$ 18,312	\$ 142,897	\$ 274,248				
Total assets	46,933	146,890	27,177	159,662	274,830				
Fund assets, net	102,366	348,572	152,891	15,934	430,223				
Goodwill	78,242	74,236	3,279	—	62,972				
Total assets	260,856	595,135	198,678	190,341	1,100,489				
Total current liabilities	36,469	18,774	16,198	21,474	161,824				
Total debt	—	88,120	64,279	—	152,399				
December 31, 2016									
Cash, cash equivalents, and Investments	\$ 22,233	\$ 97,661	\$ 27,278	\$ 131,664	\$ 278,938				
Total assets	59,981	142,201	72,440	132,743	362,389				
Fund assets, net	129,274	372,741	130,268	15,429	647,712				
Goodwill	32,248	24,208	3,279	—	62,972				
Total assets	244,505	497,614	196,215	119,100	1,100,100				
Total current liabilities	21,162	95,562	12,465	18,438	158,108				
Total debt	—	91,310	65,207	—	158,421				

Capital Expenditures

	U.S.		International		Receivables		Revolving		Committed
	Liabilities	Equity	Liabilities	Equity	Liabilities	Equity	Liabilities	Equity	
Days ended ending March 31									
2017	\$ 4,061	\$ 16,660	\$ 21,700	\$ 1,204	\$ 41,702				
2016	7,061	7,774	—	1,110	16,661				

(1) Revolving items refer to corporate overhead costs and consolidating adjustments.

11. COMMITMENTS AND CONTINGENCIES

Regulatory and Litigation Matters

The Company and its subsidiaries are subject to certain regulatory and legal proceedings and other claims arising in the ordinary course of business, some of which involve claims for damages and losses that are substantial in amount. The Company believes that, except for the items discussed below, for which the Company is currently unable to predict the final outcome, the disposition of proceedings currently pending will not have a material adverse effect on the Company's financial position or results of operations.

As of March 31, 2017, the Company had approximately \$5.9 million in letters of credit payable to USAC outstanding to cover its Mobility Fund obligations and there were no drawdowns against those letters of credit. The letters of credit expire for a rate of 1.75% per annum on the remaining amount. If the Company fails to comply with certain terms and conditions upon which the Mobility Fund are to be granted, or if a base eligibility for Mobility Fund support (USAC) will be denied to those the same amount of the type of credit applicable to the affected project including penalties. The Company is in compliance with all applicable terms and conditions. The results of the Company's Mobility Fund projects are included in the Company's "U.S. Telecom" segment.

Currently, the Company's Cayman subsidiary, GTT, holds a license to provide domestic fixed services and international voice and data services in Guyana on an exclusive basis until December 2019. Since 2009, the Government of Guyana has stated its intention to introduce additional competition into Guyana's telecommunications sector. In connection therewith, the Company and GTT have met on several occasions with officials of the Government of Guyana.

to discuss potential modifications of GTT's exclusivity and other rights under the existing agreement and license. On July 18, 2016, the Guyana Parliament passed telecommunications legislation, and on August 5, 2016, the legislation was signed into law. The structure proposed therein to ensure Guyana's existing telecommunications regulatory regime with the creation of setting a more competitive market. The legislation does not have the effect of withdrawing the Company's exclusive license. Instead the legislation imposed duties on the Minister of Telecommunications to conduct further proceedings and issue implementing orders to enact the various provisions of the legislation, including the issuance of competing licenses. The Company cannot predict the manner in which a will be implemented by the Minister of Telecommunications.

In December 2016 the Government of Guyana and the Company met to discuss modifications of the Company's exclusivity rights and other rights under its existing agreement and license. These discussions are on-going. However, there can be no assurance that these discussions will be concluded before the Government issues any licenses contemplated by the legislation in full, or that they will satisfactorily address its contractual exclusivity rights. Although the Company believes that it would be entitled to damages or other compensation for any involuntary termination of its contractual exclusivity rights, it cannot guarantee that the Company would prevail in a proceeding to enforce its rights or that its actions would effectively halt any prohibited activity by the Government.

Historically, GTT has been subject to other litigation proceedings and disputes in Guyana that, while not conclusively resolved, to the Company's knowledge have not been the subject of discussions or other significant activity in the last five years. It is possible, but not likely, that these disputes, as discussed below, may be revived. The Company believes that none of these additional proceedings would, in the event of an adverse outcome, have a material impact on the Company's consolidated financial position, results of operations or liquidity.

In a letter dated September 8, 2006, the National Frequency Management Unit ("NFMU") agreed that total spectrum fees in Guyana should not increase for the years 2006 and 2007. However, that letter implied that spectrum fees from 2008 and onward may be increased beyond the amount GTT agreed to with the Government. GTT has objected to the NFMU's proposed action and indicated its position that an increase in fees prior to development of an accurate methodology would reduce the Government's gross revenues in 2011, GTT would be required to pay the NFMU 12.5 million equivalent payments in full for 2008, 2009 and 2010. However, by letter dated November 23, 2011, the NFMU stated that it did not increase the GTT's estimate that the amount the payment to be for the specified years is a final contractual dispute that the final calculation for 2008 spectrum fees will not depend on the fee set and outstanding issue. By further letter dated November 24, 2011, the NFMU further rejected a proposal that was previously submitted jointly by GTT and another communications provider that outlined a recommended methodology for the calculation of these fees. The NFMU stated that it would prepare its own recommendations for consideration by the Minister of Telecommunications, who would decide the matter. GTT has paid independent spectrum fees according to the methodology used for its 2011 payments, and has covered amounts payable according to this methodology. There have been limited further discussions on this subject and GTT has not had the opportunity to review any recommendations made to the Minister.

On May 4, 2009, Digipol filed a lawsuit in Guyana challenging the legality of GTT's exclusive license rights under Guyana's constitution. Digipol initially filed this lawsuit against the Attorney General of Guyana in the High Court. On May 13, 2009, GTT petitioned to intervene in the suit in order to oppose Digipol's claims and that petition was granted on May 18, 2009. GTT filed an answer to the charge on June 22, 2009 and the case is pending. The Company believes that any legal challenge to GTT's exclusive license rights granted in 1993 is without merit and that the Company stands to vigorously defend against such a legal challenge.

GTT filed several lawsuits in the High Court of Guyana asserting that, despite its details, Digipol is engaged in international violation in violation of GTT's exclusive license rights, the interconnection agreement between the parties, and the laws of Guyana. GTT, among other things, requests relief to stop the illegal system activity, actual damages in excess of US\$9 million and punitive damages of approximately US\$5 million. Digipol filed counterclaims alleging that GTT has violated the terms of the interconnection agreement and Guyana laws. These suits, filed in 2010 and 2012, have yet to proceed to trial and a settlement agreement as to when a trial date may be set. GTT intends to vigorously prosecute these matters.

GTT is also involved in several legal claims regarding its tax filings with the Guyana Revenue Authority dating back to 1991 regarding the deductibility of intercompany advisory fees as well as other tax assessments. Any liability GTT might be found to have with respect to the disputed tax assessments, totaling \$4.1 million, would be offset in part by the amount necessary to ensure that GTT's return on investment was no less than 12% per annum for the relevant periods. The Company believes that some adverse outcome is probable and has accordingly accrued \$5.0 million as of March 31, 2017 for these matters.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations that follows are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ significantly from these estimates under different assumptions or conditions. This discussion should be read in conjunction with our condensed consolidated financial statements herein and the accompanying notes thereto, and our Annual Report on Form 10-K for the year ended December 31, 2016 (our "2016 Annual Report on Form 10-K"), and in particular, the information on each therein under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are a holding company that, through our operating subsidiaries, (i) provides wireless and wireline telecommunications services in North America, Bermuda and the Caribbean, (ii) develops, owns and operates commercial distribution generation solar power systems in the United States and India, and (iii) owns and operates terrestrial and submarine fiber optic transport systems in the United States and the Caribbean. We were incorporated in Delaware in 1991 and began trading publicly in 1991. Since that time, we have engaged in strategic acquisitions and investments to grow our operations. We continue to actively evaluate additional domestic and international acquisitions, divestitures, and investment opportunities and other strategic transactions in the telecommunications, energy-related and other industries that meet our return-on-investment and other acquisition criteria. For a discussion of our investment strategy and risks involved, see "Risk Factors - We are actively evaluating investment, acquisition and other strategic opportunities, which may affect our long-term growth prospects." in our 2016 Annual Report on Form 10-K.

We offer the following principal services:

- **Wireless.** In the United States, we offer wholesale wireless voice and data training services to national, regional, local and selected international wireless carriers in rural markets located principally in the Southwest and Midwest United States. We also offer wireless voice and data services to retail customers in Bermuda, Guyana, and in other smaller markets in the Caribbean and the United States.
- **Wireline.** Our wireline services include local telephone and data services in Bermuda, Guyana, the U.S. Virgin Islands, and in other smaller markets in the Caribbean and the United States. Our wireline services also include video services in Bermuda and the U.S. Virgin Islands. Through March 1, 2017, we also offered facilities-based managed voice and data communications services and wholesale transport services to enterprise and residential customers in New England, primarily Vermont, and in New York State. In addition, we offer wholesale long-distance voice services to telecommunications carriers.
- **Renewable Energy.** In the United States, we provide distributed generation solar power to corporate, utility and municipal customers. Beginning in April 2016, we began developing projects in India to provide

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distributed generation solar power to corporate and utility customers. We began to generate revenue from the India project during the three months ended March 31, 2017.

The following chart summarizes the operating activities of our principal subsidiaries, the segments in which we report our revenue and the markets we served as of March 31, 2017:

U.S. Telecom	Segment	Services	Markets	Subsidiaries
U.S. Telecom	Wireless	Wireless	United States (wireless markets)	Comcast, Charter, Charter TV/UA, Windigo, Frontier
	Video	Video	United States	Comcast, Charter, Charter TV/UA, Windigo, Frontier
International Telecom	Wireless	Wireless	Bermuda, Cayman, U.S. Virgin Islands	OTTI, One, Incentiva (now Vio), Logi, GTT, Incentiva (now Vio), Charter (now Vio)
	Video Services	Video	Bermuda, Cayman, U.S. Virgin Islands, British Virgin Islands	One, Incentiva (now Vio), Logi, Charter (now Vio)
Renewable Energy	Wireless	Wireless	Bermuda, Cayman, U.S. Virgin Islands, British Virgin Islands	One, Incentiva (now Vio), Logi, Charter (now Vio)
	Video	Video	Bermuda, Cayman, U.S. Virgin Islands, British Virgin Islands	One, Incentiva (now Vio), Logi, Charter (now Vio)
Renewable Energy	Wireless	Wireless	United States (Manufacturing, California, and New Jersey)	One, Incentiva, Vio, Vio Energy
	Video	Video	United States (Manufacturing, California, and New Jersey)	One, Incentiva, Vio, Vio Energy

Key global management, technical, financial, regulatory, and marketing services to our subsidiaries and typically receive a management fee equal to a percentage of their respective revenue. Management fees from our subsidiaries are eliminated in consolidation.

Acquisitions

International Telecom

During 2016, we completed our acquisition of a controlling interest in KeyTech Limited ("KeyTech"), a publicly held Bermuda company listed on the Bermuda Stock Exchange ("BSE"). KeyTech provides broadband and cable television services and other telecommunications services to residential and enterprise customers under the "One" name in Bermuda and the "Logi" name in the Cayman Islands. Subsequent to our acquisition of KeyTech, KeyTech changed its legal name to One Communications Ltd. and changed its "One" and "Logi" trade names to Bermuda One Communications ("One Communications"). One Communications also owned a minority interest of approximately 47% in the Company's consolidated subsidiary, Bermuda Digital Communications Ltd. ("BDC"), which provides wireless services in Bermuda. As part of the transaction, the Company contributed its ownership interest of approximately 47% in BDC and approximately 80% of its shares in One Communications to One Communications. As part of the transaction, BDC was merged with and into a company within the One Communications group and its approximate 17% interest in BDC held, in the aggregate, by BDC's minority shareholders was converted into the right to receive common shares in One Communications. Following the transaction, BDC became wholly owned by One Communications, and One Communications continues to be listed on the BSE. A portion of the cash proceeds that One Communications received upon closing was used to fund a one-time special dividend to One Communications.

One Communications (formerly KeyTech Limited)

On May 13, 2016, we completed our acquisition of a controlling interest in KeyTech Limited ("KeyTech"), a publicly held Bermuda company listed on the Bermuda Stock Exchange ("BSE"). KeyTech provides broadband and cable television services and other telecommunications services to residential and enterprise customers under the "One" name in Bermuda and the "Logi" name in the Cayman Islands. Subsequent to our acquisition of KeyTech, KeyTech changed its legal name to One Communications Ltd. and changed its "One" and "Logi" trade names to Bermuda One Communications ("One Communications"). One Communications also owned a minority interest of approximately 47% in the Company's consolidated subsidiary, Bermuda Digital Communications Ltd. ("BDC"), which provides wireless services in Bermuda. As part of the transaction, the Company contributed its ownership interest of approximately 47% in BDC and approximately 80% of its shares in One Communications to One Communications. As part of the transaction, BDC was merged with and into a company within the One Communications group and its approximate 17% interest in BDC held, in the aggregate, by BDC's minority shareholders was converted into the right to receive common shares in One Communications. Following the transaction, BDC became wholly owned by One Communications, and One Communications continues to be listed on the BSE. A portion of the cash proceeds that One Communications received upon closing was used to fund a one-time special dividend to One Communications.

existing shareholders and to revise One Communications' subsequent date. On May 3, 2016, we began consolidating the results of One Communications within our financial statements in our International Telecom segment.

The One Communications acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations, and the acquisition of the incremental ownership interest in HDG, in accordance with ASC 815, Consolidation. The total purchase consideration of \$41.6 million of cash was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition.

Five (formerly) businesses

On July 1, 2014, we completed our acquisition of all of the membership interests of Caribbean Asset Holdings LLC ("CAH"), the holding company for the group of companies operating video services, Internet, wireless and landline services in the U.S. Virgin Islands. British Virgin Islands and through January 2017, St. Martin (collectively, "Vip") from the National Rural Telecommunications Cooperative ("CTC"). In April 2017, CAH's operations and one existing wireless operation in the U.S. Virgin Islands, rebranded their trademarks from "Amovision" and "Cable", respectively, to "Vip". We acquired these operations for a contractual purchase price of \$146.8 million, reduced by purchase price adjustments of \$5.2 million (the "Vip Transaction"). In connection with the transaction, we financed \$60.0 million of the purchase price with a loan from an affiliate of CTC, the Rural Telecommunications Cooperative ("RTC"), on the terms and conditions of a Loan Agreement by and among RTC, CAH and AYS V Holdings, L.L.C., the parent entity of CAH and our wholly-owned subsidiary. We funded the remaining purchase price with (i) \$15.9 million in cash paid to CTC, (ii) \$27.5 million in additional cash paid directly to fund Vip's operations in the fourth quarter of 2016, and (iii) \$5.3 million recorded as restricted cash to satisfy Vip's other post-acquisition benefit plans. On July 1, 2016, we began consolidating the results of Vip within our financial statements in our International Telecom segment.

The Vip Transaction was accounted as a business combination in accordance with ASC 805. The consideration transferred to CTC of \$111.9 million, and used for the purchase price allocation, differed from the contractual purchase price of \$145 million due to certain GAAP purchase price adjustments including a reduction of \$5.3 million related to working capital adjustments and our agreement to subsequently settle assumed pension and other postretirement benefit liabilities of \$27.5 million. We transferred \$51.9 million in cash and \$60.0 million in loan proceeds to CTC for total consideration of \$111.9 million that was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition.

Renewable Energy

Vibrent Energy

April 7, 2016, we completed our acquisition of a solar power development portfolio in India from Aramstrong Energy Global Limited ("Aramstrong"), a well-known developer, holder, and owner of solar farms (the "Vibrent Energy Acquisition"). The business operates under the name Vibrent Energy. We also retained several Aramstrong employees in the United Kingdom and India who are employed by us to oversee the development, construction and operation of the India solar projects. The projects to be developed initially will be based in the states of Andhra Pradesh, Maharashtra and Telangana and are based on a commercial and industrial business model, similar to our existing renewable energy operations in the United States. As of April 7, 2016, we began consolidating the results of Vibrent Energy in our financial statements within our Renewable Energy segment.

The Vibrent Energy Acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The total purchase consideration of \$6.2 million cash was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition.

E.S. Telecom

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In July 2016, we acquired certain telecommunications fixed assets and the associated operations in the western United States. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. We transferred \$94 million of cash consideration for the acquisition and allocated \$122 million to acquired fixed assets, \$12 million to deferred tax liability, and \$60 million to other net liabilities, resulting in goodwill of \$1.1 million. Results of operations for the business are included in the U.S. Telecom segment and are not material to our historical results of operations.

Dispositions

International Tailwind

On January 1, 2017, we completed the sale of the Vyta cable operations located in St. Maarten for \$4.8 million and recognized a gain of \$8.1 million on the transaction. On December 15, 2016, we transferred control of our subsidiary in Aruba to another stockholder in a nonreciprocal transfer. Subsequent to that date, we no longer consolidated the results of the operations of the Aruba business. We did not recognize a gain or loss on the transaction.

The results of the St. Maarten and Aruba operations are not material to our historical results of operations. Since the dispositions do not relate to a strategic shift in our operations, the historical results and financial position of the operations are presented within continuing operations.

U.S. Wireless Business

On August 4, 2016, we entered into a stock purchase agreement to sell our integrated voice and data communications and wholesale transport businesses in New England and New York ("Newcom"). On March 8, 2017, we completed the sale for consideration of \$23 million. The consideration includes \$20 million of cash, \$1 million of receivables, and \$2 million of contingent consideration. The \$2 million of consideration are held in escrow to satisfy working capital adjustments in favor of the acquirer, to fund certain capital expenditures projects related to the assets sold and to secure our indemnification obligations. The contingent consideration represents the fair value of future payments related to certain operational matters of the disposed assets. The value of the contingent consideration could be up to \$4.0 million based on whether or not the operational matters are achieved by December 31, 2017 (the "Newcom Transaction").

Phase 1 Mobility Fund Grants

As part of the Federal Communications Commission's ("FCC") rollout of its Universal Service Fund ("USF") program, which previously provided support to carriers seeking to offer telecommunication services in high-cost areas and in less-served households, the FCC created the Phase 1 Mobility Fund ("Phase 1 Mobility Fund"), a one-time award meant to support wireless coverage in underserved geographic areas in the United States. We have received \$21 million of Phase 1 Mobility Fund support for our wholesale wireless business (the "Mobility Fund") to expand voice and broadband networks in certain geographic areas in order to offer 3G or 4G coverage. As part of the receipt of the Mobility Fund, we committed to comply with certain additional FCC construction and other requirements. A portion of these funds will be used to offset certain capital costs and a portion is used to offset the costs of supporting the networks for a period of five years from the award date. In connection with our application for the Mobility Fund, we have raised approximately \$1.9 million in debt of which, which are outstanding as of March 31, 2017, to the Universal Service Administrative Company ("USAC") to secure these obligations. If we fail to comply with any of the terms and conditions upon which the Mobility Fund was granted, or if we lose eligibility for the Mobility Fund, USAC will be entitled to draw the entire amount of the Fund of funds specifically to offset project pre-payments.

The Mobility Fund projects and their results are included within our U.S. Telecom segment. As of March 31, 2017, we had received approximately \$21.1 million in Mobility Fund. Of these funds, \$7.2 million was recorded as an offset to the cost of the property, plant, and equipment associated with these projects and, consequently, a reduction of future depreciation expense. The remaining \$13.9 million received offset operating expense, of which \$6.1 million has

been recorded as debt, \$1.9 million is recorded within current liabilities, and the remaining \$1.9 million is recorded within long-term liabilities in our consolidated balance sheet as of March 31, 2017. The balance sheet presentation is based on the terms of the expected usage of the funds which will reduce future operations expense through the expiration of the arrangements in July 2018.

Selected Segment Financial Information

The following represents selected segment information for the quarters ended March 31, 2017 and 2016:

	For the Three Months Ended March 31, 2017				
	U.S. Revenue	International Revenue	Revenue Change	Recurring Item (1)	Consolidated
Revenue					
Wireless	\$ 15,142	\$ 19,068	\$ —	\$ —	\$ 34,210
Wireline	1,051	17,749	—	—	18,800
Rewindable Energy	—	—	4,909	—	4,909
Equipment and Other	579	2,474	1,322	—	3,382
Total Revenue	16,772	39,291	3,332	—	56,065
Operating Income (loss)	14,617	9,966	1,441	(18,211)	17,793

	For the Three Months Ended March 31, 2016				
	U.S. Revenue	International Revenue	Revenue Change	Recurring Item (1)	Consolidated
Revenue					
Wireless	\$ 39,664	\$ 19,414	\$ —	\$ —	\$ 59,078
Wireline	4,091	14,399	—	—	18,490
Rewindable Energy	—	—	2,309	—	2,309
Equipment and Other	688	2,866	—	—	3,554
Total Revenue	44,443	36,679	2,309	—	81,122
Operating Income (loss)	38,596	7,717	41	(14,511)	31,803

(1) Remeasuring items refer to corporate overhead costs and consolidating adjustments.

A quarter-over-quarter summary of our segment results is as follows:

- U.S. Telecom: Revenue within our U.S. Telecom segment decreased by \$2.4 million, or 5.2%, to \$41.8 million from \$44.2 million for the three months ended March 31, 2017 and 2016, respectively. Of this decrease, \$2.6 million was attributable to our wholesale services operations and subject to reduced wholesale roaming rates which more than offset an increase in our consumer and data traffic volumes. This decrease was partially offset by an increase of \$0.2 million in our retail services business as a result of increased activations. In our wireless business, the 1.1 percentage increase in our wholesale long-distance voice services was offset by a decrease in our integrated voice and data operations in New England and our wholesale transport operations in New York and the sale of these operations on March 8, 2017.

Operating expense within our U.S. Telecom segment decreased \$1.3 million, or 4.4%, to \$29.1 million from \$30.4 million for the three months ended March 31, 2017 and 2016, respectively. This decrease was primarily related to expense reductions implemented over the last several quarters and expense offsets from funds received under the Phase 1 mobility grants partially offset by equipment and upgrades of our network.

As a result of the above, our U.S. Telecom segment's operating income decreased \$0.2 million, or 1.2%, to \$16.6 million from \$16.8 million for the three months ended March 31, 2017 and 2016, respectively.

- **International Telecom:** Revenues within our International Telecom segment increased \$4.4 million, or 67%, to \$71 million from \$37 million for the three months ended March 31, 2017 and 2016, respectively. This increase was related to our One Communications and Visa operations that reported an aggregate of \$46.8 million of revenue during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016.

Operating expenses within our International Telecom segment increased by \$10.1 million, or 128.4%, to \$69.5 million from \$20.2 million for the three months ended March 31, 2017 and 2016, respectively. This increase was related to our One Communications and Visa operations that incurred \$41.9 million of operating expenses during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016. This increase was partially offset by a \$2.4 million decrease in our other International Telecom operations as a result of certain operating efficiencies.

As a result, our International Telecom segment's operating income increased \$2.3 million, or 29.9%, to \$10.9 million from \$7.7 million for the three months ended March 31, 2017 and 2016, respectively.

- **Renewable Energy:** Revenues within our Renewable Energy segment decreased \$0.6 million, or 10.7%, to \$5.0 million from \$5.6 million for the three months ended March 31, 2017 and 2016, respectively, primarily as a result of the operation of certain inactive energy credits and decreased production due to weather conditions in California primarily offset by the commencement of production in India by our Yibram operation.

Operating expenses within our Renewable Energy segment decreased \$1.9 million, or 34.5%, to \$3.6 million from \$5.5 million for the three months ended March 31, 2017 and 2016, respectively. This decrease in expense was primarily related to acquisition-related expenses incurred as a part of our Yibram Acquisition.

As a result, our Renewable Energy segment's operating income increased by \$1.3 million to \$1.4 million from \$0.1 million for the three months ended March 31, 2017 and 2016, respectively.

The following represents a quarter over quarter discussion and analysis of our results of operations for the quarter ended March 31, 2017 and 2016 (in thousands):

	Three Months Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2017	2016		
REVENUE:				
Wireless	\$ 56,730	\$ 56,878	\$ (148)	(0.3)%
Wiredline	43,600	22,445	21,155	94.2
Networked Energy	4,690	2,299	2,391	103.9
Equipment and other	8,136	2,724	5,412	198.7
Total revenue	113,156	84,346	28,810	34.3
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated)				
Termination and access fees	36,604	39,717	(3,113)	(7.8)
Engineering and operations	19,667	18,510	1,157	6.2
Public, marketing and customer services	9,821	7,706	2,115	27.3
Equipment expense	2,540	3,229	(689)	(21.3)
Operational administration	24,549	16,752	7,797	46.5
Transaction-related charges	1,017	3,603	(2,586)	(71.8)
Depreciation and amortization	22,494	14,554	7,940	54.5
Loss on disposition of long-lived assets	8,111	8,111	—	—
Total operating expenses	113,317	107,232	6,085	5.7
Income from operations	19,839	(12,886)	32,725	255.0
OTHER INCOME (EXPENSE):				
Interest income	306	349	(43)	(12.3)
Interest expense	(2,116)	(253)	(1,863)	(186.4)
Loss on deconsolidation of subsidiary	(4,579)	—	(4,579)	(100.0)
Other income (expense), net	(1,525)	14	(1,539)	(1,028.0)
Total other income (expense)	(7,808)	600	(8,408)	(140.1)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	12,031	(13,487)	25,518	189.5
Income tax expense	1,126	(4,451)	(5,577)	(51.3)
NET INCOME	10,905	(17,938)	28,843	160.8
Net income attributable to non-controlling interests, net of tax	(6,229)	(14,273)	7,044	(49.3)
NET INCOME ATTRIBUTABLE TO AT&T INTERNATIONAL, INC. STOCKHOLDERS	\$ 4,676	\$ (3,665)	\$ 8,341	227.1%

Wireless revenue. Our wireless revenue consists of wholesale revenue generated within our U.S. Telecom segment and retail revenue generated within both our U.S. Telecom and International Telecom segments.

Wholesale revenue. Our U.S. Telecom segment generates wholesale revenue from providing mobile voice or data services to the customers of other wireless carriers, the provision of network switching services and certain transport services using our wireless networks. Wholesale wireless revenue is primarily driven by the number of minutes and base minutes we originate, the amount of voice and data traffic from the subscribers of other carriers that use of these sites generates and the rates we are paid from our carrier customers for carrying that traffic.

The most significant competitive factor for this our U.S. Telecom's wholesale wireless business is the extent to which our carrier customers choose to route our own networks or select to build or acquire their own infrastructure in a market, reducing or eliminating their need for our services in those markets. Occasionally, we have entered into bilateral projects with existing carrier customers to help the customer accelerate the build-out of a given area. Pursuant to these arrangements, we agree to incur the cost of building and operating a network in a newly designated area meeting

specified conditions. In exchange, the carrier agrees to lease us spectrum in that area and enter into a contract with specific pricing and terms. Historically, these arrangements typically have included a purchase right in favor of the carrier to purchase that portion of the network for a predetermined price, depending on when the right to purchase is exercised. We currently have one bilateral arrangement of approximately 100 cell sites, which provides the carrier with a right to purchase such sites exercisable beginning no earlier than 2018. At this time, we believe the holder is likely to exercise the option and cash proceeds from the exercise to be received.

Retail revenue. Both our U.S. Telecom and International Telecom segments generate retail wireless revenues by providing mobile voice or data services to our subscribers. Retail wireless revenues also include roaming revenue generated by other carriers' customers roaming into our retail markets.

Wireless revenues decreased by \$2.7 million, or 4.6%, to \$56.2 million for the three months ended March 31, 2017 from \$58.9 million for the three months ended March 31, 2016. The decreases in wireless revenue, within our segments, consisted of the following:

- **U.S. Telecom.** Wireless revenue within our U.S. Telecom segment decreased by \$2.3 million, or 3.8%, to \$37.2 million from \$39.5 million, for the three months ended March 31, 2017 and 2016, respectively. Wholesale wireless revenue decreased by \$2.8 million or 7.4%, to \$22.7 million from \$25.5 million for the three months ended March 31, 2017 and 2016, respectively, as a result of a reduction in wholesale roaming rates partially offset by growth in data traffic volume as a result of capacity and technology upgrades to our network and the increase in the number of line minutes to 1,619 from 883 of March 31, 2017 and 2016, respectively. Our U.S. Telecom's total operations reported an increase in wireless revenues of \$0.3 million, or 7.1%, to \$4.3 million from \$4.0 million for the three months ended March 31, 2017 and 2016, respectively, as a result of subscriber growth.
- **International Telecom.** Within our International Telecom segment, wireless revenue decreased by \$0.3 million, or 1.7%, to \$19.0 million from \$19.4 million, for the three months ended March 31, 2017 and 2016, respectively. This decrease was primarily the result of a decline in roaming revenue within our international markets. Our International Telecom segment's total subscribers increased to approximately 303,000 as of March 31, 2017 from approximately 281,000 as of March 31, 2016. This increase in subscribers was driven by our Visa Acquisition.

We expect wholesale wireless revenues within our U.S. Telecom segment to decline and margins to contract as a result of the necessary steps we have taken to significantly reduce rates in exchange for longer term contracts with carriers. While we expect that wholesale data volumes will continue to increase due to increased demand combined with our increased capacity, we expect that our reduced rates will more than offset any revenue increase resulting from increased data volumes. We believe that this new model has much lower risk in that the extended term and reduced pricing create a potential for a long-term shared infrastructure solution with carriers.

We expect retail revenues within our U.S. Telecom segment to remain relatively consistent in future periods.

We expect wireless revenues within our International Telecom segment to increase as we invest in upgrading our networks and service offerings. Growth in revenue from anticipated subscriber growth in certain markets may be somewhat offset by a decline in roaming revenue due to lower negotiated roaming rates received from our carrier customers. Roaming revenues in those markets are also subject to seasonality and can fluctuate between quarters.

Wireline revenue. Wireline revenue is generated by our U.S. Telecom and International Telecom segments. In our U.S. Telecom segment, revenue was generated by our integrated voice and data operations in New England and our wholesale transport operations in New York until the sale of those operations on March 8, 2017. Within our U.S. Telecom segment, wireline revenue also includes, and will continue to include, our wholesale long-distance voice services to telecommunications carriers. Wireline revenue includes basic service fees, enhanced service revenue, and internet access fees, as well as ancillary charges for our lines, namely line rental charges, long distance or toll charges, and maintenance. Within our International Telecom segment, revenue is generated in Bermuda and the Caribbean (including the U.S. Virgin Islands) and includes internet, voice, and video service revenues.

Wireline revenue increased by \$41.4 million, or 184.3%, to \$63.8 million from \$22.4 million for the three months ended March 31, 2017 and 2016, respectively. The increases in wireline revenue, within our segments, consisted of the following:

- **U.S. Telecom:** Wireline revenue increased within our U.S. Telecom segment by \$51 million, or 17%, to \$61.1 million from \$10.1 million, for the three months ended March 31, 2017 and 2016, respectively, primarily as a result of an increase in traffic volumes within our wholesale long-distance voice operations partially offset by the effects of our sale of our integrated voice and data operations in New England and our wholesale transport operations in New York in March 2, 2017.
- **International Telecom:** Within our International Telecom segment, wireline revenue increased by \$41.3 million, or 251.9%, to \$57.7 million from \$16.4 million, for the three months ended March 31, 2017 and 2016, respectively. This increase was primarily the result of our One Communications and Visa operations that generated an aggregate of \$43.3 million of wireline revenue during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016. This increase was partially offset by \$2.0 million decrease in our other international markets.

On August 4, 2016, we entered into a stock purchase agreement to sell our integrated voice and data communications and wholesale transport businesses in New England and New York ("Sovereign"). On March 9, 2017, we completed the sale for consideration of \$29 million. The consideration includes \$28 million of cash, \$1 million of receivables, and \$2 million of contingent consideration. The \$1 million of receivables are held in escrow to satisfy working capital adjustments in favor of the acquirer, to fund certain capital expenditure projects related to the assets sold and to secure our indemnification obligations. The contingent consideration represents the fair value of future payments related to certain operational adjustments of the disposition. The value of the contingent consideration could be up to \$4 million based on whether or not the operational milestones are achieved by December 31, 2017 (the "Sovereign Transition"). With completion of the sale, we expect that wireline revenue within our U.S. Telecom segment will be eliminated in the near future.

Within our International Telecom segment, we anticipate that wireline revenue will increase in 2017 as compared to 2016 as a result of our One Communications and Visa Acquisitions. We anticipate that wireline revenue from our international long distance business in Cayman will continue to decrease, principally as a result of the loss of market share, should we come to be the exclusive provider of domestic, fixed and international long distance service in Cayman, whether by reason of the Government of Cayman implementing locally passed legislation or new regulations or lack of enforcement of our exclusive rights. While the loss of our exclusive rights will likely cause an immediate reduction in our wireline revenue, over the longer term such declines may be offset by increased revenue from data services to consumers and enterprises in Cayman, an increase in regulated fixed calling rates in Cayman, an increase in wholesale transport services and light emergency and agency sales in the United States. We currently cannot predict when or if the Government of Cayman will take any action to implement such legislation or any other action that would otherwise affect our exclusive rights in Cayman. See Note 11 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

Renewable energy revenue. Renewable energy revenue represents revenue from the sale of electricity through long term (10 to 25 years) power purchase agreements ("PPAs") as well as the sale of solar renewable energy credits and performance-based incentives ("PBI's"), which have a contract term of up to ten years.

Renewable energy revenue decreased \$0.6 million, or 10.7%, to \$5.0 million from \$5.6 million for the three months ended March 31, 2017 and 2016, respectively, primarily as a result of the expiration of certain incentive energy credits and decreased production due to weather conditions in California partially offset by the commencement of production in India by our Vihara operations.

The PPAs, which are typically priced at or below local retail electricity rates, allow our customers to secure electricity at predictable and stable prices over the duration of their long-term contract. As such, our PPAs provide us with high-quality contracted cash flows, which will continue over their average remaining life. For these reasons, we expect that Renewable Energy revenue within the United States will remain fairly consistent in the near term but could decline when the solar renewable energy credits begin to expire.

With the closure of our Vibrant Energy Acquisition, we are currently developing projects in India to provide distributed generation solar power to corporate and utility customers and begin generating revenue during the first quarter of 2017 with a target of development of at least 250 MW in solar energy projects through the end of 2018 provided we can secure necessary financing, amongst other things. When fully developed, we expect that margins from this portfolio of projects will be in line with our current domestic solar operations.

Equipment and other revenue: Equipment and other revenue represents wireless equipment sales primarily handsets and data modems, to retail telecommunications customers within both our U.S. Telecom and International Telecom segments. Equipment and other revenue also includes equipment, tool costs and tower rental income within our International Telecom segment and consulting fees within our Renewable Energy segment. Equipment and other revenue increased by \$0.4 million, or 14.3%, to \$3.2 million from \$2.8 million for the three months ended March 31, 2017 and 2016, respectively. The net increase in equipment and other revenue, within our segments, consisted of the following:

- **U.S. Telecom:** Equipment and other revenue decreased within our U.S. Telecom segment by \$0.1 million, or 14.3%, to \$0.8 million from \$0.7 million, for the three months ended March 31, 2017 and 2016, respectively, as a result of a decrease in handset sales within the retail operations of our wireless businesses.
- **International Telecom:** Within our International Telecom segment, equipment and other revenue increased by \$0.4 million, or 19.0%, to \$2.7 million from \$2.1 million, for the three months ended March 31, 2017 and 2016, respectively. This increase was primarily the result of our One Communications and Via operations that generated an aggregate of \$1.1 million of equipment and other revenue during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016. This increase was partially offset by a decrease in our other international markets as a result of a reduction in handset sales.
- **Renewable Energy:** Our Renewable Energy segment reported \$0.1 million during the three months ended March 31, 2017 as a result of consulting fees recognized by our Vibrant Energy operations.

We believe that equipment and other revenue could continue to increase, albeit at a slower pace, as a result of gross subscriber additions and continued growth in smartphone penetration driven by customer incentives such as device subsidies.

Termination and access fee expenses: Termination and access fee expenses are charges that we pay for voice and data transport circuits (in particular, the circuits between our wireless sites and our switches), internet capacity, other access fees we pay to terminate our calls, telecommunication spectrum fees and direct costs associated with our Renewable Energy segment.

Termination and access fees increased by \$10.8 million, or 34.4%, to \$30.3 million from \$19.7 million for the three months ended March 31, 2017 and 2016, respectively. Increases in termination and access fees, within our segments, consisted of the following:

- **U.S. Telecom:** Termination and access fees within our U.S. Telecom segment decreased by \$1.2 million, or 9.2%, to \$11.4 million from \$12.6 million, for the three months ended March 31, 2017 and 2016, respectively. Within our wholesale wireless operations, the decrease was primarily a result of an expense reduction implemented over the last several quarters and expense offsets from funds received

under the Phase I facility grants. Additionally, there was a decrease of \$0.1 million within our other wireless operations as a result of the effects of our sale of our integrated voice and data operations in New England and our wholesale transport operations in New York in March 8, 2017.

- **International Telecom.** Within our International Telecom segment, termination and access fees increased by \$1.9 million, or 175.0%, to \$3.7 million from \$6.8 million, for the three months ended March 31, 2017 and 2016, respectively. This increase was primarily the result of our The Communications and VoIP operations that incurred an aggregate of \$3.2 million of termination and access fees during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016. This increase was partially offset by some of our other markets which experienced operating efficiencies and reported a reduction in termination and access fees of \$0.7 million.
- **Renewable Energy.** Termination and access fees within our Renewable Energy segment remained consistent at \$0.1 million for the three months ended March 31, 2017 and 2016.

We expect that termination and access fee expenses will remain fairly consistent as a percentage of revenues in future periods.

Engineering and operations expenses. Engineering and operations expenses include the expenses associated with developing, operating and supporting our expanding telecommunications networks and renewable energy operations, including the salaries and benefits paid to employees directly involved in the development and operation of our networks and renewable energy operations.

Engineering and operations expenses increased by \$9.2 million, or 87.6%, to \$33.7 million from \$16.5 million for the three months ended March 31, 2017 and 2016, respectively. The net increase in engineering and operations, within our segments, consisted of the following:

- **U.S. Telecom.** Engineering and operations expenses decreased within our U.S. Telecom segment by \$1.0 million, or 21.2%, to \$3.7 million from \$4.7 million, for the three months ended March 31, 2017 and 2016, respectively, primarily as a result of operating efficiencies within our wireless businesses and the effects of our sale of our integrated voice and data operations in New England and our wholesale transport operations in New York in March 8, 2017.
- **International Telecom.** Within our International Telecom segment, engineering and operations expenses increased by \$10.0 million, or 178.6%, to \$15.6 million from \$5.6 million, for the three months ended March 31, 2017 and 2016, respectively. This increase was primarily the result of our The Communications and VoIP operations that incurred an aggregate of \$11.1 million of engineering and operations expenses during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016. This increase was partially offset by some of our other markets which experienced operating efficiencies and reported a reduction in engineering and operations.
- **Renewable Energy.** Engineering and operations expenses within our Renewable Energy segment increased to \$0.1 million as a result of expenses incurred for the development of our Vibrant Energy operations.

We expect to incur additional engineering and operations expenses necessary to continue the development of our Vibrant Energy projects and to complete technology upgrades within our newly acquired businesses within our International Telecom segment. However, upon completion of the construction and these upgrades, we expect that engineering and operations will remain fairly consistent as a percentage of revenues.

Sales and marketing expenses. Sales and marketing expenses include salaries and benefits we pay to sales personnel, customer service expenses, sales commissions and the costs associated with the development and implementation of our promotion and marketing campaigns.

Sales and marketing expenses increased by \$3.2 million, or 15.2%, to \$23 million from \$19.8 million for the three months ended March 31, 2017 and 2016, respectively. The net increase in sales and marketing expenses, within our segments, consisted of the following:

- **U.S. Telecom.** Sales and marketing expenses decreased within our U.S. Telecom segment by \$0.2 million, or 14.3%, to \$1.2 million from \$1.4 million, for the three months ended March 31, 2017 and 2016, respectively, primarily as a result of the effects of our sale of our integrated voice and data operations in New England and our wholesale transport operations in New York on March 9, 2017.
- **International Telecom.** Within our International Telecom segment, our sales and marketing expenses increased by \$3.4 million, or 77.9%, to \$7.8 million from \$4.4 million, for the three months ended March 31, 2017 and 2016, respectively. This increase was primarily attributable to our China Communications and Visa operations which incurred an aggregate \$3.5 million of sales and marketing expenses during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016.

We expect that sales, marketing and customer service expenses remain fairly consistent as a percentage of revenues in future periods.

Equipment expenses. Equipment expenses include the costs of our handset and consumer resale equipment in our retail business.

Equipment expenses decreased by \$0.7 million, or 21.9%, to \$2.5 million from \$3.2 million for the three months ended March 31, 2017 and 2016, respectively. The decrease in equipment expenses, within our segments, consisted of the following:

- **U.S. Telecom.** Equipment expenses decreased within our U.S. Telecom segment by \$0.6 million, or 42.9%, to \$0.8 million from \$1.4 million, for the three months ended March 31, 2017 and 2016, respectively. This decrease was related to a decrease in handset sales within the retail operations of our wireless businesses.
- **International Telecom.** Equipment expenses decreased within our International Telecom segment by \$0.1 million, or 5.3%, to \$1.9 million from \$2.0 million, for the three months ended March 31, 2017 and 2016, respectively. The net decrease of \$0.1 million was a result of an overall decrease in handset sales in our various markets.

We believe that equipment expenses could increase as a result of increased equipment sales generated by customer incentive device subsidies for smartphones and tablets.

General and administrative expenses. General and administrative expenses include salaries, benefits and related costs for general corporate functions including executive management, finance and administration, legal and regulatory, facilities, information technology and human resources. General and administrative expenses also include internal costs associated with our performance of due-diligence in connection with acquisition activities.

General and administrative expenses increased by \$7.9 million, or 48.2%, to \$24.3 million from \$16.4 million for the three months ended March 31, 2017 and 2016, respectively. Increases in general and administrative expenses, within our segments, consisted of the following:

- **U.S. Telecom** – General and administrative expenses decreased within our U.S. Telecom segment by \$0.4 million, or 13.3%, to \$3.3 million from \$3.9 million, for the three months ended March 31, 2017 and 2016, respectively as a result of the effect of our sale of our integrated voice and data operations in New England and our wholesale transport operations in New York on March 8, 2017 partially offset by an increase in our wireless businesses to support its expanding wireless networks.
 - **International Telecom** – General and administrative expenses increased within our International Telecom segment by \$7.7 million, or 13.1%, to \$62.2 million from \$54.5 million, for the three months ended March 31, 2017 and 2016, respectively, as a result of the One Communications and Vya operations which incurred an aggregate of \$7.4 million of general and administrative expenses during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016.
 - **Renewable Energy** – General and administrative expenses within our Renewable Energy segment increased by \$0.7 million, or 700%, to \$1.7 million from \$1.0 million for the three months ended March 31, 2017 and 2016, respectively, as a result of overhead and operating expenses incurred for the development of our beta operations.
 - **Corporate Overhead** – General and administrative expenses increased within our corporate overhead by \$0.3 million, or 4.7%, to \$6.7 million from \$6.4 million, for the three months ended March 31, 2017 and 2016, respectively, in order to support our expanding operations.
- We expect that general and administrative expenses will remain fairly consistent as a percentage of revenues in future periods. However, we also expect to incur additional general and administrative expenses necessary to continue the development of our Vibeant Energy projects that will disproportionately affect our Renewable Energy results.

Transaction-related charges – Transaction-related charges include the external costs, such as legal fees, accounting and consulting fees directly associated with acquisition and disposition-related activities, which are expensed as incurred. Transaction-related charges do not include internal costs, such as employee salary and travel-related expenses, incurred in connection with acquisitions or dispositions or any integration-related costs.

We incurred \$0.7 million and \$5.7 million of transaction-related charges during the three months ended March 31, 2017 and 2016, respectively. Substantially all of the 2017 expenses were related to our March 8, 2017 sale of our integrated voice and data operations in New England and our wholesale transport operations in New York. For the three months ended March 31, 2016, substantially all of the expenses were related to our Vya, One Communications and Vibeant Acquisitions.

Depreciation and amortization expenses – Depreciation and amortization expenses represent the depreciation and amortization charges we record on our property and equipment and on certain intangible assets. Depreciation and amortization expenses increased by \$7.9 million, or 54.1%, to \$22.3 million from \$14.4 million for the three months ended March 31, 2017 and 2016, respectively. Increases in depreciation and amortization expenses, within our segments, consisted primarily of the following:

- **U.S. Telecom** – Depreciation and amortization expenses increased within our U.S. Telecom segment by \$0.9 million, or 15.8%, to \$6.6 million from \$5.7 million, for the three months ended March 31, 2017 and 2016, respectively, as a result of certain wireless network expansions and upgrades partially offset by the effects of our March 8, 2017 sale of our integrated voice and data operations in New England and our wholesale transport operations in New York.
- **International Telecom** – Depreciation and amortization expenses increased within our International Telecom segment by \$6.8 million, or 107.9%, to \$13.1 million from \$6.3 million, for the three months ended March 31, 2017 and 2016, respectively, as a result of the One Communications and Vya operations which incurred an aggregate of \$6.7 million of depreciation and amortization expenses.

during the three months ended March 31, 2017 with no corresponding amount during the three months ended March 31, 2016.

- **Renewable Energy.** Depreciation and amortization expense within our Renewable Energy segment increased by \$63 million, or 23.6%, to \$317 million from \$124 million as a result of capital expenditures during 2016 primarily related to the construction of our Vermont Energy operation.
- **Corporate Overhead.** Depreciation and amortization expense remained constant at \$1.4 million for the three months ended March 31, 2017 and 2016, respectively.

We expect depreciation expense to increase as we acquire more tangible assets to expand or upgrade our telecommunications networks, build or acquire solar power generating facilities and amortize intangible assets recorded in connection with acquisitions.

Loss on disposition of long-lived assets. We recorded a loss of \$1.2 million in connection with our March 8, 2017 sale of our integrated voice and data operations in New England and our wholesale transport operations in New York.

Interest income. Interest income represents interest earned on our cash, cash equivalents, restricted cash and short term investment balances. Interest income remained constant at \$0.3 million for the three months ended March 31, 2017 and 2016. The effects of an increase in the return on our cash, cash equivalents and marketable securities were offset by a decrease in those assets as compared to the previous year.

Interest expense. We incur interest expense on the financial portion of the Visa Acquisition purchase price, the term loans assumed in the One Communications Acquisition, the Atlanta Debt that was partially refinanced on December 31, 2016, commercial loans, lines of credit facilities, investments of debt insurance costs and interest incurred on our outstanding credit facilities.

Interest expense increased by \$1.1 million to \$2.3 million from \$0.8 million for the three months ended March 31, 2017 and 2016, respectively. The increase predominantly reflects the interest incurred on debt used to finance a portion of the Visa Acquisition, the debt assumed with the One Communications Acquisition and the increased loan balance on the refinanced Atlanta Debt.

Loss on deconsolidation of subsidiary. During the three months ended March 31, 2017, we recorded a \$0.3 million loss on the deconsolidation of our U.S. Wireless operations upon the completion of the sale of our integrated voice and data operations in New England and our wholesale transport operations in New York.

Other income (expense), net. Other income (expense), net represents miscellaneous non-operational income we earned or expense we incurred. Other income (expense), net was an expense of \$0.9 million for the three months ended March 31, 2017. The majority of other income (expense), net for the three months ended March 31, 2017 is the result of a \$0.6 million loss on foreign currency transactions. These expenses were partially offset by a \$0.3 million gain on the sale of certain marketable securities.

Income taxes. Our effective tax rate for the three months ended March 31, 2017 and 2016 was 21.3% and 30.0%, respectively. The effective tax rate for the three months ended March 31, 2017 was primarily impacted by the following items: (1) an approximate 7% benefit for the net capital loss due to the stock sale of our business in New England, New York and St. Martin; and (2) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the three months ended March 31, 2016 was primarily impacted by the mix of income generated among the jurisdictions in which we operate. Our effective tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, to the applicable quarterly periods for potential tax consequences, benefits and/or reversions of tax contingencies. Our

consolidated tax rate will continue to be impacted by the mix of income generated among the jurisdictions in which we operate.

Net income attributable to non-controlling interests. Net income attributable to non-controlling interests reflected an allocation of \$4.7 million of income generated by our less than wholly-owned subsidiaries for the three months ended March 31, 2017 and 2016, respectively. Changes in net income attributable to non-controlling interests, within our segments, consisted of the following:

- **U.S. Telecom:** Net income attributable to non-controlling interests increased by \$9.8 million, or 90%, to \$11.4 million from \$1.6 million for the three months ended March 31, 2017 and 2016, respectively, as a result of increased profitability at certain less than wholly owned subsidiaries of our wireless operations.
- **International Telecom:** Net income attributable to non-controlling interests decreased by \$0.4 million, or 16.7%, to \$2.0 million from \$2.4 million, primarily as a result of an increase in our ownership in our Bermuda operations as a result of our One Communications Acquisition and a decrease in the consolidated profitability of those operations in 2016 as compared to 2015.
- **Renewable Energy:** Net income attributable to non-controlling interests decreased by \$0.4 million, or 57.1%, to \$0.3 million from \$0.7 million, as a result of increased profitability within our domestic solar operations.

Net income attributable to ATN International, Inc. stockholders. Net income attributable to ATN International, Inc. stockholders increased \$0.8 million, or 13.7%, to \$6.9 million from \$6.1 million for the three months ended March 31, 2017 and 2016, respectively.

On a per share basis, net income increased to \$0.42 per diluted share from \$0.38 per diluted share for the three months ended March 31, 2017 and 2016, respectively.

Regulatory and Tax Issues

We are involved in a number of regulatory and tax proceedings. A material and adverse outcome in one or more of these proceedings could have a material adverse impact on our financial condition and future operations. For discussion of ongoing proceedings, see Item 11 in the Consolidated Combined Consolidated Financial Statements in this Report.

Liquidity and Capital Resources

Historically, we have met our operational liquidity needs through a combination of cash on hand and internally generated funds and have funded capital expenditures and acquisitions with a combination of internally generated funds, cash on hand, proceeds from dispositions, borrowings under our credit facilities and other financing. We believe our current cash, cash equivalents, short term investments and availability under our current credit facility will be sufficient to meet our cash needs for at least the next twelve months for working capital needs and capital expenditures.

Use of Cash

Acquisitions and Investments. Historically, we have funded our acquisitions with a combination of cash on hand, borrowings under our credit facilities and other financing.

We continue to explore opportunities to expand our telecommunications and renewable energy businesses or acquire new businesses and licenses in the United States, the Caribbean and elsewhere. Such acquisitions, including acquisitions of renewable energy assets, may require external financing. While there can be no assurance as to whether, when or on what terms we will be able to acquire any such business or license or make such investment, such

requirements may be accomplished through the issuance of shares of our capital stock, payment of cash or incurrence of additional debt. From time to time, we may raise capital ahead of any definitive use of proceeds to allow us to move more quickly and opportunistically for attractive investment opportunities.

As of March 31, 2017, we had approximately \$291.1 million in cash, cash equivalents, restricted cash and short term investments. Of this amount, \$108.3 million was held by our foreign subsidiaries and is permanently reinvested outside the United States. In addition, we had approximately \$122.4 million of debt, net of unamortized deferred financing costs, as of March 31, 2017. How and when we deploy our balance sheet capacity will figure prominently in our longer-term growth prospects and stockholder returns.

Capital Expenditures. Historically, a significant use of our cash has been for capital expenditures to expand and upgrade our telecommunications networks and to expand our renewable energy operations.

During 2016, we paid \$19.9 million to participate as FCC Auction 1002 for 400 MHz spectrum licenses. The auction was completed on March 30, 2017. On April 6, 2017, we were notified that we were the high bidder for certain licenses and will pay the remaining balance of \$16.8 million during the three months ended June 30, 2017. As of March 31, 2017, the \$19.9 million deposit is included within Other Assets on our balance sheet and will be reclassified to Telecommunications Licenses, net upon the completion of the transaction.

For the three months ended March 31, 2017 and 2016, we spent approximately \$45.7 million and \$14.4 million, respectively, on capital expenditures. The following notes our capital expenditures, by operating segment, for these periods (in thousands):

Three Months Ended March 31,	Capital Expenditures					Consolidated
	U.S. Telecom	International Telecom	Renewable Energy	Recurring Items (1)		
2017	\$ 7,961	\$ 16,657	\$ 21,787	\$ 1,200		\$ 47,605
2016		\$ 7,774	—	\$ 1,110		\$ 8,884

(1) Recurring items refer to corporate overhead costs and consolidating adjustments.

We are continuing to invest in upgrading and expanding our telecommunications networks and renewable energy assets in many of our markets, along with upgrading our operating and business support systems. We currently anticipate that capital expenditures for our telecom segment, for the year ending December 31, 2017 will be between \$93 million and \$115 million and capital expenditures for our Renewable Energy segment will be between \$40 million and \$60 million for the year ending December 31, 2017, depending upon available financing and its terms.

We expect to fund our current capital expenditures primarily from our current cash balances and cash generated from operations.

Income Taxes. We have historically used cash-on-hand to make payments for income taxes. Our policy is to indefinitely reinvest the undistributed earnings of our foreign subsidiaries, and accordingly, no provision for deferred income taxes has been made on accumulated earnings of foreign subsidiaries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation in each liability, if any, is dependent on circumstances existing if and when such liabilities occur.

Dividends. We use cash-on-hand to make dividend payments to our stockholders when declared by our Board of Directors. For the three months ended March 31, 2017, our Board declared dividends to our stockholders, which include a \$0.14 per share dividend declared on March 15, 2017 and paid on April 7, 2017, of \$5.5 million. We have declared quarterly dividends for the last 74 fiscal quarters.

Stock repurchase plan In September 2004, our Board of Directors approved a \$1.0 billion stock buyback plan (the "2004 Repurchase Plan"). Through September 19, 2016, we repurchased \$4.1 billion of our common stock under the 2004 Repurchase Plan.

On September 19, 2016, our Board of Directors authorized the repurchase of up to \$50.0 million of our common stock from time to time on the open market or in privately negotiated transactions (the "2016 Repurchase Plan"). The 2016 Repurchase Plan replaces the 2004 Repurchase Plan. As of March 31, 2017, we have \$49.9 million available to be repurchased under the 2016 Repurchase Plan.

Source of Cash

Cash provided As of March 31, 2017, we had approximately \$291.1 million in cash, cash equivalents, restricted cash and short-term investments, a decrease of \$8.2 million from the December 31, 2016 balance of \$299.3 million. The decrease is primarily attributable to cash used for capital expenditures and financing activities of \$45.7 million and \$15.6 million, respectively, partially offset by cash provided by operations and the proceeds from our divestitures of certain businesses of \$2.1 million and \$22.6 million, respectively.

Cash provided by operations Cash provided by operating activities was \$32.1 million for the three months ended March 31, 2017 as compared to \$28.3 million for the three months ended March 31, 2016. The increase of \$3.8 million was primarily related to an increase in cash provided by operations within our U.S. Telecom segment as a result of a decrease in expenses, an increase in cash provided by operations within our International Telecom segment as a result of our One Communications and VPA Acquisitions, an increase in cash provided by operations within our Renewable Energy segment primarily as a result of a decrease in transaction related expenses incurred in connection with our Vivent Acquisition and a decrease in cash provided by operations within our corporate overhead as a result of our loss on the sale of our U.S. Telecom operations and to support our recent acquisitions.

Cash used in investing activities Cash used in investing activities was \$20.9 million and \$17.0 million for the three months ended March 31, 2017 and 2016, respectively. The increase in cash used for investing activities of \$3.9 million was primarily related to a \$29.3 million increase in capital expenditures partially offset by \$2.6 million of aggregate proceeds from the sales of our U.S. Wireless business in New York and Vermont and the sale of our International Telecom operations in St. Martin. The remaining increase in cash used in investing activities relates to the change in the balances of our tradeable securities and restricted cash.

Cash used in financing activities Cash used in financing activities was \$11.4 million and \$11.5 million for the three months ended March 31, 2017 and 2016, respectively. The \$1.1 million increase was primarily the result of an increase in our repayments of long-term debt due to increased outstanding debt balances incurred in connection with our recent acquisitions and refinancings that were completed during 2016 and the repurchase of non-controlling interests made in connection with the sale of our U.S. Wireless business in New York and Vermont.

Credit facility We have a credit facility with Citibank, ACH and a syndicate of other lenders to provide for a \$225.0 million revolving credit facility (the "Credit Facility") that includes (i) up to \$10.0 million under the Credit Facility for standby or trade letters of credit, (ii) up to \$25.0 million under the Credit Facility for letters of credit that are necessary or desirable to qualify for disbursements from the Phase 1 Mobility Fund and (iii) up to \$10.0 million under a variable rate facility.

Amounts we may borrow under the Credit Facility bear interest at a rate equal to, at our option, either (i) the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging between 1.50% to 1.75%, or (ii) a base rate plus an applicable margin ranging from 0.75% to 0.95%, throughout the term of the loan, plus the applicable margin for that term. The base rate is equal to the higher of (i) 1.00% plus the highest of (a) the one-month LIBOR and (b) the six-month LIBOR, (ii) the federal funds effective rate (as defined in the Credit Facility) plus 0.50% per annum, and (iii) the prime rate (as defined in the Credit Facility). The applicable margin is determined based on the ratio (as further defined in the Credit Agreement) of our indebtedness to EBITDA. Under the terms of the Credit Facility, we must also pay a fee ranging from 0.175% to 0.250% of the average daily unused portion of the Credit Facility over each calendar quarter.

On January 11, 2016, we amended the Credit Facility to provide for lender consent to, among other actions, (i) the contribution by us of all of our equity interests in ATN Bermuda Holdings, Ltd. in ATN Overseas Holdings, Ltd. in connection with the Contribution Acquisition, a non-time, non-principal cash distribution to the contributors of \$12.5 million to certain of the contributors' shareholders, and (ii) the issuance by certain of our subsidiaries of the second debt in an aggregate principal amount not to exceed \$60 million in connection with our option to finance a portion of the Vx2 transaction. The Amendment increased the amount we are permitted to incur for "short-term" obligations which are subject to the consent of the Credit Facility from \$25.0 million to \$40.0 million (in each incremental amount shall be reduced from time to time by the aggregate amount of certain dividend payments to stockholders). The Amendment also provides for the occurrence by us of incremental term loan facilities, when combined with increases to revolving loan commitments under the Credit Facility, so an aggregate amount not to exceed \$200 million, which facilities shall be subject to certain covenants, including pay-for-performance compliance with the total fee leverage ratio financial covenant under the Credit Facility.

The Credit Facility contains customary representations, warranties and covenants, including a financial covenant that requires a maximum ratio of indebtedness to EBITDA as well as covenants by us having additional indebtedness, liens, guarantees, mergers and consolidations, substantial asset sales, investments and loans, sale and branchbacks, restrictions with affiliates and Indentment Changes. In addition, the Credit Facility contains a financial covenant by us that requires a maximum ratio of indebtedness to EBITDA. As of March 31, 2017, we were in compliance with all of the financial covenants of the Credit Facility.

As of March 31, 2017, we had no borrowings under the Credit Facility and approximately \$5.9 million of outstanding letters of credit.

Alamos Debt

On December 24, 2014, in connection with the Alamos Acquisition, we assumed \$38.6 million in long-term debt (the "Original Alamos Debt"). The Original Alamos Debt included multiple loan agreements with banks that bore interest at rates between 4.75% and 5.75%, maturities at various times between 2019 and 2022 and were secured by certain solar facilities. Repayment of the Original Alamos Debt was being made in cash or, if necessary, from unit maturity.

The Original Alamos Debt also included a loan from Public Service Electric & Gas (the "PSE&G Loan"). The PSE&G Loan bears interest at 11.75%, matures in 2027 and is secured by certain solar facilities. Repayment of the Original Alamos Debt with PSE&G can be made in either cash or solar renewable energy credits ("SRECs"), at the Company's discretion, with the value of the SRECs being fixed at the time of the loan's closing. Historically, the Company has made all repayments of the PSE&G Loan using SRECs.

On December 19, 2016, Alamos's wholly owned subsidiary, Alamos Operations, LLC, issued \$20.6 million in aggregate principal amount of 4.427% senior notes due 2029 (the "Series A Notes") and \$15.2 million in aggregate principal amount of 5.127% senior notes due 2031 (the "Series B Notes") and collectively with the Series A Notes and the PSE&G Loan, the "Alamos Debt". Interest and principal are payable semi-annually beginning on March 31, 2017, until the respective maturity dates of March 31, 2029 (for the Series A Notes) and September 30, 2031 (for the Series B Notes). Cash flows generated by the solar projects that secure the Series A Notes and Series B Notes are only available for payment of such debt and are not available to pay other obligations or the claims of the creditors of Alamos or its subsidiaries. However, subject to certain restrictions, Alamos Operations, LLC holds the right to the assets and items not needed to pay the Series A Notes and Series B Notes and other obligations arising out of the securitizations. The Series A and Series B Notes are secured by certain assets of Alamos and are guaranteed by certain of its subsidiaries.

A portion of the proceeds from the issuance of the Series A Notes and Series B Notes were used to repay the Original Alamos Debt in full except for the PSE&G Loan which remained outstanding after the refinancing.

The Series A Notes and the Series B Notes contain customary representations, warranties and certain affirmative and negative covenants, which limit additional indebtedness, liens, guarantees, mergers and consolidations.

substantial asset sales, investments and loans, sale and handbacks, transactions with affiliates and fundamental changes. The Series A Notes and Series B Notes are subject to financial covenants that impose (1) a maximum debt service coverage ratio and (2) a maximum rate of the present value of future cash flow to the aggregate principal amount of all outstanding obligations. These financial covenants are based on unaudited data for Alaska Operations as a consolidated basis and on an individual basis for certain subsidiaries. Both the Series A Notes and Series B Notes may be redeemed at any time, in whole or part, subject to a make-whole premium. As of March 31, 2017, we were in compliance with all of the financial covenants of the Series A Notes and the Series B Notes.

As of March 31, 2017, \$2.1 million of the Original Alaska Debt and \$64.6 million of the Series A Notes and Series B Notes remained outstanding.

One Communications Debt

In connection with the One Communications Transaction on July 9, 2016, we assumed \$15 million in debt (the "One Communications Debt") in the form of a loan from USBC Bank, N.A. The One Communications Debt matures in 2021, bears interest at the three-month LIBOR plus a margin of 3.25%, and is repaid in semi-annual installments. The One Communications Debt contains customary representations, warranties and affirmative covenants (including limitations on additional debt, guarantees, sale of assets and liens) and a financial covenant that limits the maximum ratio of indebtedness to cash to annual operating cash flow. The debt is also subject to certain financial covenants that are tested at the end of each fiscal year: (1) a minimum ratio of free cash flow to debt service requirement; (2) a maximum ratio of net debt to EBITDA; and (3) a minimum ratio of consolidated EBIT to net interest costs. The debt is secured by the property and assets of certain One Communications subsidiaries. As of March 31, 2017, we were in compliance with all of the financial covenants.

As of March 31, 2017, \$24.9 million of the One Communications Debt remained outstanding.

Ypsa Debt (Formerly Energen Debt)

The Ypsa Debt agreement contains customary representations, warranties and affirmative and negative covenants (including limitations on additional debt, guarantees, sale of assets and liens) and a financial covenant that limits the maximum ratio of indebtedness to cash to annual operating cash flow. The covenant is tested on an annual basis commencing fiscal 2017. Interest is paid quarterly and principal repayment is not required until maturity on July 1, 2020. Prepayment of the Ypsa Debt may be subject to a fee under certain circumstances. The debt is secured by certain assets of our Ypsa subsidiaries.

We paid a fee of \$0.3 million to lock the interest rate at 4% per annum over the term of the debt. The fee was recorded as a reduction to the debt carrying amount and will be amortized over the life of the loan.

As of March 31, 2017, \$60 million of the Ypsa Debt remained outstanding and \$0.8 million of the loan lock fee was unamortized.

Factors Affecting Sources of Liquidity

Internally generated funds. The key factors affecting our internally generated funds are demand for our services, competition, regulatory developments, economic conditions in the markets where we operate our business and industry trends within the telecommunications and renewable energy industries.

Restrictions under Credit Facility. Our Credit Facility contains customary representations, warranties and covenants, including covenants limiting additional indebtedness, liens, guarantees, mergers and consolidations, substantial asset sales, investments and loans, sale and handbacks, transactions with affiliates and fundamental changes.

In addition, the Credit Facility contains a financial covenant that imposes a maximum ratio of indebtedness to EBITDA. As of March 31, 2017, we were in compliance with all of the financial covenants of the Credit Facility.

Capital markets. Our ability to raise funds in the capital markets depends on, among other things, general economic conditions, the conditions of the telecommunications and renewable energy industries, our financial performance, the state of the capital markets and our compliance with securities and Exchange Commission ("SEC") requirements for the offering of securities. On June 4, 2014, the SEC declared effective our "universal" shelf registration statement. This filing represented potential future offerings of our securities. We currently expect to issue our "universal" shelf registration in May 2017 prior to its expiration in June 2017.

Completed Acquisitions. As discussed above, we finished our 2016 Acquisitions with \$135.4 million of cash, net of cash acquired. In addition, we financed \$68.0 million of the Visa Acquisition purchase price with a loan from an affiliate of the seller, the Retail Telephone Finance Corporation.

Foreign Currency

We maintain the assets and liabilities of our foreign subsidiaries from their respective functional currencies, primarily the Indian Rupee and the Guyana Dollar, to U.S. dollars at the appropriate spot rates as of the balance sheet date. Changes in the carrying value of these assets and liabilities attributable to fluctuations in spot rates are recognized as foreign currency translation adjustment, a component of Accumulated Other Comprehensive Income on our balance sheet. Income statement accounts are translated using the monthly average exchange rates during the year. During the three months ended March 31, 2017, we noted a decline in the Guyana Dollar exchange rate and recorded a \$0.9 million loss on foreign currency transactions. A continued decline could have a negative impact on our financial results in future periods. We will continue to assess the impact of our exposure to the Guyana Dollar.

Inflation

We do not believe that inflation has had a significant impact on our consolidated operations in any of the periods presented in the Report.

We have based our discussion and analysis of our financial condition and results of operations on our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (or GAAP). We base our estimates on our operating experience and on current conditions existing in the market and we believe them to be reasonable under the circumstances. Our estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Revenue Accounting Presentation

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may be applied retrospectively to each year presented or prospectively with the cumulative effect recognized as of the date of initial application. On July 9, 2015, the FASB approved the deferral of the new standard's effective date by one year. The new standard is now effective for annual reporting periods beginning after December 15, 2017. The FASB will permit companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)". In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing". In May 2016, the FASB issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients". In December 2016, the FASB issued Accounting Standards Update 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers". These updates provide additional adoption guidance and clarifications to ASU 2014-09. The amendments must be adopted concurrently. We are currently evaluating the overall impact and the method of adoption of ASU 2014-09, including the latest developments from the Transition Resource Group. Areas most likely impacted may include, but will be limited to, the following: the timing of revenue recognition and the allocation of revenue between equipment and services. In

addition, the new standard may require certain amounts be recorded in accounts receivable and deferred revenue on the balance sheet and enhanced disclosures around performance obligations. Our final determination of the adoption methodology will depend on a number of factors, such as the impact of the new standard on the financial results, data and information available to us, our existing business, current practices and the ability to accurately and timely re-determine inventory to match the impact of new financial instruments and new disclosure requirements. We do not currently have an external inventory estimate methodology related to the impact of the new standard on our Consolidated Financial Statements. We will adopt the standard on January 1, 2018. Preliminary, our plan is to use the modified retrospective adoption method which requires us to apply the standard only to the new contract period consistent with the cumulative effect of applying the standard being recognized at the adoption date.

In August 2014, the FASB issued ASU 2014-14, "Presentation of Financial Instruments - Going Concern (Subtopic 209-40)", which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016. Early application is permitted. We adopted this guidance for the fourth quarter ended December 31, 2016. The adoption of this guidance did not impact our Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Post-Paid in a Cloud Computing Arrangement", which provides guidance about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer's accounting for service contracts. The adoption of ASU 2015-05 by us on January 1, 2017 did not have a material impact on the Company's financial position, overall operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which provides comprehensive lease accounting guidance. The standard requires entities to recognize lease assets and liabilities on the balance sheet as well as disclosures of key information about leasing arrangements. ASU 2016-02 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact of the new guidance on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting". The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The Company adopted ASU 2016-09 on January 1, 2017. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid-in-capital pools. This had no impact on our historical results. Also as a result of the adoption, we changed our policy of income tax account for forfeitures to be on an estimated basis. The change resulted in our recognizing \$1.1 million from additional paid-in-capital to retained earnings for the net cumulative-effect adjustment to stock compensation expense related to prior periods.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments", which provides further clarification on eight cash flow classification issues. The standard further clarifies the classification of the following: (i) debt prepayment or debt extinguishment costs; (ii) settlement of non-current debt instruments with coupon income that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) borrowings made available to employees; (viii) non-current, non-recurrent, and non-representable cash flows and application of the predominant principle; ASU 2016-15 will become effective for fiscal years, and interim periods, within those fiscal years, beginning after December 15, 2017, with early adoption permitted. ASU 2016-15 should be applied using a retrospective transition method for each period presented. We are currently evaluating the impact of the new standard on our Consolidated Financial Statements.

In October 2016 the FASB issued ASU 2016-16, "Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory." The new standard eliminates for all intra-entity sales of assets other than inventory, the complex trade receivable standard that requires the tax effects of an entity's asset transfers to be deferred until the transferee and the transferor are in the same tax jurisdiction. The new standard will be effective for the Company on January 1, 2018. We are currently evaluating the potential impact that the standard may have on our financial operations.

In November 2016, the FASB issued Accounting Standards Update 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," or ASU 2016-18. The amendments in ASU 2016-18 are intended to reduce diversity in practice related to the classification and presentation of changes in restricted or restricted cash equivalents on the statement of cash flows. The amendments in ASU 2016-18 require that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the potential impact that this standard may have on our Consolidated Financial Statements.

In January 2017 the FASB issued Accounting Standards Update 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," or ASU 2017-01. The amendments in ASU 2017-01 provide a screen to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of entities or businesses. Under ASU 2017-01, an entity first determines whether substantially all of the fair value of the gross assets acquired or discontinued is a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the acquirer is a business. If it's not met, the acquirer then evaluates whether the net meets the requirement that a business include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 also narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. ASU 2017-01 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2017, with early adoption permitted. We prospectively adopted ASU 2017-01 in the fourth quarter of 2018. The standard will result in our accounting for most transactions as asset acquisitions as opposed to business combinations.

In January 2017 the FASB issued Accounting Standards Update 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," or ASU 2017-04. The amendments in ASU 2017-04 simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value of the reporting unit and then compare that value to the carrying amount of goodwill. Instead, under the amendments in ASU 2017-04, an entity performs its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but not more than the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the potential impact that the standard may have on our Consolidated Financial Statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Transaction and Measurement. We transact the assets and liabilities of our foreign subsidiaries from their respective functional currencies, primarily the Indian Rupee and the Guyana Dollar in U.S. dollars at the appropriate spot rates as of the balance sheet date. Changes in the carrying value of these assets and liabilities attributable to fluctuations in spot rates are recognized in foreign currency translation adjustment, a component of Accumulated Other Comprehensive Income, on our balance sheet. Income statement accounts are translated using the monthly average exchange rates during the year. During the three months ended March 31, 2017, we recorded a decline in the Guyana Dollar exchange rate and recorded a \$9.8 million loss on foreign currency transactions. A continued decline could have

a negative impact on our financial results in future periods. We will continue to assess the impact of our exposures to the Guyana dollar.

Monetary assets and liabilities denominated in currencies that are different from a reporting entity's functional currency must first be retranslated from the applicable currency to the legal entity's functional currency. The effect of this retranslation process is reported in other income on the income statement.

Employee Benefit Plan. The company sponsors pension and other postretirement benefit plans for employees of certain subsidiaries. Net periodic pension expense is recognized in the Company's income statement. The Company recognizes a provision in other postretirement plan's liability ratio as either an asset or liability in its consolidated balance sheet. Actuarial gains and losses are reported as a component of other comprehensive income and amortized through net periodic pension expense in subsequent periods.

Interest Rate Sensitivity. As of March 31, 2017, we had \$25.9 million of variable rate debt outstanding, which we assumed as a part of the One Communications Acquisition and is subject to fluctuations in interest rates. Our interest expense may be affected by changes in interest rates. We believe that a 10% increase in the interest rates on our variable rate debt would have an immaterial impact on our Financial Statements. We may have additional exposure to fluctuations in interest rates if we again borrow amounts under our revolver loan within our Credit Facility.

Item 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. Disclosure controls and procedures, as defined in Rules 13a-15(a) and 15d-15(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), mean controls and other procedures of a issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, or anyone else, in a timely manner regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See Note 11 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed under Part I, Item 1A “Risk Factors” of our 2016 Annual Report on Form 10-K. The risks described herein and in our 2016 Annual Report on Form 10-K, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

In September 2014, our Board of Directors approved a \$5.0 million stock buyback plan (the “2014 Repurchase Plan”). Through September 18, 2016, we repurchased \$4.1 million of our common stock.

On September 19, 2016, our Board of Directors authorized the repurchase of up to \$50.0 million of our common stock from time to time on the open market or in privately negotiated transactions (the “2016 Repurchase Plan”). The 2016 Repurchase Plan replaces the 2014 Repurchase Plan. As of March 31, 2017, we have \$49.9 million available to be repurchased under the 2016 Repurchase Plan. The following table reflects the repurchases by the Company of its common stock during the quarter ended March 31, 2017:

Period	Total Number of Shares Purchased		Total Number of Shares Purchased as Part of Publicly Announced Programs		Aggregate Number of Shares that Have Been Purchased
	At	On	At	On	
January 1, 2017—January 31, 2017	1,787 (1)	38,227 (1)	—	—	40,014 (1)
February 1, 2017—February 28, 2017	—	—	—	—	40,014 (1)
March 1, 2017—March 31, 2017	28,918 (2)(3)	71,644 (2)	—	—	40,014 (1)

- (1) Represents shares purchased on January 27, 2017 from our executive officers and other employees who tendered these shares to the Company to satisfy their cost to exercise stock options and tax withholding obligations incurred in connection with the exercise of stock options and the vesting of restricted stock awards at such date. These shares were not purchased under the plan discussed above. The price paid per share was the closing price per share of our Common Stock on the Nasdaq Stock Market on the date these shares were purchased.
- (2) Includes shares purchased on March 9, 2017, March 17, 2017, March 20, 2017, and March 27, 2017 from our executive officers and other employees who tendered these shares to the Company to satisfy their tax withholding obligations incurred in connection with the exercise of stock options and the vesting of restricted stock awards at such date. These shares were not purchased under the plan discussed above. The price paid per share was the closing price per share of our Common Stock on the Nasdaq Stock Market on the date these shares were purchased.
- (3) Includes shares purchased on March 1, 2017 from our executive officers and other employees who tendered these shares to the Company to satisfy their cost to exercise stock options and tax withholding obligations incurred in connection with the exercise of stock options and the vesting of restricted stock awards at such date. These shares were not purchased under the plan discussed above. The price paid per share was the closing price per share of our Common Stock on the Nasdaq Stock Market on the date these shares were purchased.

Item 6. Exhibits

- 3.1* Amended and Restated By-Laws, effective as of February 27, 2017 (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K (File No. 001-12293) for the year ended December 31, 2016 (filed on March 3, 2017)
- 10.1* Second Amendment and Confirmation Agreement, dated April 14, 2017, by and among ATN International, Inc., as Borrower, Citibank, ACR, as Administrative Agent, and the Guarantors and other Lenders named therein.
- 31.1* Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of Chief 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 Chief 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

Second Amendment and Confirmation Agreement, dated April 14, 2017, by and among ATN International, Inc., as Borrower, Citibank, ACR, as Administrative Agent, and the Guarantors and other Lenders named therein.

* Filed herewith.

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 individuals duly authorized.

Date: May 9, 2017

ATN International, Inc.
by Michael T. Price
Michael T. Price
President and Chief Executive Officer

Date: May 9, 2017

by Justin D. Berman
Justin D. Berman
Chief Financial Officer

SECOND AMENDMENT AND CONFIRMATION AGREEMENT

This **SECOND AMENDMENT AND CONFIRMATION AGREEMENT** (this "**Agreement**") is entered into as of April 14, 2017, among ATN INTERNATIONAL, INC. (Fla. Atlantic Tele-News, Inc.), a Delaware corporation (" **Borrower**"), each of the subsidiaries of Borrower identified as **guarantors** on the signature pages hereto (individually, a "**Guarantor**" and, collectively, the "**Guarantors**"), and together with Borrower, individually a "**Loan Party**" and, collectively, the "**Loan Parties**"), COBANK, A.C.B., as Administrative Agent (" **Administrative Agent**"), and each of the financial institutions executing this Agreement and identified as a Lender on the signature pages hereto (collectively, the "**Consenting Lenders**").

RECITALS

WHEREAS, Borrower, the Guarantors and the Lenders (as defined therein) have entered into that certain Fourth Amended and Restated Credit Agreement, dated as of December 19, 2014, as amended by that certain Amendment, Consent and Confirmation Agreement, dated as of January 11, 2016, by and among Borrower, Administrative Agent, the guarantor party thereto and the lenders party thereto (as so amended and as amended, modified, supplemented, extended or restated from time to time, the "**Credit Agreement**"), and

WHEREAS, Borrower has requested and the Consenting Lenders, in their capacity as Requisite Lenders under the Credit Agreement, have agreed, subject to the terms and conditions provided herein, to certain amendments with respect to the Loan Documents as more fully described herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements set forth in this Agreement, each of Borrower, the Guarantors and the Consenting Lenders hereby agrees as follows:

SECTION 1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

SECTION 2. Amendments to Credit Agreement. In reliance on the representations, warranties and affirmations of Borrower and the Guarantors contained in this Agreement and in connection with the request of Borrower for the amendments provided herein and subject to the effectiveness of this Agreement as described below, Subsection 10.1 of the Credit Agreement is hereby amended as set forth below:

- (A) The defined terms "Key Tech" and "Key Tech Subsidiaries" are hereby deleted in their entirety.
- (B) The following definitions are added or amended and restated to read in their entirety as follows:

"HSBC Indebtedness" means (i) the Indebtedness incurred by One Communications and/or any of the One Communications Subsidiaries from time to time (x) pursuant to the HSBC Loan Documents, as amended, modified, supplemented, extended or restated from time to time, in an aggregate principal amount (excluding, for the avoidance of doubt, obligations with respect to interest rate protection and similar agreements) at any one time outstanding not to exceed \$50,000,000 and (y) in connection with any overdraft or similar facilities in favor of HSBC and any interest rate protection and similar agreements entered into in connection therewith, as amended, modified, supplemented, extended or restated from time to time, in an aggregate principal amount (excluding, for the avoidance of doubt, obligations with respect to interest rate protection and similar agreements) at any one time outstanding not to exceed \$10,000,000, and (ii) any modification, replacement, refinancing, refunding, renewal or extension of any Indebtedness specified in ~~paragraph (i)~~ above; ~~provided~~ but (x) the aggregate principal amount of any such Indebtedness does not exceed the aggregate principal amount of such Indebtedness which could be incurred pursuant to ~~subclause (i)~~ above immediately prior to such modification, replacement, refinancing, refunding, renewal or extension, except to an amount (which amount shall in no event exceed \$1,000,000) equal to the unpaid accrued interest and premium thereon as of the date of such modification, replacement, refinancing, refunding, renewal or extension ~~plus~~ reasonable legal fees and expenses and ~~split~~, structuring, arrangement or similar fees or original issue discount paid or incurred as of the date of such modification, replacement, refinancing, refunding, renewal or extension in connection with such modification, replacement, refinancing, refunding, renewal or extension and (y) the direct and contingent obligors with respect to such Indebtedness include only One Communications and/or any One Communications Subsidiaries.

"HSBC Loan Agreement" means the Amended and Restated Facility Agreement, as amended, modified, supplemented, extended or restated from time to time, among One Communications, certain One Communications Subsidiaries from time to time and HSBC, dated as of April 14, 2017.

"One Communications" means One Communications Ltd. (UK's KeyTech Limited), a Bermuda limited liability company.

"One Communications Subsidiaries" means the direct and indirect Subsidiaries of One Communications.

SECTION 3. No Novation This Agreement shall not constitute a novation of the Credit Agreement or any other Loan Document. Except as expressly provided in this Agreement, the execution and delivery of this Agreement does not and will not amend, modify or supplement any provision of, or constitute a consent to or a waiver of any noncompliance with the provisions of, the Loan Documents, and the Loan Documents shall remain in full force and effect. On and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other

Loan Documents to "the Credit Agreement", "hereunder", "thereof" or words of like import referring to the "Credit Agreement", shall mean and be a reference to the Credit Agreement, as amended by this Agreement.

SECTION 4. Representations and Warranties. Each of the Loan Parties hereby represents and warrants to the Lenders as follows:

(A) Such Loan Party has the right and power, and has taken all necessary action to authorize it to execute, deliver and perform this Agreement in accordance with its terms. This Agreement has been duly executed and delivered by such Loan Party and is a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and general principles of equity.

(B) The execution, delivery and performance of this Agreement in accordance with its terms do not and will not, by the passage of time, the giving of notice or otherwise,

(1) require any Governmental Approval (except as previously obtained) or violate any Applicable Law relating to such Loan Party;

(2) materially conflict with, result in a material breach of or constitute a material default under the organizational documents of such Loan Party;

(3) conflict with, result in a breach of or constitute a default under any Governmental Approval relating to such Person except as would not reasonably be expected to have a Material Adverse Effect on

(4) result in or require the creation or imposition of any Lien (except as permitted by the Loan Documents) upon or with respect to any property now owned or hereafter acquired by such Loan Party.

(C) The representations and warranties of such Loan Party set forth in the Loan Documents are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of the date hereof, except for any representation or warranty limited by its terms to a specific date.

(D) No event shall have occurred and be continuing that constitutes an Event of Default or a Default.

SECTION 5. Borrower Confirmations. Borrower hereby confirms and agrees that (a) each Security Document is and shall continue to be in full force and effect, and (b) the obligations secured by each such document include any and all obligations of the Loan Parties to the Secured Parties under the Credit Agreement as amended hereby.

SECTION 6. Guarantor Confirmations. Each of the Guarantors hereby confirms and agrees that (a) its guarantee contained in the Credit Agreement and each Security Document to which it is a party is and shall continue to be in full force and effect,

and (b) the obligations guaranteed or secured by each such applicable document include any and all obligations of the Loan Parties to the Secured Parties under the Credit Agreement as amended hereby.

SECTION 7. Effectiveness of this Agreement. This Agreement shall be effective only upon (i) receipt by Administrative Agent of an executed counterpart hereto signed by Borrower, each Guarantor, and the Request Lenders, and (ii) payment by Borrower to Administrative Agent, on behalf of and for the benefit of the Consenting Lenders, of an amendment fee equal to \$2,500 for each Consenting Lender.

SECTION 8. Costs and Expenses. Borrower agrees to pay to Administrative Agent, on demand, all reasonable and documented out-of-pocket costs and expenses incurred by Administrative Agent, including, without limitation, the reasonable and documented fees and expenses of one counsel retained by Administrative Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement, and all other instruments and documents contemplated hereby.

SECTION 9. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and shall be binding upon all parties and their respective permitted successors and assigns, and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or ".tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10. Governed under Provisions of Credit Agreement. This Agreement shall be governed by and shall be construed and enforced in accordance with all provisions of the Credit Agreement, including the governing law provisions thereof.

[Signatures Follow on Next Page]

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

BORROWER

ATN INTERNATIONAL INC. (formerly known as
ATLANTIC TELE-NETWORK, INC.)

By: /s/ Justin Bontemps

GUARANTORS

COMBNET WIRELESS, LLC
COMBNET FOUR CORNERS, LLC
COMBNET OF ARIZONA, LLC
GILA COUNTY WIRELESS, LLC
EXCOMB, LLC
COMBNET OF NEVADA, LLC
TISDALE WIREBANK, LLC
TISDALE TELEPHONE COMPANY, LLC
COMBNET OF GEORGIA, LLC
CHURCH COMMUNICATIONS, LLC
COMBNET NEWCO, LLC
COMBNET OF TEXAS, LLC
ESSENTIAL, INC.

By: /s/ Justin Bontemps

SAL SPECTRUM LLC

By: ATN International, Inc., its Sole Member

By: /s/ Justin Bontemps

[Signatures continued from previous page.]

COBANK, ACR, as Administrative Agent and as a Lender

By: /s/ Gary Franko

[Signatures continued from previous page.]

FIFTH THIRD BANK, as Lender

By: Neil Korman

[Signatures continued from previous page.]

AGHISTY FARM CREDIT BANK, as a Voting Participant

By: /s/ Leighton McLeandro

[Signatures continued from previous page.]

AMERICAN AG CREDIT, F.L.C.A. as a Voting Participant

By: /s/ Bradley K. Leafgren

[Signatures continued from previous page.]

FARM CREDIT WEST, F.L.C.A., as a Voting Participant

By: /s/ Ben Madama

[Signatures continued from previous page.]

FARM CREDIT BANK OF TEXAS, as a Voting Participant

By: /s/ Nicholas King

CERTIFICATIONS PURSUANT TO
 RULE 13a-14 OR RULE 13b-14.6,
 AS ADOPTED PURSUANT TO
 SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael T. Pizer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATN International, 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 the 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.

ATN International, Inc.

/s/ Michael T. Pizer

Michael T. Pizer
 President and Chief Executive Officer

Date: May 9, 2017

CERTIFICATIONS PURSUANT TO
 RULE 136(a) OF RULE 136-1(a)6,
 AS ADOPTED PURSUANT TO
 SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Justin D. Roussseau**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATN International, 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(c) and 15d-15(c)) 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 change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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.

ATN International, Inc.

By: Justin D. Roussseau
 Justin D. Roussseau
 Chief Financial Officer

Date: May 9, 2017

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 on Form 10-Q of ATN International, Inc. (the "Company") for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael T. Pizer, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fairly complies with the requirements of Section 1301 of the Securities Exchange Act of 1934, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

ATN International, Inc.

Date: May 9, 2017

By: Michael T. Pizer
Michael T. Pizer
President and Chief Executive Officer

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

In connection with the quarterly report on Form 10-Q of ATN International, Inc. (the "Company") for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Hoffmann, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to 1906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fairly complies with the requirements of Section 1301 of the Securities Exchange Act of 1934, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

ATN International, Inc.

By: James D. Hoffmann

James D. Hoffmann
Chief Financial Officer

Date: May 9, 2017