

TOWERSTREAM CORP

FORM 10-Q/A (Amended Quarterly Report)

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

FORM 10-Q/A
Amendment No. 1

(Mark One)

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 001-33449

TOWERSTREAM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-8259086

(I.R.S. Employer Identification No.)

88 Silva Lane

Middletown, Rhode Island

(Address of principal executive offices)

02842

(Zip Code)

Registrant's telephone number, including area code **(401) 848-5848**

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 website, 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 for 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

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 Act). Yes No

As of May 12, 2017, there were 21,779,503 shares of common stock, par value \$0.001 per share, outstanding.

TOWERSTREAM CORPORATION AND SUBSIDIARIES

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This quarterly report on Form 10-Q/A is being filed as Amendment No. 1 to our Quarterly report on Form 10-Q which was originally filed on May 15, 2017. On June 22, 2017, the Chairman of the Board of Directors, Chairman of the Audit Committee, Chief Executive Officer and Chief Financial Officer of Towerstream Corporation (the “Company”) determined that the Company's financial statements which were included in its annual report for the year ended December 31, 2016 and quarterly report for the quarter ended March 31, 2017 should no longer be relied upon as a result of a non-financial covenant and the timing of the written waiver received by the Company.

On October 16, 2014, Melody Business Finance, LLC, as administrative agent for the certain lenders therein (collectively, the “Lender”), entered into a loan agreement with the Company (the “Loan Agreement”). On June 14, 2017, the Lender delivered to the Company a “Waiver to Loan Agreement” (the “Waiver”) waiving obligations of the Company to provide an audited report of its auditors covering the December 31, 2016 audited financial statements “without a ‘going concern’ or like qualification or exception and without any qualification or exception as to the scope of such audit” as provided in Section 6.1(a)(i) of the Loan Agreement. The effective date of the waiver is March 31, 2017. Accordingly, the Waiver is effective retroactive to the date on which the Company's auditors' report concerning the December 31, 2016 financial statements which included a “going concern” explanatory paragraph was issued. The Company has restated its previously reported balance sheets by reclassifying long term debt with a net carrying value of \$31,487,253 and \$32,099,766 as current liabilities as of December 31, 2016 and March 31, 2017, respectively. The Lender has not provided the Company any notice of Default or any Event of Default, as such terms are defined in the Loan Agreement, and has waived for all purposes the December 31, 2016 going concern covenant requirement. There were no other changes to the Company's previously reported assets, total liabilities, net loss or loss per share of common stock.

This Amendment No. 1 to the Form 10-Q for the period ended March 31, 2017 contains currently dated certifications as Exhibits 31.1, 31.2, and 32.1, and 32.2. No attempt has been made in this Amendment No. 1 to the Form 10-Q for the period ended March 31, 2017 to modify or update the other disclosures presented in the Form 10-Q as previously filed, except as required by the restatement. This Amendment No. 1 on Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures that may be affected by subsequent events. Accordingly, this Amendment No. 1 should be read in conjunction with our other filings with the Securities and Exchange Commission.

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TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2017	December 31, 2016
	(unaudited)	(Restated)
	(Restated)	(Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,068,153	\$ 12,272,444
Accounts receivable, net of reserves for uncollectible accounts of \$45,542 and \$64,824, respectively	612,964	505,074
Prepaid expenses and other current assets	383,477	434,444
Current assets of discontinued operations	231,978	231,978
Total Current Assets	12,296,572	13,443,940
Property and equipment, net	13,829,221	15,252,357
Intangible assets, net	3,234,606	3,652,490
Goodwill	1,674,281	1,674,281
Other assets	380,493	369,769
Total Assets	\$ 31,415,173	\$ 34,392,837
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	\$ 174,767	\$ 323,625
Accrued expenses	1,330,909	911,210
Deferred revenues	1,114,660	1,161,520
Current maturities of capital lease obligations	665,874	791,009
Current liabilities of discontinued operations	1,168,747	1,240,000
Deferred rent	130,154	110,738
Long-term debt, net of debt discount and deferred financing costs of \$1,513,042 and \$1,803,742, respectively	32,099,766	31,487,253
Total Current Liabilities	36,684,877	36,025,355
Long-Term Liabilities		
Capital lease obligations, net of current maturities	29,038	158,703
Other	1,015,137	1,062,237
Total Long-Term Liabilities	1,044,175	1,220,940
Total Liabilities	37,729,052	37,246,295
Commitments (Note 15)		
Stockholders' Deficit		
Preferred stock, par value \$0.001; 5,000,000 shares authorized; Series A Preferred - No shares issued or outstanding	-	-
Series B Convertible Preferred - No shares issued or outstanding	-	-
Series C Convertible Preferred - No shares issued or outstanding	-	-
Series D Convertible Preferred - 1,233 shares issued and outstanding, liquidation value of \$1,233,000 as of March 31, 2017 and December 31, 2016; respectively	2	2
Series E Convertible Preferred - 0 and 500,000 shares issued and outstanding, liquidation value of \$0 and \$500 as of March 31, 2017 and December 31, 2016; respectively	-	500
Series F Convertible Preferred - 843 and 1,233 shares issued and outstanding, liquidation value of \$843,000 and \$1,233,000 as of March 31, 2017 and December 31, 2016; respectively	1	1
Common stock, par value \$0.001; 200,000,000 shares authorized; 20,779,503 and 18,327,263 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively	20,779	18,327
Additional paid-in-capital	174,133,626	173,782,939
Accumulated deficit	(180,468,287)	(176,655,227)
Total Stockholders' Deficit	(6,313,879)	(2,853,458)
Total Liabilities and Stockholders' Deficit	\$ 31,415,173	\$ 34,392,837

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
Revenues	\$ 6,572,317	\$ 6,734,090
Operating Expenses		
Infrastructure and access	2,708,311	2,570,747
Depreciation and amortization	2,433,501	2,527,647
Network operations	1,200,907	1,272,168
Customer support	367,682	543,191
Sales and marketing	864,976	1,494,920
General and administrative	1,537,728	1,979,792
Total Operating Expenses	<u>9,113,105</u>	<u>10,388,465</u>
Operating Loss	<u>(2,540,788)</u>	<u>(3,654,375)</u>
Other Income/(Expense)		
Interest expense, net	(1,273,901)	(1,607,120)
Other income, net	1,629	-
Total Other Income/(Expense)	<u>(1,272,272)</u>	<u>(1,607,120)</u>
Loss from continuing operations	(3,813,060)	(5,261,495)
Loss from discontinued operations		
Operating loss	-	(2,909,567)
Gain on sale of assets	-	1,177,742
Total	<u>-</u>	<u>(1,731,825)</u>
Net Loss	<u>\$ (3,813,060)</u>	<u>\$ (6,993,320)</u>
(Loss) gain per share – basic and diluted		
Continuing	\$ (0.19)	\$ (1.55)
Discontinued		
Operating	-	(0.86)
Non-operating	-	0.35
Total	<u>-</u>	<u>(0.51)</u>
Net loss per common share – basic and diluted	<u>\$ (0.19)</u>	<u>\$ (2.06)</u>
Weighted average common shares outstanding – basic and diluted	<u>19,717,264</u>	<u>3,402,540</u>

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(UNAUDITED)

For the Three Months Ended March 31, 2017

	Series D Convertible Preferred Stock		Series E Convertible Preferred Stock		Series F Convertible Preferred Stock		Common Stock		Additional Paid-In- Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at January 1, 2017	1,233	\$ 2	500,000	\$ 500	1,233	\$ 1	18,327,263	\$ 18,327	\$ 173,782,939	\$ (176,655,227)	\$ (2,853,458)
Conversion on January 9, 2017 of Series E convertible preferred into common shares	-	-	(500,000)	(500)	-	-	500,000	500	-	-	-
Conversion on various dates from January 26, 2017 to March 23, 2017, inclusive, Series F convertible preferred into common shares	-	-	-	-	(390)	-	1,950,000	1,950	(1,950)	-	-
Stock-based compensation for options	-	-	-	-	-	-	-	-	352,281	-	352,281
Issuance of common stock under employee stock purchase plan	-	-	-	-	-	-	2,240	2	356	-	358
Net Loss	-	-	-	-	-	-	-	-	-	(3,813,060)	(3,813,060)
Balance at March 31, 2017	<u>1,233</u>	<u>\$ 2</u>	<u>-</u>	<u>\$ -</u>	<u>843</u>	<u>\$ 1</u>	<u>20,779,503</u>	<u>\$ 20,779</u>	<u>\$ 174,133,626</u>	<u>\$ (180,468,287)</u>	<u>\$ (6,313,879)</u>

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2017	2016
Cash Flows From Operating Activities		
Net loss	\$ (3,813,060)	\$ (6,993,320)
Loss from discontinued operations	-	1,731,825
Loss from continuing operations	(3,813,060)	(5,261,495)
Adjustments to reconcile loss from continuing operations to net cash used in continuing operating activities:		
Provision for doubtful accounts	7,000	-
Depreciation for property, plant and equipment	2,015,617	2,322,974
Amortization for intangible assets	417,884	204,673
Amortization for debt discount and deferred financing costs	290,700	451,924
Accrued interest added to principal	321,813	371,572
Loss on property and equipment	-	528,364
Stock-based compensation - Options	352,281	296,385
Stock-based compensation - Stock issued for services	-	20,000
Stock-based compensation - Employee stock purchase plan	54	1,784
Deferred rent	(27,684)	(548,161)
Changes in operating assets and liabilities:		
Accounts receivable	(114,890)	(57,875)
Prepaid expenses and other current assets	50,967	(390,252)
Other assets	(191)	(6,588)
Accounts payable	(148,858)	(369,104)
Accrued expenses	383,748	51,203
Deferred revenues	(46,860)	(275,926)
Total Adjustments	3,501,581	2,600,973
Net Cash Used In Continuing Operating Activities	(311,479)	(2,660,522)
Net Cash Used In Discontinued Operating Activities	(71,253)	(2,094,260)
Net Cash Used In Operating Activities	\$ (382,732)	\$ (4,754,782)
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(556,530)	(625,976)
Change in security deposits	(10,533)	15,639
Net Cash Used In Continuing Investing Activities	(567,063)	(610,337)
Net Cash Provided By Discontinued Investing Activities	-	124,130
Net Cash Used In Investing Activities	\$ (567,063)	\$ (486,207)
Cash Flows From Financing Activities		
Repayment of capital leases	(254,800)	(243,738)
Issuance of common stock under employee stock purchase plan	304	8,916
Net Cash Used In Continuing Financing Activities	\$ (254,496)	\$ (234,822)
Net Decrease In Cash and Cash Equivalents		
Continuing Operations	(1,133,038)	(3,505,681)
Discontinued Operations	(71,253)	(1,970,130)
Net Decrease In Cash and Cash Equivalents	(1,204,291)	(5,475,811)
Cash and Cash Equivalents – Beginning	12,272,444	15,116,531
Cash and Cash Equivalents – Ending	\$ 11,068,153	\$ 9,640,720

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<u>Supplemental Disclosures of Cash Flow Information</u>	Three Months Ended March 31,	
	2017	2016
Cash paid during the periods for:		
Interest	\$ 661,419	\$ 778,971
Taxes	\$ 730	\$ 11,780
Acquisition of property and equipment - Included in accrued expenses	\$ 154,093	\$ 148,712
Exchange of intangible assets - discontinued operations (Note 4)	\$ -	\$ 3,837,783

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Nature of Business

Towerstream Corporation (referred to as "Towerstream" or the "Company") was incorporated in Delaware in December 1999. During its first decade of operations, the Company's business activities were focused on delivering fixed wireless broadband services to commercial customers over a wireless network transmitting over both regulated and unregulated radio spectrum. The Company's fixed wireless service supports bandwidth on demand, wireless redundancy, virtual private networks, disaster recovery, bundled data and video services. The Company provides services to business customers in New York City, Boston, Chicago, Los Angeles, San Francisco, Seattle, Miami, Dallas-Fort Worth, Houston, Philadelphia, Las Vegas-Reno and Providence-Newport. The Company's "Fixed Wireless" business has historically grown both organically and through the acquisition of five other fixed wireless broadband providers in various markets.

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City, was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and into the first quarter of 2016 to sell the New York City network.

On March 9, 2016, the Company completed a sale and transfer of certain assets pursuant to an Asset Purchase Agreement (the "Agreement") with a large cable company (the "Buyer"). Under the terms of the Agreement, the Buyer assumed certain rooftop leases and acquired ownership of and the right to operate the Wi-Fi access points and related equipment associated with such leases. The Company retained ownership of all backhaul and related equipment, and the parties entered into an agreement under which the Company provides backhaul services to the Buyer. The agreement is for a three-year period with two one-year renewals and is cancellable by the Buyer on sixty days' notice. During the first quarter of 2016, the Company determined that it would not be able to sell the remainder of the New York City network, and accordingly, all remaining assets were redeployed into the fixed wireless network or written off. The operating results and cash flows for Hetnets have been reclassified and presented as discontinued operating results for all periods presented in these condensed consolidated financial statements.

Note 2. Liquidity and Management Plans

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of March 31, 2017, the Company had cash and cash equivalents of approximately \$11.1 million and a working capital deficiency of approximately \$24.4 million. The Company incurred significant operating losses since inception and continues to generate losses from operations and as of March 31, 2017, the Company has an accumulated deficit of \$180.5 million. These matters raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are issued. Management has also evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

During the year ended December 31, 2016, the Company has raised a total of \$9,130,000 and converted \$5,000,000 of long-term debt into preferred stock. In addition, the Company has monitored and reduced certain of its operating costs over the course of 2016 and into the first quarter of 2017. Historically, the Company has financed its operation through private and public placement of equity securities, as well as debt financing and capital leases. The Company's ability to fund its longer term cash requirements is subject to multiple risks, many of which are beyond its control. The Company intends to raise additional capital, either through debt or equity financings or through the potential sale of the Company's assets in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 3. Summary of Significant Accounting Policies

Restatement . Subsequent to filing its quarterly report for the quarter ended March 31, 2017, on June 22, 2017, the Chairman of the Board of Directors, Chairman of the Audit Committee, Chief Executive Officer and Chief Financial Officer of the Company determined that the Company's financial statements which were included in its annual report for the year ended December 31, 2016 and quarterly report for the quarter ended March 31, 2017 should no longer be relied upon as a result of a non-financial covenant and the timing of the written waiver received by the Company.

On October 16, 2014, Melody Business Finance, LLC, as administrative agent for the certain lenders therein (collectively, the "Lender"), entered into a loan agreement with the Company (the "Loan Agreement"). On June 14, 2017, the Lender delivered to the Company a "Waiver to Loan Agreement" (the "Waiver") waiving obligations of the Company to provide an audited report of its auditors covering the December 31, 2016 audited financial statements "without a 'going concern' or like qualification or exception and without any qualification or exception as to the scope of such audit" as provided in Section 6.1(a)(i) of the Loan Agreement. The effective date of the waiver is March 31, 2017. Accordingly, the Waiver is effective retroactive to the date on which the Company's auditors' report concerning the December 31, 2016 financial statements which included a "going concern" explanatory paragraph was issued.

The Company has restated its previously reported balance sheets by reclassifying long term debt with a net carrying value of \$31,487,253 and \$32,099,766 as current liabilities as of December 31, 2016 and March 31, 2017, respectively. The Lender has not provided the Company any notice of Default or any Event of Default, as such terms are defined in the Loan Agreement, and has waived for all purposes the December 31, 2016 going concern covenant requirement. There were no other changes to the Company's previously reported assets, total liabilities, net loss or loss per share of common stock.

Basis of Presentation. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and with Form 10-Q/A and Article 10 of Regulation S-X of the United States Securities and Exchange Commission. Accordingly, they do not contain all information and footnotes required by GAAP for annual financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2017 and the results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operating results for the full fiscal year for any future period.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K/A Amendment No. 2 for the year ended December 31, 2016. The Company's accounting policies are described in the Notes to Consolidated Financial Statements in its Annual Report on Form 10-K/A Amendment No. 2 for the year ended December 31, 2016, and updated, as necessary, in this Quarterly Report on Form 10-Q/A.

Retroactive Adjustment for Reverse Stock Split. On July 7, 2016, the Company effected a one-for-twenty reverse stock split of its common stock. Consequently, all earnings per share and other share related amounts and disclosures have been retroactively adjusted for all periods presented.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Actual results could differ from those estimates. Key estimates include fair value of certain financial instruments, carrying value of intangible assets, reserves for accounts receivable and accruals for liabilities.

Concentration of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of March 31, 2017, the Company had cash and cash equivalent balances of approximately \$10.8 million in excess of the federally insured limit of \$250,000.

Revenue Recognition. The Company generally enters into contractual agreements with its customers for periods ranging between one to three years. The Company recognizes the total revenue provided under a contract ratably over the contract period, including any periods under which the Company has agreed to provide services at no cost. The Company applies the revenue recognition principles set forth under the United States Securities and Exchange Commission Staff Accounting Bulletin 104, ("SAB 104") which provides for revenue to be recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery or installation has been completed, (iii) the customer accepts and verifies receipt, and (iv) collectability is reasonably assured.

Deferred Revenues. Customers are billed monthly in advance. Deferred revenues are recognized for that portion of monthly charges not yet earned as of the end of the reporting period. Deferred revenues are also recognized for certain customers who pay for their services in advance.

Intrinsic Value of Stock Options and Warrants . The Company calculates the intrinsic value of stock options and warrants as the difference between the closing price of the Company's common stock at the end of the reporting period and the exercise price of the stock options and warrants.

Reclassifications. Certain accounts in the prior year's condensed consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's condensed consolidated financial statements. These reclassifications have no effect on the previously reported net loss.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Subsequent Events . Subsequent events have been evaluated through the date of this filing.

Note 4. Discontinued Operations

During the fourth quarter of 2015, the Company determined to exit the business conducted by Hetnets and curtailed activities in its smaller markets. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and into the first quarter of 2016 to sell the NYC network. On March 9, 2016, the Company completed a sale and transfer of certain assets pursuant to an asset purchase agreement (the "Agreement") with a large cable company (the "Buyer"). Under the terms of the Agreement, the Buyer assumed certain rooftop leases and acquired ownership of and the right to operate the Wi-Fi access point and related equipment associated with such leases. The Company retained ownership of all backhaul and related equipment, and the parties entered into an agreement under which the Company provides backhaul services to the Buyer. The Agreement is for a three-year period with two one-year renewals and is cancellable by the Buyer on sixty-day's notice. In connection with the Agreement, the Company transferred to the Buyer a net book value of network assets aggregating \$2,660,041 in exchange for the backhaul agreement valued at \$3,837,783. The backhaul agreement has been recorded as an intangible asset in the accompanying condensed consolidated balance sheets. As a result, during the first quarter of 2016, the Company recognized a gain of \$1,177,742 in its discontinued operations.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The Company determined that it will not be able to sell the remaining network locations in New York City. As a result, the Company recognized charges totaling \$1,585,319 in the first quarter of 2016 which included \$453,403 representing the estimated cost to settle lease obligations, \$528,364 to write off network assets which could not be redeployed into the fixed wireless network, \$110,500 related to security deposits which are not expected to be recovered, and \$493,052 related to the accelerated expensing of deferred acquisition costs. These costs were partially offset by a \$1,244,284 reduction in the accrual for terminated lease obligations that was recorded in the fourth quarter of 2015. This reduction reflects the outcome of settlements negotiated in the first quarter of 2016 with certain landlords. The operating results and cash flows for Hetnets have been reclassified and presented as discontinued operations in these condensed consolidated financial statements for all periods presented.

Discontinued Operations

A more detailed presentation of loss from discontinued operations is set forth below. There has been no allocation of consolidated interest expense to discontinued operations.

	Three Months Ended March 31,	
	2017	2016
Revenues	\$ -	\$ 553,302
Operating expenses:		
Infrastructure and access	-	2,523,222
Depreciation	-	638,681
Network operations	-	183,583
Customer support	-	69,804
Sales and marketing	-	246
General and administrative	-	47,333
Total operating expenses	-	3,462,869
Net operating loss	-	(2,909,567)
Gain on sale of assets	-	1,177,742
Net Loss	\$ -	\$ (1,731,825)

The components of the balance sheet accounts presented as discontinued operations were as follows:

	March 31, 2017	December 31, 2016
Assets:		
Prepaid expenses and other current assets	231,978	231,978
Total Current Assets	\$ 231,978	\$ 231,978
Liabilities:		
Accrued expenses - leases	1,168,747	1,240,000
Total Current Liabilities	\$ 1,168,747	\$ 1,240,000

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 5. Property and Equipment

Property and equipment is comprised of:

	March 31, 2017	December 31, 2016
Network and base station equipment	\$ 42,434,071	\$ 42,098,570
Customer premise equipment	33,855,343	33,617,085
Information technology	4,878,311	4,859,875
Furniture, fixtures and other	1,713,430	1,713,430
Leasehold improvements	1,631,608	1,631,322
	<u>84,512,763</u>	<u>83,920,282</u>
Less: accumulated depreciation	70,683,542	68,667,925
Property and equipment, net	<u>\$ 13,829,221</u>	<u>\$ 15,252,357</u>

Depreciation expense for the three months ended March 31, 2017 and 2016 was \$2,015,617 and \$2,322,974, respectively.

	March 31, 2017	December 31, 2016
Network and base station equipment	\$ 2,620,898	\$ 2,620,898
Customer premise equipment	669,792	669,792
Information technology	1,860,028	1,860,028
	<u>5,150,718</u>	<u>5,150,718</u>
Less: accumulated depreciation	4,307,297	4,083,274
Property acquired through capital leases, net	<u>\$ 843,421</u>	<u>\$ 1,067,444</u>

Property acquired through capital leases included within the Company's property and equipment consists of the following:

Note 6. Intangible Assets

Intangible assets consist of the following:

	March 31, 2017	December 31, 2016
Goodwill	\$ 1,674,281	\$ 1,674,281
Customer relationships	\$ 11,856,126	\$ 11,856,126
Less: accumulated amortization	11,823,436	11,725,369
Customer relationships, net	<u>32,690</u>	<u>130,757</u>
Backhaul agreement	3,837,783	3,837,783
Less: accumulated amortization	1,385,867	1,066,050
Backhaul agreement, net	<u>2,451,916</u>	<u>2,771,733</u>
FCC licenses	<u>750,000</u>	<u>750,000</u>
Intangible assets, net	<u>\$ 3,234,606</u>	<u>\$ 3,652,490</u>

Amortization expense for the three months ended March 31, 2017 and 2016 was \$417,884 and \$204,673, respectively. The fair value of the backhaul agreement acquired in the transaction with the large cable company, as described in Note 4, is being amortized on a straight-line basis over the three-year term of the agreement. The customer contracts acquired in the Delos Internet acquisition are being amortized over a 50 month period ending in April 2017. The Company's licenses with the Federal Communications Commission (the "FCC") are not subject to amortization as they have an indefinite useful life.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 7. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2017	December 31, 2016
Professional services	\$ 508,084	\$ 263,928
Payroll and related	406,032	294,006
Property and equipment	154,093	118,139
Network	120,836	92,645
Other	141,864	142,492
Total	<u>\$ 1,330,909</u>	<u>\$ 911,210</u>

Network represents costs incurred to provide services to the Company's customers including tower rentals, bandwidth, troubleshooting and gear removal.

Note 8. Other Liabilities

Other liabilities consist of the following:

	March 31, 2017	December 31, 2016
Deferred rent	\$ 594,699	\$ 641,799
Deferred taxes	420,438	420,438
Total	<u>\$ 1,015,137</u>	<u>\$ 1,062,237</u>

Note 9. Long-Term Debt

Long-term debt (callable) consists of the following:

	March 31, 2017	December 31, 2016
Principal	\$ 33,612,808	\$ 33,290,995
Unamortized debt discount	(1,513,042)	(1,803,742)
Total	<u>\$ 32,099,766</u>	<u>\$ 31,487,253</u>

In October 2014, the Company entered into a \$35,000,000 note ("Note") with Melody Business Finance, LLC ("Lender") wherein the Company received net proceeds of \$33,950,000 after a 3% original issue discount.

This Note matures on October 16, 2019 and accrues interest on the basis of a 360-day year at:

- a) A rate equal to the greater of: i) the sum of the one-month Libor rate on any given day plus 7% or ii) 8% per annum. The one-month Libor rate was 0.98% as of March 31, 2017. Interest accrued at this rate is paid in cash at the end of each quarter; plus
- b) A rate of 4% per annum. Interest accrued at this rate is added to the principal amount at the end of each quarter.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

This Note is secured by a first-priority lien and security interest in all of the assets of the Company and its subsidiaries, excluding the capital stock of the Company, and certain capital leases, contracts and assets secured by purchase money security interests.

The Note contains representations and warranties by the Company and the Lender, certain indemnification provisions in favor of the Lender and customary covenants (including limitations on other debt, liens, acquisitions, investments and dividends), and events of default (including payment defaults, breaches of covenants, a material impairment in the Lender's security interest or in the collateral, and events relating to bankruptcy or insolvency). The Note contains several restrictive covenants and the most significant of which requires the Company to maintain a minimum cash balance of \$6,500,000 at all times. The Company was not in compliance with one of the Note covenants as of March 31, 2017, and such violation was waived by the lender on June 14, 2017 effective March 31, 2017. Upon the occurrence of an event of default, an additional 5% interest rate will be applied to the outstanding loan balances, and the Lender may terminate its lending commitment, declare all outstanding obligations immediately due and payable, and take such other actions as set forth in the Note to secure its interests. Such default interest was not assessed by the lender.

The Company has the option to prepay the Note in the minimum principal amount of \$5,000,000 plus integral amounts of \$1,000,000 beyond that amount subject to certain prepayment penalties. Mandatory prepayments are required upon the occurrence of certain events, including but not limited to: i) the sale, lease, conveyance or transfer of certain assets, ii) issuance or incurrence of indebtedness other than certain permitted debt, iii) issuance of capital stock redeemable for cash or convertible into debt securities; and iv) any change of control.

A discount of \$6,406,971 to the face value of the Note was recorded upon its issuance and that discount is being amortized over the term of the Note using the effective interest rate method. That discount consisted of:

- a) \$2,463,231 representing the fair value of warrants simultaneously issued to the Lender for the purchase of up to 120,000 and 60,000 shares of the Company's common stock at \$25.20 and \$0.20 per share, respectively, through April 2022. The fair value of these warrants was calculated utilizing the Black-Scholes option pricing model;
- b) \$2,893,739 in costs incurred associated with obtaining this financing arrangement which consisted primarily of professional fees; and
- c) \$1,050,000 related to a 3% original issue discount.

On November 8, 2016 and in connection with a financing transaction, an investor acquired \$5,000,000 of the Company's obligations to the Lender consisting of principal and accrued interest of \$4,935,834 and \$64,166, respectively. The investor then immediately exchanged such obligations for 1,000 shares of the Company's Series D Convertible Preferred Stock and warrants for the purchase of up to 4,000,000 shares of the Company's common stock. In connection with that exchange, the Company:

- a) Wrote-off the portion of the unamortized debt discount and deferred financing costs associated with the exchanged principal and recorded a charge to interest expense of \$331,609. The accrued interest and the adjustment to the unamortized debt discount activity described in this paragraph are separate from and unrelated to the amounts appearing in the following paragraphs; and
- b) Recorded a non-cash loss on extinguishment of debt charge of \$500,000. This amount represents the difference between the fair value of the Series D Convertible Preferred Stock of \$5,500,000 and the carrying amount of the debt of \$5,000,000 as of the date of the exchange.

The Company recorded interest expense of \$965,439 and \$1,114,716 for the three months ended March 31, 2017 and 2016, respectively. Of those amounts, the Company paid to the Lender \$643,626 and \$743,144 and added \$321,813 and \$371,572 of interest to the principal amount of the Note during the three months ended March 31, 2017 and 2016, respectively.

The Company recorded amortization expense of \$290,700 and \$451,924 for the three months ended March 31, 2017 and 2016, respectively, and classified those amounts as interest expense.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 10. Capital Stock

On January 9, 2017, the holder of 500,000 shares of Series E Convertible Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to those preferred shares, the Company issued 500,000 shares of common stock.

On various dates from January 26, 2017 to March 23, 2017, inclusive, the holder of 390 shares of Series F Convertible Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to those preferred shares, the Company issued 1,950,000 shares of common stock.

Note 11. Stock Options and Warrants

Stock Options Plans

The Company uses the Black-Scholes option pricing model to value options issued to employees, directors and consultants. Compensation expense, including the estimated effect of forfeitures, is recognized over the period of service, generally the vesting period. Stock compensation expense and the weighted average assumptions used to calculate the fair values of stock options granted during the periods indicated were as follows:

	Three Months Ended March 31,			
	2017		2016	
Risk-free interest rate	1.7%	1.2%	to	1.4%
Expected volatility	110%	77%	to	82%
Expected life (in years)	4.2		4.2	
Expected dividend yield	-		-	
Estimated forfeiture rates	20%	1%	to	7%
Weighted average per share grant date fair value	\$ 0.13		\$ 0.14	
Stock-based compensation	\$ 352,281		\$ 296,385	

The risk-free interest rate was based on rates established by the Federal Reserve. The expected volatility was based upon the historical volatility for the Company's common stock. The Company utilized historical data to determine the expected life of stock options. The dividend yield reflected the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future. Stock-based compensation is included in general and administrative expenses in the accompanying condensed consolidated statements of operations. The unamortized amount of stock options expense totaled \$906,778 as of March 31, 2017 which will be recognized over a weighted-average period of 4.6 years.

Option transactions under the stock option plans during the three months ended March 31, 2017 were as follows:

	Number	Weighted Average Exercise Price
Outstanding as of January 1, 2017	2,106,889	\$ 5.30
Granted during 2017	3,252,072	0.17
Cancelled /expired	(64,945)	22.62
Outstanding as of March 31, 2017	5,294,016	\$ 1.94
Exercisable as of March 31, 2017	1,750,287	\$ 4.96

Grants under the stock option plans during the three months ended March 31, 2017 were as follows:

	Number
Consultant grants	25,000
Executive grants	3,227,072
Total	3,252,072

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Options granted during the reporting period had a term of ten years. All options were issued at an exercise price equal to the fair value on the date of grant. Consultant grants vest six months from the date of issuance. Executive grants, except as noted below, vesting periods range from vesting immediately upon issuance, vesting quarterly over a two-year period and vesting annually for one year then quarterly over the next two years period from the date of issuance. The aggregate fair value of the options granted was \$426,701 for the three months ended March 31, 2017.

On January 24, 2017, the Company entered into an employment agreement with Ernest Ortega wherein the Company issued options for the purchase of up to 2,037,085 shares of the Company common stock at \$0.17 per share for a period of ten years. Those options vest as follows: 940,193 will vest on January 24, 2018; 626,795 will vest in eight quarterly installments during the twenty-four months ending January 24, 2020; 548,446 will vest upon the achievement of three consecutive quarters of positive cash flow; and 548,446 will vest upon the sale of the Company's earth station assets in Miami, Florida for gross proceeds equal to or greater than \$15,000,000.

Certain stock options awarded to Ernest Ortega in conjunction with his 2017 employment agreement contained performance based criteria. The fair value of the awards is determined based on the market value of the underlying stock price at the grant date and marked to market over the vesting period based on probabilities and projections of the underlying performance measures. The aggregate fair value of the performance based options granted was \$140,708 for the three months ended March 31, 2017. The Company has not recorded any expense associated with the performance based stock options issued in the three month period ended March 31, 2017. The Company will continue to evaluate the probability of achieving the criteria associated with performance based stock options and will record any associated compensation expense at such time.

On February 3, 2017, the Company awarded options for the purchase of up to 1,189,987 shares of the Company's common stock at an exercise price of \$0.18 per share for a period of ten years. Terms of such option awards conformed to the Company's standard form of option agreement which includes a provision for cashless exercise. The awards consisted of options for 500,653 shares to Mr. Philip Urso for his past service as Interim Chief Executive Officer, options for 439,008 shares to Mr. Arthur Giftakis, the Company's Chief Operating Officer, and options for 250,326 shares to Mr. Frederick Larcombe, the Company's Chief Financial Officer. Mr. Urso's options vested 100% upon issuance and the options issued to Messrs. Giftakis and Larcombe vest ratably on a quarterly basis over the eight quarters immediately following the date of the awards.

Cancellations for the three months ended March 31, 2017 consisted of 57,445 related to employee terminations and 7,500 were associated with the expiration of options.

The weighted average remaining contractual life of the outstanding options as of March 31, 2017 was 9.6 years.

There was no intrinsic value associated with the options outstanding and exercisable as of March 31, 2017. The closing price of the Company's common stock at March 31, 2017 was \$0.16 per share.

Stock Warrants

There were 180,000 warrants outstanding and exercisable as of March 31, 2017 and December 31, 2016, respectively, with a weighted-average exercise price of \$16.87. The weighted average remaining contractual life of the warrants was five years.

There was no aggregate intrinsic value associated with the warrants outstanding and exercisable as of March 31, 2017.

Note 12. Employee Stock Purchase Plan

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP Plan"), participants can purchase shares of the Company's stock at a 15% discount. A maximum number of 25,000 shares of common stock can be issued under the ESPP Plan of which all of the authorized shares have been issued as of March 31, 2017. During the three months ended March 31, 2017 and 2016, a total of 2,240 and 4,459 shares were issued under the ESPP Plan with a fair value of \$358 and \$10,700, respectively. The Company recognized \$54 and \$1,784 of stock-based compensation related to the 15% discount for the three months ended March 31, 2017 and 2016, respectively.

Note 13. Fair Value Measurement

The FASB's accounting standard for fair value measurements establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short maturities. There were no changes in the valuation techniques during the three months ended March 31, 2017.

Note 14. Net Loss Per Common Share

Basic and diluted net loss per share has been calculated by dividing net loss by the weighted average number of common shares outstanding during the period.

The following common stock equivalents were excluded from the computation of diluted net loss per common share because they were anti-dilutive. The exercise or issuance of these common stock equivalents would dilute earnings per share if the Company becomes profitable in the future.

	Three Months Ended March 31,	
	2017	2016
Stock options	5,294,016	253,777
Warrants	180,000	142,500
Series D Convertible Preferred Stock	3,082,500	-
Series F Convertible Preferred Stock	4,215,000	-
Total	12,771,516	396,277

Note 15. Commitments

Operating Lease Obligations

The Company has entered into operating leases related to roof rights, cellular towers, office space, and equipment leases under various non-cancelable agreements expiring through June 2024. Certain of these operating leases include extensions, at the Company's option, for additional terms ranging from one to fifteen years. Amounts associated with the extension periods have not been included in the table below as it is not presently determinable which options, if any, the Company will elect to exercise. As of March 31, 2017, total future operating lease obligations were as follows:

Remainder of 2017	\$	5,742,994
2018		6,318,665
2019		4,846,377
2020		2,627,912
2021		667,892
Thereafter		231,105
Total	\$	20,434,945

Rent expenses were as follows:

	Three Months Ended March 31,	
	2017	2016
Points of Presence	\$ 2,106,103	\$ 2,075,658
Corporate offices	81,524	149,147
Other	97,256	121,489
Total	\$ 2,284,884	\$ 2,346,294

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Rent expenses related to Points of Presence were included in infrastructure and access in the Company's condensed consolidated statements of operations. Rent expense related to our corporate offices was allocated between general and administrative, sales and marketing, customer support, and network operations expense in the Company's condensed consolidated statements of operations. Other rent expenses were included in network operations within the Company's condensed consolidated statements of operations.

In September 2013, the Company entered into a new lease agreement for its corporate offices and new warehouse space. The lease commenced on January 1, 2014 and expires on December 31, 2019 with an option to renew for an additional five-year term through December 31, 2024. The Company spent approximately \$600,000 in leasehold improvements in connection with consolidating its corporate based employees from two buildings into one building. The Landlord agreed to contribute \$380,000 in funding towards qualified leasehold improvements and made such payment in February 2014. Total annual rent payments began at \$359,750 for 2014 and escalate by 3% annually reaching \$416,970 for 2019.

In December 2014, the Company entered into a new lease agreement in Florida, primarily for a second sales center. The lease commenced in February 2015 for 38 months with an option to renew for an additional 60 month period. Total annual rent payments started at \$53,130 and escalated by 3% annually. In April 2016, the Company terminated the Florida lease. Under the terms of the agreement, the Company forfeited its security deposit of \$26,648 and agreed to make a termination payment of \$25,000.

Capital Lease Obligations

The Company has entered into capital leases to acquire property and equipment expiring through June 2018. As of March 31, 2017, total future capital lease obligations were as follows:

Total Capital lease obligation:	
Remainder of 2017	\$ 564,851
2018	161,770
Subtotal	<u>726,621</u>
Less: Interest Expense	(31,709)
Total	<u>\$ 694,912</u>
Total Capital lease obligation:	
Current	\$ 665,874
Long-term	29,038
Total	<u>\$ 694,912</u>

Note 16 - Subsequent Events

On various dates from April 4, 2017 to April 13, 2017, inclusive, the holder of 200 shares of Series F Convertible Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to those preferred shares, the Company issued 1,000,000 shares of common stock.

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

The following discussion and analysis summarizes the significant factors affecting our condensed consolidated results of operations, financial condition and liquidity position for the three months ended March 31, 2017. This discussion and analysis should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K/A Amendment No. 2 for the year ended December 31, 2016 and the condensed consolidated unaudited financial statements and related notes included elsewhere in this filing. The following discussion and analysis contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Forward-Looking Statements

Forward-looking statements in this Quarterly Report on Form 10-Q/A, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth and competition; and (iii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Readers are cautioned not to place too much reliance on these forward-looking statements which speak only as of the date hereof. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q/A.

Non-GAAP Measures and Reconciliations to GAAP Measures

We prepare our financial statements in accordance with generally accepted accounting principles (“GAAP”). We use certain Non-GAAP measures to monitor our business performance. These Non-GAAP measures are not recognized under GAAP. Accordingly, investors are cautioned about using or relying on these measures as alternatives to recognized GAAP measures. Our methods of calculating these measures may not be comparable to similar measures presented by other companies.

Characteristics of Revenues and Expenses

Infrastructure and access expenses relate directly to maintaining our network and providing connectivity to our customers. Infrastructure primarily relates to our Points-of-Presence (“PoPs”) where we install a substantial amount of equipment, mostly on the roof, which we utilize to connect numerous customers to the internet. We enter into long term lease agreements to maintain our equipment on these PoPs and these rent payments comprise the majority of our infrastructure and access costs. Access expenses primarily consist of bandwidth connectivity agreements that we enter into with national service providers.

Network operations costs relate to the daily operations of our network and ensuring that our customers have connectivity within the terms of our service level agreement. We have employees based in our largest markets who are dedicated to ensuring that our network operates effectively on a daily basis. Other employees monitor network operations from our network operating center which is located at our corporate headquarters. Payroll comprises approximately 55% to 60% of network operations costs. Information technology systems and support comprises approximately 15% to 20% of network operations costs.

Customer support costs relate to our continuing communications with customers regarding their service level agreement. Payroll comprises approximately 83% to 88% of customer support costs. Other costs include travel expenses to service customer locations, shipping, troubleshooting, and facilities related expenses.

Sales and marketing expenses primarily consist of the salaries, benefits, travel and other costs of our sales and marketing teams, as well as marketing initiatives and business development expenses.

General and administrative expenses include costs attributable to corporate overhead and the overall support of our operations. Salaries and other related payroll costs for executive management and finance personnel are included in this category. Other costs include accounting, legal and other professional services, and other general operating expenses.

Overview – Fixed Wireless

We provide fixed wireless broadband services to commercial customers and deliver access over a wireless network transmitting over both regulated and unregulated radio spectrum. Our service supports bandwidth on demand, wireless redundancy, virtual private networks, disaster recovery, bundled data and video services. We currently provide service to business customers in twelve metropolitan markets.

As of March 31, 2017, we operated in twelve metropolitan markets consisting of New York, Boston, Los Angeles, Chicago, San Francisco, Miami, Seattle, Dallas-Fort Worth, Houston, Philadelphia, Las Vegas-Reno and Providence-Newport. Although we provide services in multiple markets, these operations have been aggregated into one reportable segment based on the similar economic characteristics among all markets, including the nature of the services provided and the type of customers purchasing such services. The markets were launched at different times, and as a result, may have different operating metrics based on their size and stage of maturation. We incur significant up-front costs in order to establish a network presence in a new market. These costs include building PoPs and network costs. Other material costs include hiring and training sales and marketing personnel who will be dedicated to securing customers in that market. Once we have established a network presence in a new market, we are capable of servicing a significant number of customers. The rate of customer additions varies from market to market, and we are unable to predict how many customers will be added in a market during any specific period.

Overview - Shared Wireless Infrastructure

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation (“Hetnets”), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its “Shared Wireless Infrastructure” or “Shared Wireless” business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or “NYC”), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and into the first quarter of 2016 to sell the NYC network.

As further described in Note 4 to our condensed consolidated financial statements, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the “Buyer”). The asset purchase agreement (“Agreement”) provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide bandwidth to the Buyer at the locations governed by the leases. The Agreement is for a three-year period with two one-year renewals and is cancellable by the Buyer on sixty days’ notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in these condensed consolidated financial statements.

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Continuing Operations – Fixed Wireless

Revenues. Revenues totaled \$6,572,317 during the three months ended March 31, 2017 compared to \$6,734,090 during the three months ended March 31, 2016 representing a decrease of \$161,773, or 2%. The decrease principally related to a less than 1% decrease in the base of customers billed on a monthly recurring basis and a lower overall average revenue per user.

Customer Churn. Customer churn, calculated as a percent of revenue lost on a monthly basis from customers terminating service or reducing their service level, totaled 1.39% during the three months ended March 31, 2017 compared to 1.65% during the three months ended March 31, 2016. Churn levels can fluctuate from period to period depending upon whether customers move to a location not serviced by the Company, go out of business, or a myriad of other reasons.

Infrastructure and Access . Infrastructure and access totaled \$2,708,311 for the three months ended March 31, 2017 compared to \$2,570,747 for the three months ended March 31, 2016 representing an increase of \$137,564, or 5%. The increase primarily relates to increased tower rental expense partially offset by lower bandwidth costs.

Depreciation and Amortization. Depreciation and amortization totaled \$2,433,501 during the three months ended March 31, 2017 compared to \$2,527,647 during the three months ended March 31, 2016 representing a decrease of \$94,146 or 4%. Depreciation expense totaled \$2,015,617 during the three months ended March 31, 2017 compared to \$2,322,974 during the three months ended March 31, 2016 representing a decrease of \$307,357, or 13%.

Amortization expense totaled \$417,884 during the three months ended March 31, 2017 compared to \$204,673 during the three months ended March 31, 2016 representing an increase of \$213,211, or more than 100%. Amortization expense relates to customer related intangible assets recorded in connection with acquisitions and can fluctuate significantly from period to period depending upon the timing of acquisitions, the relative amounts of intangible assets recorded, and the amortization periods. The increase is related entirely to amortization associated with the shared wireless infrastructure transaction described in the section above which closed in March 2016.

Network Operations . Network operations totaled \$1,200,907 for the three months ended March 31, 2017 compared to \$1,272,168 for the three months ended March 31, 2016 representing a decrease of \$71,261, or 6%. Payroll costs totaled \$719,366 in the 2017 period compared to \$771,839 in the 2016 period representing a decrease of \$52,473, or 7%. Information technology support expenses totaled \$224,149 in the 2017 period compared to \$254,084 in the 2016 period representing a decrease of \$29,935, or 12%, due primarily to staffing reductions. These costs can fluctuate from period to period and the dollar change is not meaningful.

Customer Support . Customer support totaled \$367,682 for the months ended March 31, 2017 compared to \$543,191 for the three months ended March 31, 2016 representing a decrease of \$175,509, or 32%. Payroll expense totaled \$308,939 during the 2017 period compared to \$416,098 during the 2016 period representing a decrease of \$107,159, or 26%. Average headcount was lower in the 2017 period as the Company consolidated departments and improved efficiencies. Other customer support costs totaled \$58,743 for the three months ended March 31, 2017 compared to \$127,093 for the three months ended March 31, 2016 representing a decrease of \$68,350, or 54%. This decrease was principally attributable to lower customer troubleshooting costs which can fluctuate from period to period.

Sales and Marketing. Sales and marketing expenses totaled \$864,976 during the three months ended March 31, 2017 compared to \$1,494,920 during the three months ended March 31, 2016 representing a decrease of \$629,944, or 42%. Payroll costs totaled \$552,999 during the 2017 period compared to \$966,855 during the 2016 period representing a decrease of \$413,856, or 43%. The payroll decrease related to lower headcount associated with cost savings initiatives and the closure of our Florida sales office in the first quarter of 2016. Advertising expenses totaled \$18,275 during the 2017 period as compared to \$183,077 during the 2016 period representing a decrease of \$164,802, or 90%. The Company has significantly reduced its Internet marketing initiatives in connection with its current marketing focus on specific businesses in certain connected buildings rather than marketing broadly to all businesses in a market. Other costs totaled \$79,449 during the three months ended March 31, 2017 compared to \$139,059 during the three months ended March 31, 2016 representing a decrease of \$59,610, or 43%. The decrease relates primarily to the decision to close the Florida sales office in 2016. Outside commissions totaled \$214,252 in the 2017 period compared to \$205,929 in the 2016 period representing an increase of \$8,323, or 4%. The increase relates almost exclusively to the Company's residual program which pays continuing commissions as long as the referred business is a customer.

General and Administrative. General and administrative expenses totaled \$1,537,728 during the three months ended March 31, 2017 compared to \$1,979,792 during the three months ended March 31, 2016 representing a decrease of \$442,064, or 22%. Payroll costs decreased to \$423,725 in the 2017 period compared to \$764,707 in the 2016 period representing a decrease of \$340,982, or 45%. The decrease related to severance payments made in 2016 to the former Chief Executive Officer and lower headcount associated with staffing reductions. Stock based compensation totaled \$352,335 during the 2017 period compared to \$318,169 during the 2016 period representing an increase of \$34,166, or 11%. Stock-based compensation can fluctuate significantly from period to period depending on the timing, quantity and valuation of stock option grants. Corporate travel expenses totaled \$19,169 in the 2017 period compared to \$48,853 in the 2016 period representing a decrease of \$29,684, or 61%. The decrease related to cost savings initiatives associated with headcount reductions and the closure of the Florida sales office. Non-recurring expenses decreased to \$2,751 for the three months ended March 31, 2017 compared to \$31,925 for the three month period ended March 31, 2016 representing a decrease of \$29,174, or 91%. The decrease primarily relates to acquisition related professional fees incurred in 2016. Other expenses decreased to \$150,111 for the three months ended March 31, 2017 compared to \$187,585 for the three month period ended March 31, 2016 representing a decrease of \$37,474, or 20%. The decrease primarily relates to decreased insurance costs and tax expenses.

Interest Expense, Net. Interest expense, net totaled \$1,273,901 during the three months ended March 31, 2017 compared to \$1,607,120 during the three months ended March 31, 2016 representing a decrease of \$333,219, or 20%. Interest expense relates to the \$35 million secured term loan which closed in October 2014. The decrease is primarily attributable to the \$5,000,000 reduction of debt in the fourth quarter of 2016 as more fully described in Note 9, Long-Term Debt.

Discontinued Operations – Shared Wireless

Revenues. Revenues for the Shared Wireless business totaled zero during the three months ended March 31, 2017 compared to \$553,302 during the three months ended March 31, 2016 representing a decrease of \$553,302, or 100%. The decrease primarily related to our contract with a major cable company which was terminated in March 2016 resulting in no revenue for the three months ended March 31, 2017 versus two months of revenue in the 2016 period.

Infrastructure and Access. Infrastructure and access totaled zero during the three months ended March 31, 2017 compared to \$2,523,222 during the three months ended March 31, 2016 representing a decrease of \$2,523,222, or 100%. Rent expense for rooftop locations totaled zero in the 2017 period compared to \$1,900,791 in the 2016 period representing a decrease of \$1,900,791, or 100%. All business activities associated with the shared wireless business were terminated in the first quarter of 2016. Loss on fixed assets totaled zero during the three months ended March 31, 2017 compared to \$528,364 during the three months ended March 31, 2016. During the first quarter of 2016, the Company sold certain network infrastructure assets to a major cable company. The Company determined to shut down the remaining network locations and recognized a loss of \$528,364 which represented the net book value of capitalized installation costs as well as equipment which could not be redeployed into the fixed wireless network.

Depreciation. Depreciation totaled zero during the three months ended March 31, 2017 compared to \$638,681 during the three months ended March 31, 2016 representing a decrease of \$638,681, or 100%. All business activities associated with the shared wireless business were terminated in the first quarter of 2016.

Network Operations. Network operations totaled zero during the three months ended March 31, 2017 compared to \$183,583 during the three months ended March 31, 2016 representing a decrease of \$183,583, or 100%. Payroll expense totaled zero during the 2017 period compared to \$145,066 during the 2016 period representing a decrease of \$145,066. The business was terminated in early March 2016. Other costs totaled zero during the 2017 period compared to \$38,517 during the 2016 period representing a decrease of \$38,517. Certain costs were incurred in the 2016 period related to the termination of the business.

Customer Support Services. Customer support services totaled zero during the three months ended March 31, 2017 compared to \$69,804 during the three months ended March 31, 2016 representing a decrease of \$69,804, or 100%. The business was terminated in early March 2016.

General and Administrative. General and administrative expenses totaled zero during the three months ended March 31, 2017 compared to \$47,333 during the three months ended March 31, 2016. The decrease reflects professional services fees incurred in the 2016 period for terminating the business.

Loss from Discontinued Operations. Loss from discontinued operations for the three months ended March 31, 2017 totaled zero compared to \$1,731,825 for the three months ended March 31, 2016 representing a decrease of \$1,731,825, or 100%, and reflects the termination of the business in March 2016.

Liquidity and Capital Resources

Changes in capital resources during the three months ended March 31, 2017 and 2016 are described below.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of March 31, 2017, the Company had cash and cash equivalents of approximately \$11.1 million and a working capital deficiency of approximately \$24.4 million. The Company has incurred significant operating losses since inception and continues to generate losses from operations and as of March 31, 2017, the Company has an accumulated deficit of \$180.5 million. These matters raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are issued. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Historically, the Company has financed its operation through private and public placement of equity securities, as well as debt financing and capital leases. The Company's ability to fund its longer term cash requirements is subject to multiple risks, many of which are beyond its control. The Company intends to raise additional capital, either through debt or equity financings or through the potential sale of the Company's assets in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Continuing Operations

Net Cash Used In Operating Activities. Net cash used in operating activities for the three months ended March 31, 2017 totaled \$311,479 compared to \$2,660,522 for the three months ended March 31, 2016 representing a decrease of \$2,349,043. Revenues generated from continuing operations were \$161,773 lower in the 2017 period which adversely impacted cash flows available to support operating activities. Changes in operating assets and liabilities provided cash of \$123,916 during the 2017 period but used cash of \$1,048,542 in 2016 which represented a total difference of \$1,125,358. Changes in operating assets and liabilities generally represent timing differences regarding payments and receipts, and are normally not indicative of operating results.

Net Cash Used in Investing Activities. Net cash used in investing activities for the three months ended March 31, 2017 totaled \$567,063 compared to \$610,337 for the three months ended March 31, 2016 representing a decrease of \$43,274. Cash capital expenditures totaled \$556,530 in the 2017 period compared to \$625,976 in the 2016 period representing a decrease of \$69,446. The Company was able to redeploy certain equipment from its discontinued operations to support its continuing operations, thereby lowering capital expenditures in the 2017 period. Capital expenditures can fluctuate from period to period depending upon the number of customer additions and upgrades, network construction activity related to increasing capacity or coverage, and other related reasons.

Net Cash Used In Financing Activities. Net cash used in financing activities for the three months ended March 31, 2017 totaled \$254,496 compared to \$234,822 for the three months ended March 31, 2016 representing an increase of \$19,674. The majority of the payments for both periods related to capital lease payments.

Discontinued Operations

Net Cash Used In Operating Activities. Net cash used in operating activities for the three months ended March 31, 2017 totaled \$71,253 compared to \$2,094,260 for the three months ended March 31, 2016 representing a decrease of \$2,023,007. Operating activities for the discontinued business were terminated in March 2016.

Net Cash Provided by Investing Activities. Net cash provided by investing activities for the three months ended March 31, 2017 totaled zero compared to \$124,130 for the three months ended March 31, 2016.

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. On March 9, 2016, the Company completed a sale and transfer of certain assets to a major cable company (the "Buyer"). The asset purchase agreement ("Agreement") provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide internet bandwidth to the Buyer at the locations governed by the leases. The Agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days' notice. The net effect of the Buyer (i) assuming certain rooftop leases, (ii) entering into a backhaul services agreement, and (iii) terminating the access agreement is projected to result in a net reduction in cash requirements of approximately \$6 million annually. During the first quarter of 2016, the Company determined that it would not be able to sell the remainder of the New York City network, and accordingly, all remaining assets are being redeployed into the fixed wireless network or written off. The operating results and cash flows for Hetnets have been reclassified and presented as discontinued operating results for all periods presented in these condensed consolidated financial statements.

Other Considerations

Debt Financing . In October 2014, we entered into a loan agreement (the “Loan Agreement”) with Melody Business Finance, LLC (the “Lender”). The Lender provided us with a five-year \$35,000,000 secured term loan (the “Financing”). The Financing was issued at a 3% discount and the Company incurred \$2,893,739 in debt issuance costs. Net proceeds were \$31,056,260.

The loan bears interest at a rate equal to the greater of (i) the sum of the most recently effective one month LIBOR as in effect on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind (“PIK”), or deferred, interest that accrues at 4% per annum.

The aggregate principal amount outstanding plus all accrued and unpaid interest is due in October 2019. The Company had the option of making principal payments (i) on or before October 16, 2016 (the “Second Anniversary”) but only for the full amount outstanding and (ii) after the Second Anniversary in minimum amount(s) of \$5,000,000 plus multiples of \$1,000,000.

In connection with the Loan Agreement and pursuant to a Warrant and Registration Rights Agreement, we issued warrants (the “Warrants”) to purchase 180,000 shares of common stock of which two-thirds have an exercise price of \$25.20 and one-third have an exercise price of \$0.20, subject to standard anti-dilution provisions. The Warrants have a term of seven and a half years.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Critical accounting policies are those that require the application of management’s most difficult, subjective or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In preparing the financial statements, we utilize available information, including our past history, industry standards and the current economic environment, among other factors, in forming our estimates and judgments, giving appropriate consideration to materiality. Actual results may differ from these estimates. In addition, other companies may utilize different estimates which may impact the comparability of our results of operations to other companies in our industry. We believe that of our significant accounting policies, the following may involve a higher degree of judgment and estimation, or are fundamentally important to our business.

Revenue Recognition. We generally enter into contractual agreements with our customers for periods ranging between one to three years. We recognize the total revenue provided under a contract ratably over the contract period including any periods under which we have agreed to provide services at no cost. Deferred revenues are recognized as a liability when billings are issued in advance of the date when revenues are earned. We recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery or installation has been completed, (iii) the customer accepts and verifies receipt, and (iv) collectability is reasonably assured.

Long-Lived Assets . Long-lived assets with definite lives consist primarily of property and equipment, and intangible assets such as acquired customer relationships. Long-lived assets are evaluated periodically for impairment or whenever events or circumstances indicate their carrying value may not be recoverable. Conditions that would result in an impairment charge include a significant decline in the fair value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset’s carrying value to determine if impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of their carrying value or net realizable value.

Off-Balance Sheet Arrangements. We have no off-balance sheet arrangements, financings, or other relationships with unconsolidated entities known as “Special Purposes Entities.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential loss arising from adverse changes in market rates and prices. Our primary market risk relates to interest rates. At March 31, 2017, all cash and cash equivalents are immediately available cash balances. A portion of our cash and cash equivalents are held in institutional money market funds.

Item 4. Controls and Procedures.**Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). 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, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective, as of March 31, 2017, in ensuring that material information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The Company had determined there was a material weakness in its system of internal control as it relates to monitoring compliance with covenants in its debt agreement.

Changes in Internal Control over Financial Reporting

There were no other changes in our system of internal control over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
31.1	Section 302 Certification of Principal Executive Officer.
31.2	Section 302 Certification of Principal Financial Officer.
32.1	Section 906 Certification of Principal Executive Officer.
32.2	Section 906 Certification of Principal Financial Officer.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Labels Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

*Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statement of Stockholders' Deficit, and (v) related notes to these financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOWERSTREAM CORPORATION

Date: June 26, 2017

By: /s/ Ernest Ortega
Ernest Ortega
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Laura W. Thomas
Laura W. Thomas
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ernest Ortega, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q/A of Towerstream Corporation for the quarter ended March 31, 2017;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the 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 the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2017

/s/ Ernest Ortega

Ernest Ortega
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Laura W. Thomas, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q/A of Towerstream Corporation for the quarter ended March 31, 2017;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the 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 the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2017

/s/ Laura W. Thomas

Laura W. Thomas

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report of Towerstream Corporation, (the “Company”) on Form 10-Q/A for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ernest Ortega, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: June 26, 2017

/s/ Ernest Ortega

Ernest Ortega
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report of Towerstream Corporation, (the “Company”) on Form 10-Q/A for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Laura W. Thomas, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: June 26, 2017

/s/ Laura W. Thomas

Laura W. Thomas

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)