
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2012

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 001-12593

Atlantic Tele-Network, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-0728886
(I.R.S. Employer
Identification Number)

600 Cummings Center
Beverly, MA 01915
(Address of principal executive offices, including zip code)

(978) 619-1300
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of November 9, 2012, the registrant had outstanding 15,569,547 shares of its common stock (\$.01 par value).

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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (or the “Report”) contains forward-looking statements relating to, among other matters, our future financial performance and results of operations; the competitive environment in our key markets, demand for our services and industry trends; the outcome of litigation and regulatory matters; our continued access to the credit and capital markets; the pace of our network expansion and improvement, including our level of estimated future capital expenditures and our realization of the benefits of these investments; and management’s plans and strategy for the future. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events or results. Actual future events and results could differ materially from the events and results indicated in these statements as a result of many factors, including, among others, (1) the general performance of our U.S. operations, including operating margins, and the future retention and turnover of our subscriber base; (2) our ability to maintain favorable roaming arrangements; (3) increased competition; (4) economic, political and other risks facing our foreign operations; (5) the loss of certain FCC and other licenses and other regulatory changes affecting our businesses; (6) rapid and significant technological changes in the telecommunications industry; (7) any loss of any key members of management; (8) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure and retail wireless business; (9) the adequacy and expansion capabilities of our network capacity and customer service system to support our customer growth; (10) the occurrence of severe weather and natural catastrophes; (11) the current difficult global economic environment, along with difficult and volatile conditions in the capital and credit markets; (12) our continued access to capital and credit markets and (13) our ability to realize the value that we believe exists in businesses that we may or have acquired. These and other additional factors that may cause actual future events and results to differ materially from the events and results indicated in the forward-looking statements above are set forth more fully under Item 1A “Risk Factors” of this Report as well as the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012 and in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, as filed with the SEC on May 10, 2012. The Company undertakes no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect such forward-looking statements.

In this Report, the words “the Company”, “we,” “our,” “ours,” “us” and “ATN” refer to Atlantic Tele-Network, Inc. and its subsidiaries, unless the context indicates otherwise. This Report contains trademarks, service marks and trade names such as “Alltel”, “CellOne”, “Cellink”, “Islandcom”, “Choice”, “Sovernet” and “ION” that are the property of, or licensed by, ATN, and its subsidiaries.

Reference to dollars (\$) refer to U.S. dollars unless otherwise specifically indicated.

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PART I—FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in thousands, except per share amounts)

	December 31, 2011	September 30, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 48,735	\$ 111,408
Accounts receivable, net of allowances of \$15.3 million and \$14.2 million, respectively	71,159	77,237
Materials and supplies	20,802	23,307
Deferred income taxes	21,921	24,147
Income tax receivable	11,545	—
Prepayments and other current assets	9,738	13,590
Total current assets	183,900	249,689
Property, plant and equipment, net	483,203	447,426
Telecommunications licenses	87,468	88,482
Goodwill	45,077	45,077
Trade name license, net	13,013	12,653
Customer relationships, net	41,314	34,804
Other assets	19,756	28,368
Total assets	\$ 873,731	\$ 906,499
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 25,068	\$ 15,680
Accounts payable and accrued liabilities	57,262	49,988
Dividends payable	3,548	3,905
Accrued taxes	7,739	25,244
Advance payments and deposits	15,834	18,615
Other current liabilities	36,327	38,815
Total current liabilities	145,778	152,247
Deferred income taxes	88,906	90,911
Other liabilities	29,371	26,398
Long-term debt, excluding current portion	257,146	254,568
Total liabilities	521,201	524,124
Commitments and contingencies (Note 11)		
Atlantic Tele-Network, Inc.'s Stockholders' Equity:		
Preferred stock, \$0.01 par value per share; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value per share; 50,000,000 shares authorized; 15,955,886 and 16,079,494 shares issued, respectively, and 15,451,238 and 15,569,547 shares outstanding, respectively	160	160
Treasury stock, at cost; 504,648 and 509,947 shares, respectively	(4,942)	(5,144)
Additional paid-in capital	118,620	122,585
Retained earnings	190,327	215,094
Accumulated other comprehensive loss	(9,899)	(10,434)
Total Atlantic Tele-Network, Inc.'s stockholders' equity	294,266	322,261
Non-controlling interests	58,264	60,114
Total equity	352,530	382,375
Total liabilities and equity	\$ 873,731	\$ 906,499

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

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ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 and 2012
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
REVENUE:				
U.S. wireless:				
Retail	\$ 89,143	\$ 83,269	\$ 284,221	\$ 254,081
Wholesale	57,048	54,918	153,615	153,854
International wireless	20,377	21,048	52,874	60,318
Wireline	21,748	21,120	63,305	63,573
Equipment and other	6,030	8,443	22,238	25,155

Total revenue	194,346	188,798	576,253	556,981
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	48,764	38,790	155,077	118,224
Engineering and operations	20,165	20,796	63,967	64,077
Sales and marketing	33,965	27,929	101,874	91,306
Equipment expense	14,379	23,408	54,447	65,747
General and administrative	25,014	22,195	81,405	67,102
Acquisition-related charges	98	2	664	7
Depreciation and amortization	26,712	26,048	76,903	79,654
Gain on disposition of long-lived assets	(2,397)	—	(2,397)	—
Total operating expenses	166,700	159,168	531,940	486,117
Income from operations	27,646	29,630	44,313	70,864
OTHER INCOME (EXPENSE):				
Interest expense	(4,320)	(2,986)	(12,743)	(10,953)
Interest income	99	3	680	200
Equity in earnings of an unconsolidated affiliate	729	679	1,484	3,011
Other, net	255	199	854	(133)
Other income (expense), net	(3,237)	(2,105)	(9,725)	(7,875)
INCOME BEFORE INCOME TAXES	24,409	27,525	34,588	62,989
Income tax expense	11,193	9,513	16,074	24,273
NET INCOME	13,216	18,012	18,514	38,716
Net loss (income) attributable to non-controlling interests, net of tax of \$0.6 million and \$0.7 million for the three months ended September 30, 2011 and 2012, respectively, and \$1.4 million and \$1.8 million for the nine months ended September 30, 2011 and 2012, respectively.	(1,880)	(2,047)	(866)	(2,900)
NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS	\$ 11,336	\$ 15,965	\$ 17,648	\$ 35,816
NET INCOME PER WEIGHTED AVERAGE SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS				
Basic	\$ 0.74	\$ 1.03	\$ 1.15	\$ 2.31
Diluted	\$ 0.73	\$ 1.02	\$ 1.14	\$ 2.30
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	15,401	15,560	15,393	15,517
Diluted	15,489	15,651	15,490	15,605
DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK	\$ 0.23	\$ 0.25	\$ 0.67	\$ 0.71

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

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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012
(Unaudited)
(Dollars in thousands)**

	Nine Months Ended September 30,	
	2011	2012
Net income	\$ 18,514	\$ 38,716
Other comprehensive income:		
Foreign currency translation adjustment	13	—
Unrealized (loss) gain on interest rate swap, net of tax benefit of \$1.6 million and \$0.4 million respectively	(2,385)	(535)
Other comprehensive (loss) income, net of tax	(2,372)	(535)
Comprehensive income	16,142	38,181
Less: Comprehensive income attributable to non-controlling interests	(866)	(2,900)
Comprehensive income attributable to Atlantic Tele-Network, Inc.	\$ 15,276	\$ 35,281

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

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**ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012
(Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2011	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 18,514	\$ 38,716
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	76,903	79,654
Provision for doubtful accounts	5,157	9,766
Amortization of debt discount and debt issuance costs	1,420	2,068
Stock-based compensation	2,660	2,744
Deferred income taxes	177	136
Equity in earnings of an unconsolidated affiliate	(1,484)	(3,011)
Gain on disposition of long-lived assets	(2,397)	—
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(22,088)	(15,844)
Materials and supplies, prepayments, and other current assets	13,670	(3,404)
Income tax receivable	—	11,545
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(13,478)	272
Accrued taxes	7,373	17,505
Other	(1,690)	(2,672)
Net cash provided by operating activities	<u>84,737</u>	<u>137,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(65,850)	(50,505)
Cash acquired in business combinations	4,087	—
Proceeds from disposition of long-lived assets	1,200	—
Decrease in restricted cash	467	—
Net cash used in investing activities	<u>(60,096)</u>	<u>(50,505)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing under term loan	—	275,000
Proceeds from borrowings under revolver loan	93,153	46,378
Principal repayments of term loan	(9,984)	(256,873)
Principal repayments of revolver loan	(79,619)	(74,534)
Proceeds from stock option exercises	193	1,240
Dividends paid on common stock	(10,159)	(10,692)
Distributions to non-controlling interests	(2,531)	(2,010)
Payments of debt issuance costs	(1,020)	(3,564)
Repurchase of non-controlling interests	(446)	(80)
Investments made by non-controlling interests	684	1,040
Purchase of common stock	(129)	(202)
Net cash used in financing activities	<u>(9,858)</u>	<u>(24,297)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>14,783</u>	<u>62,673</u>
CASH AND CASH EQUIVALENTS, beginning of the period	<u>37,330</u>	<u>48,735</u>
CASH AND CASH EQUIVALENTS, end of the period	<u>\$ 52,113</u>	<u>\$ 111,408</u>

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

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ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS OPERATIONS

The Company provides wireless and wireline telecommunications services in North America, Bermuda and the Caribbean. Through its operating subsidiaries, the Company offers the following principal services:

- **Wireless.** In the United States, the Company offers wireless voice and data services to retail customers under the “Alltel” name in rural markets located principally in the Southeast and Midwest. Additionally, the Company offers wholesale wireless voice and data roaming services to national, regional and local wireless carriers and selected international wireless carriers in rural markets located principally in the Southwest and Midwest. The Company also offers wireless voice and data services to retail customers in Bermuda under the “CellOne” name, in Guyana under the “Cellink” name, and in other smaller markets in the Caribbean and the United States under other tradenames.
- **Wireline.** The Company’s local telephone and data services include its operations in Guyana and the mainland United States. The Company is the exclusive licensed provider of domestic wireline local and long distance telephone services in Guyana and international voice and data communications into and out of Guyana. The Company also offers facilities-based integrated voice and data communications services to enterprise and residential customers in New England, primarily in Vermont, and wholesale transport services in New York State and New England.

In the second quarter of 2011, the Company completed the merger of its Bermuda operations with M3 Wireless, Ltd., a leading retail wireless provider in Bermuda. For more information on the merger in Bermuda, see Note 4. The Company actively evaluates additional investment and acquisition opportunities in the United States and the Caribbean that meet the Company's return-on-investment and other acquisition criteria.

The following chart summarizes the operating activities of the Company's principal subsidiaries, the segments in which the Company reports its revenue and the markets it served as of September 30, 2012:

Services	Segment	Markets	Tradenames
Wireless	U.S. Wireless	United States (rural markets)	Alltel, Choice
	Island Wireless	Aruba, Bermuda, Turks and Caicos, U.S. Virgin Islands	Mio, CellOne, Islandcom, Choice
	International Integrated Telephony	Guyana	Cellink
Wireline	International Integrated Telephony	Guyana	GT&T, Emagine
	U.S. Wireline	United States (New England and New York State)	Sovernet, ION

The Company provides management, technical, financial, regulatory, and marketing services to its subsidiaries and typically receives a management fee equal to a percentage of their respective revenue. Management fees from consolidated subsidiaries are eliminated in consolidation. For information about the Company's business segments and geographical information about its revenue, operating income and long-lived assets, see Note 10 to the Consolidated Financial Statements included in this Report.

2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial position and results of operations for such periods. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Results of interim periods may not be indicative of results for the full year. These condensed consolidated financial statements and related notes should be read in conjunction with the Company's 2011 Annual Report on Form 10-K.

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Consolidation

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

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Recent Accounting Pronouncements

In June 2011, the FASB issued a new accounting standard that requires net income, the components of OCI, and total comprehensive income to be presented in either one continuous statement or in two separate, but consecutive, statements. The standard also requires that items reclassified from OCI to net income be presented on the face of the financial statements. The standard, which the Company adopted during the first quarter of 2012, did not have a material impact on its financial position, results of operations or liquidity.

In May 2011, the FASB issued amended guidance that clarifies the application of existing fair value measurement and increases certain related disclosure requirements about measuring fair value. The standard, which the Company adopted during the first quarter of 2012, did not have a material impact on its financial position, results of operations or liquidity.

Other new pronouncements issued but not effective until after September 30, 2012, are not expected to have a material impact on the Company's financial position, results of operations or liquidity.

3. USE OF ESTIMATES

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

4. ACQUISITIONS

Merger with M3 Wireless, Ltd.

On May 2, 2011, the Company completed the merger of its Bermuda wireless operations, Bermuda Digital Communications, Ltd. ("BDC"), with that of M3 Wireless, Ltd. ("M3"), a wireless provider in Bermuda (the "CellOne Merger"). As part of the CellOne Merger, M3 merged with and into BDC, and the combined entity continues to operate under BDC's CellOne brand. As a result of the CellOne Merger, the Company's 58% ownership interest in BDC was

reduced to a controlling 42% interest in the combined entity. Since the Company has the right to designate the majority of seats on the combined entity's board of directors and therefore controls its management and policies, the Company has consolidated the results of the combined entity in its consolidated financial statements effective on the date of the CellOne Merger.

The CellOne Merger was accounted for using the purchase method and M3's results of operations since May 2, 2011 have been included in the Company's Island Wireless segment as reported in Note 10. The total consideration of the CellOne Merger was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the CellOne Merger as determined by management. The consideration paid for M3 was determined based on the estimated fair value of the equity of M3. The table below represents the assignment of the total consideration to the tangible and intangible assets and liabilities of M3 based on their merger date fair values (in thousands) noting that Bermuda is a non-taxable jurisdiction:

Total consideration	\$ 6,655
Purchase price allocation:	
Net working capital	\$ 675
Property, plant and equipment	10,577
Customer relationships	2,600
Telecommunications licenses	6,100
Goodwill	3,105
Note payable-affiliate (see Note 6)	(7,012)
Other long term liabilities	(200)
Non-controlling interests	(9,190)
Net assets acquired	\$ 6,655

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The amortization period of the customer relationships is 12.0 years. The value of the goodwill from the CellOne Merger can be attributed to a number of business factors including, but not limited to, the reputation of M3 as a retail provider of wireless services and a network operator, M3's reputation for customer care and the strategic position M3 holds in Bermuda.

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The following table reflects unaudited pro forma results of operations of the Company for the nine months ended September 30, 2011 assuming that the merger of M3 had occurred at the beginning of the earliest period presented (in thousands, except per share data):

	Nine Months ended September 30, 2011	
	As Reported	As Adjusted
Revenue	\$ 576,253	\$ 582,341
Net income	17,648	18,183
Earnings per share:		
Basic	\$ 1.15	\$ 1.18
Diluted	1.14	1.17

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

5. FAIR VALUE MEASUREMENTS

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset and liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include money market funds, debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

This category generally includes corporate obligations and non-exchange traded derivative contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and liabilities of the Company measured at fair value on a recurring basis as of December 31, 2011 and September 30, 2012 are summarized as follows:

Description	December 31, 2011		Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	
Certificates of deposit	\$ —	\$ 3,366	\$ 3,366
Money market funds	3,847	—	3,847
Total assets measured at fair value	\$ 3,847	\$ 3,366	\$ 7,213
Interest rate derivative (Note 7)	\$ —	\$ 11,337	\$ 11,337
Total liabilities measured at fair value	\$ —	\$ 11,337	\$ 11,337

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Description	September 30, 2012		Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	
Certificates of deposit	\$ —	\$ 350	\$ 350
Money market funds	5,625	—	5,625
Total assets measured at fair value	\$ 5,625	\$ 350	\$ 5,975
Interest rate derivative (Note 7)	\$ —	\$ 12,229	\$ 12,229
Total liabilities measured at fair value	\$ —	\$ 12,229	\$ 12,229

Money Market Funds and Certificates of Deposit

As of December 31, 2011 and September 30, 2012, this asset class consisted of time deposits at financial institutions denominated in U.S. dollars and a money market portfolio that comprises Federal government and U.S. Treasury securities. The asset class is classified within Level 1 of the fair value hierarchy because its underlying investments are valued using quoted market prices in active markets for identical assets.

Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. When deemed appropriate, the Company manages economic risks related to interest rates primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company entered into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash payments principally related to the Company's borrowings.

We did not have any significant nonfinancial assets or nonfinancial liabilities that would be recognized or disclosed at fair value on a recurring basis as of December 31, 2011 and September 30, 2012. The Company did not have any transfers of assets or liabilities between levels of the fair value hierarchy during the three months ended December 31, 2011 and September 30, 2012.

6. LONG-TERM DEBT

Long-term debt comprises the following (in thousands):

	December 31, 2011	September 30, 2012
Notes payable - Bank		
Term loans	\$ 252,113	\$ 271,500
Revolver loan	28,156	—
Note Payable — Other	5,752	4,492
Total outstanding debt	286,021	275,992
Less: current portion	(25,068)	(15,680)
Total long-term debt	260,953	260,312
Less: debt discount	(3,807)	(5,744)
Net carrying amount	\$ 257,146	\$ 254,568

Loan Facilities—Bank

On May 18, 2012, the Company amended and restated its existing credit facility with CoBank, ACB (the "Amended Credit Facility") providing for \$275.0 million in two term loans and a revolver loan of up to \$100.0 million (which includes a \$10.0 million swingline sub-facility) and additional term loans up to an aggregate of \$100.0 million, subject to lender approval.

On October 29, 2012, the Company further amended its Amended Credit Facility to provide for an additional letter of credit sub-facility to its revolver loan, to be available for issuance in connection with the Company's Mobility Fund Grant obligations. Under the amendment, the Company has the ability to use up to \$55 million of its revolving credit facility for the issuance of letters of credit, which, when issued, will accrue a fee at a rate of 1.75% per annum on the outstanding amounts. The Company currently has no Mobility Fund letters of credit outstanding. See Note 12.

The term loan A-1 is \$125 million and matures on June 30, 2017 (the "Term Loan A-1"). The term loan A-2 is \$150 million and matures on June 30, 2019 (the "Term Loan A-2" and collectively with the Term Loan A-1, the "Term Loans"). Each of the Term Loans require certain quarterly repayment obligations. The revolver loan matures on June 30, 2017. The Company may prepay the

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Amended Credit Facility at any time without premium or penalty, other than customary fees for the breakage of London Interbank Offered Rate (LIBOR) loans.

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Amounts borrowed under the Term Loan A-1 and the revolver loan bear interest at a rate equal to, at the Company's option, either (i) LIBOR plus an applicable margin ranging between 2.00% to 3.50% or (ii) a base rate plus an applicable margin ranging from 1.00% to 2.50% (or, in the case of amounts borrowed under the swingline sub-facility, an applicable margin ranging from 0.50% to 2.00%). Amounts borrowed under the Term Loan A-2 bear interest at a rate equal to, at the Company's option, either (i) the LIBOR plus an applicable margin ranging between 2.50% to 4.00% or (ii) a base rate plus an applicable margin ranging from 1.50% to 3.00%. The base rate is equal to the higher of (i) 1.50% plus the higher of (x) the one-week LIBOR and (y) the one-month LIBOR; and (ii) the prime rate (as defined in the Amended Credit Facility). The applicable margin is determined based on the ratio of the Company's indebtedness (as defined in the Amended Credit Facility) to its EBITDA (as defined in the Amended Credit Facility).

Borrowings as of September 30, 2012, after considering the effect of the interest rate swap agreements as described in Note 7, bore a weighted-average interest rate of 4.36%. Availability under the revolver loan, net of an outstanding letter of credit of \$0.1 million, was \$99.9 million as of September 30, 2012. Upon completing the Amended Credit Facility, the Company expensed \$0.7 million of deferred financing costs, which are included in other income (expense) within the statement of operations for the nine months ended September 30, 2012.

Under the terms of the Amended Credit Facility, the Company must also pay a fee ranging from 0.25% to 0.50% of the average daily unused portion of the revolver loan over each calendar quarter, in which the fee is payable in arrears on the last day of each calendar quarter.

The Amended Credit Facility contains customary representations, warranties and covenants, including covenants by the Company limiting additional indebtedness, liens, guaranties, mergers and consolidations, substantial asset sales, investments and loans, sale and leasebacks, transactions with affiliates and fundamental changes. In addition, the Amended Credit Facility contains financial covenants by the Company that (i) impose a maximum leverage ratio of indebtedness to EBITDA, (ii) require a minimum debt service ratio of EBITDA to principal, interest and taxes payments and (iii) require a minimum ratio of equity to consolidated assets. As of September 30, 2012, the Company was in compliance with all of the financial covenants of the Amended Credit Facility.

Prior to the execution of the Amended Credit Facility, the Company's existing credit facility with CoBank, ACB, entered into on September 30, 2010 (the "Previous Credit Facility") provided for \$275.0 million in term loans and a revolver loan of up to \$100.0 million (which includes a \$10.0 million swingline sub-facility) and additional term loans up to an aggregate of \$50.0 million, subject to lender approval. These term loans were scheduled to mature on September 30, 2014 and required certain quarterly repayment obligations. The revolver loan was scheduled to mature on September 10, 2014. As a result of an amendment entered into on September 16, 2011, amounts borrowed under the Previous Credit Facility bore interest at a rate equal to, at the Company's option, either (i) LIBOR plus an applicable margin ranging between 2.75% to 4.25% or (ii) a base rate plus an applicable margin ranging from 1.75% to 3.25% (or, in the case of amounts borrowed under the swingline sub-facility, an applicable margin ranging from 1.25% to 2.75%). The applicable margin was determined based on the ratio of the Company's indebtedness to its EBITDA (each as defined in the Previous Credit Facility agreement).

Note Payable—Other

In connection with the CellOne Merger with M3 Wireless, Ltd., the Company assumed a term loan of approximately \$7.0 million owed to Keytech Ltd., the former parent company of M3 and current 42% minority shareholder in the Company's Bermuda operations. The term loan requires quarterly repayments of principal, matures on March 15, 2015 and bears interest at a rate of 7% per annum.

The Company believes that the carrying value of its debt approximates fair value which was based on quoted market prices and falls within Level 1 of the fair value measurement hierarchy.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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The effective portion of changes in the fair value of interest rate swaps designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company uses its derivatives to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings. No hedge ineffectiveness was recognized during any of the periods presented.

The total outstanding notional amount of cash flow hedges which were in effect on September 30, 2012 was \$143.0 million.

During August 2012, the Company entered into two additional forward-starting interest rate swaps which are designated and qualify as cash flow hedges. One cash flow hedge is effective September 30, 2014 and has a notional amount starting at \$20.0 million and expands to \$130.0 million over the

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Amounts reported in accumulated other comprehensive income related to the interest rate swaps are reclassified to interest expense as interest payments are accrued on the Company's variable-rate debt. Through September 30, 2013, the Company estimates that an additional \$4.1 million will be reclassified as an increase to interest expense due to the interest rate swaps since the hedge interest rate exceeds the variable interest rate on the debt.

The table below presents the fair value of the Company's derivative financial instruments as well as its classification on the consolidated balance sheet as of December 31, 2011 and September 30, 2012 (in thousands):

	Balance Sheet Location	Liability Derivatives	
		Fair Value as of	
		December 31, 2011	September 30, 2012
Derivatives designated as hedging instruments:			
Interest Rate Swaps	Other liabilities	\$ 11,337	\$ 12,229
Total derivatives designated as hedging instruments		\$ 11,337	\$ 12,229

The table below presents the effect of the Company's derivative financial instruments on the consolidated income statements for the three and nine months ended September 30, 2011 and 2012 (in thousands):

Three Months Ended September 30,	Derivative in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)
2012	Interest Rate Swap	(1,192)	Interest expense	1,044
Nine Months Ended September 30,	Derivative in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)
2012	Interest Rate Swap	(892)	Interest expense	3,100

Credit-risk-related Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of September 30, 2012, the fair value of the interest rate swaps liability position related to these agreements was \$12.2 million. As of September 30, 2012, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at September 30, 2012, it would have been required to settle its obligations under these agreements at their termination values of \$12.2 million.

8. RECONCILIATION OF TOTAL EQUITY

Total equity was as follows (in thousands):

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	Nine Months Ended September 30,					
	2011			2012		
	Atlantic Tele- Network, Inc.	Non-Controlling Interests	Total Equity	Atlantic Tele- Network, Inc.	Non-Controlling Interests	Total Equity
Equity, beginning of period	\$ 283,768	\$ 45,268	\$ 329,036	\$ 294,266	\$ 58,264	\$ 352,530
Stock-based compensation	2,660	—	2,660	2,744	—	2,744
Comprehensive income:						
Net income	17,648	866	18,514	35,816	2,900	38,716
Other comprehensive income(loss)-						
Translation Adjustment	13	—	13	—	—	—
Gain (loss) on interest rate swap (net of tax)	(2,385)	—	(2,385)	(535)	—	(535)
Total comprehensive income	15,276	866	16,142	35,281	2,900	38,181
Issuance of common stock upon exercise of stock options	193	—	193	1,240	—	1,240
Dividends declared on common stock	(10,320)	—	(10,320)	(11,068)	—	(11,068)
Distributions to non-controlling interests	—	(2,531)	(2,531)	—	(2,010)	(2,010)

Investments made by minority shareholders	—	3,684	3,684	—	1,040	1,040
Repurchase of non-controlling interests	—	—	—	—	(80)	(80)
Change in equity ownership of consolidated subsidiaries	3,475	11,923	15,398	—	—	—
Purchase of common shares	(129)	—	(129)	(202)	—	(202)
Equity, end of period	\$ 294,923	\$ 59,210	\$ 354,133	\$ 322,261	\$ 60,114	\$ 382,375

9. NET INCOME PER SHARE

For the three and nine months ended September 30, 2011 and 2012, outstanding stock options were the only potentially dilutive securities. The reconciliation from basic to diluted weighted average common shares outstanding is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Basic weighted-average common shares outstanding	15,401	15,560	15,393	15,517
Stock options	88	91	97	88
Diluted weighted-average common shares outstanding	15,489	15,651	15,490	15,605

The above calculations for the three months ended September 30, 2011 and 2012 do not include 313,000 and 322,000 shares, respectively, related to certain stock options because the effects of such were anti-dilutive. For the nine months ended September 30, 2011 and 2012, the calculation does not include 267,000 and 362,000 shares, respectively, related to certain stock options because the effect on such options was anti-dilutive.

10. SEGMENT REPORTING

The Company has four reportable segments for separate disclosure in accordance with the FASB's authoritative guidance on disclosures about segments of an enterprise. Those four segments are: i) U.S. Wireless, which generates all of its revenues in and has all of its assets located in the United States, ii) International Integrated Telephony, which generates all of its revenues in and has all of its assets located in Guyana, iii) Island Wireless, which generates all of its revenues in and has all of its assets located in Bermuda, the U.S. Virgin Islands, Aruba and Turks and Caicos and iv) U.S. Wireline, which generates all of its revenues in and has all of its assets located in the United States. The operating segments are managed separately because each offers different services and serves different markets.

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

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	For the Three Months Ended September 30, 2011					
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Revenue						
U.S. Wireless:						
Retail	\$ 89,143	\$ —	\$ —	\$ —	\$ —	\$ 89,143
Wholesale	57,048	—	—	—	—	57,048
International Wireless	—	6,695	13,682	—	—	20,377
Wireline	139	16,638	—	4,971	—	21,748
Equipment and Other	4,428	71	1,531	—	—	6,030
Total Revenue	150,758	23,404	15,213	4,971	—	194,346
Depreciation and amortization	18,417	4,506	2,748	797	244	26,712
Non-cash stock-based compensation	58	—	—	—	712	770
Operating income (loss)	26,840	6,771	(1,186)	(111)	(4,668)	27,646
	For the Nine Months Ended September 30, 2011					
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Revenue						
U.S. Wireless:						
Retail	\$ 284,221	\$ —	\$ —	\$ —	\$ —	\$ 284,221
Wholesale	153,615	—	—	—	—	153,615
International Wireless	—	20,326	32,548	—	—	52,874
Wireline	416	47,814	—	15,075	—	63,305
Equipment and Other	17,859	264	4,115	—	—	22,238
Total Revenue	456,111	68,404	36,663	15,075	—	576,253
Depreciation and amortization	53,188	13,610	7,071	2,374	660	76,903
Non-cash stock-based compensation	425	—	—	—	2,235	2,660
Operating income (loss)	43,775	19,655	(5,289)	(100)	(13,728)	44,313
	For the Three Months Ended September 30, 2012					
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Revenue						
U.S. Wireless:						

Retail	\$	83,269	\$	—	\$	—	\$	—	\$	83,269
Wholesale		54,918		—		—		—		54,918
International Wireless		—		6,838		14,210		—		21,048
Wireline		152		16,128		—		5,043		(203)
Equipment and Other		6,632		377		1,434		—		—
Total Revenue		144,971		23,343		15,644		5,043		(203)
Depreciation and amortization		17,754		4,602		2,875		697		120
Non-cash stock-based compensation		62		—		—		—		774
Operating income (loss)		28,394		6,401		1,061		(566)		(5,660)

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For the Nine Months Ended September 30, 2012						
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Revenue						
U.S. Wireless:						
Retail	\$ 254,081	\$ —	\$ —	\$ —	\$ —	\$ 254,081
Wholesale	153,854	—	—	—	—	153,854
International Wireless	—	19,891	40,427	—	—	60,318
Wireline	450	48,692	—	14,634	(203)	63,573
Equipment and Other	19,950	1,334	3,871	—	—	25,155
Total Revenue	428,335	69,917	44,298	14,634	(203)	556,981
Depreciation and amortization	54,780	16,921	8,444	2,135	(2,626)	79,654
Non-cash stock-based compensation	159	—	—	—	2,585	2,744
Operating income (loss)	71,294	16,973	(263)	(1,655)	(15,485)	70,864

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Segment Assets						
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
December 31, 2011:						
Net fixed assets	\$ 296,279	\$ 129,069	\$ 40,446	\$ 9,126	\$ 8,283	\$ 483,203
Goodwill	32,148	—	5,438	7,491	—	45,077
Total assets	544,388	171,676	84,057	22,790	50,820	873,731
September 30, 2012:						
Net fixed assets	\$ 265,411	121,579	35,572	14,522	10,342	447,426
Goodwill	32,148	—	5,438	7,491	—	45,077
Total assets	532,506	181,355	82,354	31,800	78,484	906,499
Capital Expenditures						
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Nine Months Ended September 30,						
2011	\$ 43,532	\$ 12,697	\$ 5,812	\$ 1,805	\$ 2,004	\$ 65,850
2012	\$ 29,446	\$ 7,362	\$ 3,915	\$ 7,280	\$ 2,502	\$ 50,505

11. COMMITMENTS AND CONTINGENCIES

Regulatory and Litigation Matters

The Company and its subsidiaries are subject to certain regulatory and legal proceedings and other claims arising in the ordinary course of business, some of which involve claims for damages and taxes that are substantial in amount. The Company believes that, except for the items discussed in its Annual Report on Form 10-K for the year ended December 31, 2011, for which the Company is currently unable to predict the final outcome, the disposition of proceedings currently pending will not have a material adverse effect on the Company's financial position or results of operations.

On July 20, 2012 a trial court in Guyana made findings calling into question the validity of the exclusive license held by the Company's Guyana subsidiary, Guyana Telephone & Telegraph Ltd. ("GT&T"), to provide international voice and data service in Guyana and the applicability of that license to telecommunications services using Voice over Internet Protocol ("VoIP"). The findings were made in a breach of contract case brought originally in 2007 against GT&T by a subscriber to its internet service. Digicel, our main competitor in Guyana, in response to the trial court's findings, began connecting its own international traffic out of Guyana without receiving an international license and at rates which had not been approved by the Guyana Public Utilities Commission ("PUC"). In response, the Guyana Public Utilities Commission ordered Digicel to cease providing service at these rates and the government of Guyana notified us that they have undertaken to advise Digicel that its activities are in contravention of Guyana law. The Guyana courts also granted GT&T an interim injunction restraining Digicel from bypassing GT&T's network, which we expect to remain in effect until the court holds a hearing on GT&T's request for a permanent injunction or until the court otherwise determines to remove the temporary injunction. No such hearing has currently been scheduled. GT&T has also appealed the case, not only with respect to the contract claim, but also as to the court's findings regarding the exclusivity of GT&T's license and its application to VoIP services.

Historically, the Company has been subject to litigation proceedings and other disputes in Guyana that while not conclusively resolved, to its knowledge have not been the subject of discussions or other significant activity in the last five years. It is possible that these disputes may be revived. The Company believes that none of these additional proceedings would, in the event of an adverse outcome, have a material impact on its consolidated financial position, results of operation or liquidity. For all of the regulatory, litigation, or related matters listed above and in our Form 10-K for the year ended December 31, 2011, the Company believes some adverse outcome is probable and has accordingly accrued \$5.0 million as of September 30, 2012.

12. SUBSEQUENT EVENT

In November 2011, the Federal Communications Commission (“FCC”) released an Order reforming its Universal Service Fund (“USF”) program, which previously provided support to carriers seeking to offer telecommunications services in high-cost areas and to low-income households. In 2011, we received approximately \$9.9 million in USF support to our U.S. wireless businesses relating to high-cost areas. Beginning in June 2012, the FCC began phasing out this existing USF support at a rate of 20% per year over the next five years as part of its reform program.

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Also as part of the USF reform program, the FCC created two new funds, including the Mobility Fund, a one-time grant meant to support wireless coverage in underserved geographic areas in the United States. On October 3, 2012, we were provisionally awarded approximately \$68.8 million by the FCC under the new Mobility Fund (the “Mobility Fund Grants”). Although our receipt of the Mobility Fund Grants are still subject to FCC approval, we currently expect to receive approximately \$68.8 million in support beginning in 2013 to expand our voice and broadband networks in certain geographic areas to offer either 3G or 4G coverage pursuant to certain FCC construction and other requirements. The results of our Mobility Fund projects, once initiated, will be included in our “U.S. Wireless” segment.

On October 29, 2012, the Company further amended its Amended Credit Facility to provide for a letter of credit sub-facility to its revolver loan, to be available for issuance in connection with the Company’s Mobility Fund Grant obligations. Under the amendment, the Company has the ability to use up to \$55 million of its revolving credit facility for the issuance of letters of credit, which, when issued, will accrue a fee at a rate of 1.75% per annum on the outstanding amounts. The Company currently has no Mobility Fund letters of credit outstanding. Any actual award of Mobility Fund Grants is subject to certain conditions, including the issuance of a letter of credit. If we fail to comply with any of the terms and conditions upon which the Mobility Fund Grants were granted, or if we lose eligibility for Mobility Fund support, the FCC will be entitled to draw the entire amount of the letter of credit applicable to the affected project and may disqualify us from the receipt of additional Mobility Fund support.

In September 2012 the Government of Guyana officially notified the Company of its intention to sell its 20% ownership interest in GT&T to a third party unaffiliated with either the Government or the Company. In November 2012, and in connection with the sale, the Government agreed to relinquish all of its shareholder related rights with regard to GT&T. The Company has agreed to provide the purchaser of the Government’s shares limited shareholder rights, including the right to minority representation on GT&T’s Board of Directors.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations that follows are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ significantly from these estimates under different assumptions or conditions. This discussion should be read in conjunction with our condensed consolidated financial statements herein and the accompanying notes thereto, and our Annual Report on Form 10-K for the year ended December 31, 2011, in particular, the information set forth therein under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Overview

We provide wireless and wireline telecommunications services in North America, Bermuda and the Caribbean. Through our operating subsidiaries, we offer the following principal services:

- **Wireless.** In the United States, we offer wireless voice and data services to retail customers under the “Alltel” name in rural markets located principally in the Southeast and Midwest. Additionally, we offer wholesale wireless voice and data roaming services to national, regional and local wireless carriers and selected international wireless carriers in rural markets located principally in the Southwest and Midwest. We also offer wireless voice and data services to retail customers in Bermuda under the “CellOne” name, in Guyana under the “Cellink” name, and in other smaller markets in the Caribbean and the United States under other tradenames.
- **Wireline.** Our local telephone and data services include our operations in Guyana and the mainland United States. We are the exclusive licensed provider of domestic wireline local and long distance telephone services in Guyana and international voice and data communications into and out of Guyana. We also offer facilities-based integrated voice and data communications services to enterprise and residential customers in New England, primarily in Vermont, and wholesale transport services in New York State and New England.

In the second quarter of 2011, we completed the merger of our Bermuda operations with M3 Wireless, Ltd., a leading retail wireless provider in Bermuda. We actively evaluate additional investment and acquisition opportunities in the United States and the Caribbean that meet our return-on-investment and other acquisition criteria.

The following chart summarizes the operating activities of our principal subsidiaries, the segments in which we report our revenue and the markets we served as of September 30, 2012:

Services	Segment	Markets	Tradenames
Wireless	U.S. Wireless	United States (rural markets)	Alltel, Choice
	Island Wireless	Aruba, Bermuda, Turks and Caicos, U.S. Virgin Islands	Mio, CellOne, Islandcom, Choice
	International Integrated Telephony	Guyana	Cellink
Wireline	International Integrated Telephony	Guyana	GT&T, Emagine
	U.S. Wireline	United States (New England and New York State)	Sovernet, ION

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

We are dependent on our U.S. Wireless segment for the substantial majority of our revenue and profits. For the quarter and nine months ended September 30, 2012, approximately 77% of our consolidated revenue was generated by our U.S. Wireless segment.

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Our U.S. retail wireless revenue is primarily driven by the number of subscribers to our services, their adoption of our enhanced service offerings and their related voice and data usage. The number of subscribers and their usage volumes and patterns also has a major impact on the profitability of our U.S. retail wireless operations. As of September 30, 2012, our U.S. retail wireless services were provided to approximately 585,000 customers under the “Alltel” brand name. Our wireless licenses provide mobile data and voice coverage to a network footprint covering a population of approximately four and a half million people as of September 30, 2012. Through the acquisition of a portion of the former Alltel network from Verizon Wireless (the “Alltel Acquisition”), we acquired a regional, non-contiguous wireless network that we anticipate will require continued network expansion and improvements as well as roaming support to ensure ongoing nationwide coverage. In late July 2011, we completed the transition of our Alltel customers from the legacy Alltel information technology systems, platforms and customer care centers to our own (the “Alltel Transition”) and as a result, eliminated many of the duplicate costs associated with the migration in the third quarter of 2011.

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Our retail wireless business competes with national, regional and local wireless providers offering both prepaid and postpaid services such as our primary competitor, Verizon Wireless.

We provide wholesale roaming services in a number of areas in the U.S., including in areas in which we also have retail wireless operations. Our wholesale wireless revenue is an important part of our overall U.S. Wireless segment revenue because this revenue has a higher margin of profitability than our retail revenue. Wholesale wireless revenue is primarily driven by the number of sites and base stations we operate, the amount of voice and data traffic from the subscribers of other carriers that each of these sites generates, and the rate we get paid from other carrier customers for serving that traffic.

The most significant competitive factors we face in our U.S. wholesale wireless business is the extent to which our carrier customers choose to roam on our networks or elect to build or acquire their own infrastructure in a market, reducing or eliminating their need for our services in those markets.

Merger with M3 Wireless, Ltd.

On May 2, 2011, we completed the merger of our Bermuda wireless operations, Bermuda Digital Communications, Ltd. (“BDC”), with that of M3 Wireless, Ltd. (“M3”), a wireless provider in Bermuda (the “CellOne Merger”). As part of the CellOne Merger, M3 merged with and into BDC, and the combined entity continues to operate under BDC’s CellOne brand. As a result of the CellOne Merger, our 58% ownership interest in BDC was reduced to a controlling 42% interest in the combined entity. Since we have the right to designate the majority of seats on the combined entity’s board of directors and therefore control its management and policies, we have consolidated the results of the combined entity in our consolidated financial statements effective on the date of the CellOne Merger.

Stimulus Grants

We were awarded several federal stimulus grants in 2009 and 2010 by the U.S. Government under provisions of the American Recovery and Reinvestment Act of 2009 intended to stimulate the deployment of broadband infrastructure and services to rural, unserved and underserved areas. As of September 30, 2012, we have spent (i) \$22.4 million in capital expenditures (of which \$17.9 million has been or will be funded by the federal stimulus grant) in connection with our ION Upstate New York Rural Broadband Initiative, which involves building ten new segments of fiber-optic, middle-mile broadband infrastructure in upstate New York and parts of Pennsylvania and Vermont; (ii) \$5.4 million in capital expenditures (of which \$3.8 million has been or will be funded by the federal stimulus grant) in connection with our last-mile broadband infrastructure buildout in the Navajo Nation across Arizona, New Mexico and Utah; and (iii) \$19.2 million in capital expenditures (of which \$13.4 million has been or will be funded by the federal stimulus grant) in connection with our fiber-optic middle mile network buildout to provide broadband and transport services to over 340 community anchor institutions in Vermont. For more information on these stimulus projects, please refer to Item 7. - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 15, 2012. The results of our New York and Vermont stimulus projects are included in our “U.S. Wireline” segment and the results of our Navajo stimulus project are included in our “U.S. Wireless” segment.

Mobility Fund Grants

In November 2011, the Federal Communications Commission (“FCC”) released an Order reforming its Universal Service Fund (“USF”) program, which previously provided support to carriers seeking to offer telecommunications services in high-cost areas and to low-income households. In 2011, we received approximately \$9.9 million in USF support to our U.S. wireless businesses relating to high-cost areas. Beginning in June 2012, the FCC began phasing out this existing USF support at a rate of 20% per year over the next five years as part of its reform program.

Also as part of the USF reform program, the FCC created two new funds, including the Mobility Fund, a one-time grant meant to support wireless coverage in underserved geographic areas in the United States. On October 3, 2012, we were provisionally awarded approximately \$68.8 million by the FCC under the new Mobility Fund (the "Mobility Fund Grants"). Although our receipt of the Mobility Fund Grants are still subject to FCC approval, we currently expect to receive approximately \$68.8 million in support, to be received from time to time, beginning in 2013 to expand our voice and broadband networks in certain geographic areas to offer either 3G or 4G coverage pursuant to certain FCC construction and other requirements. The results of our Mobility Fund projects, once initiated, will be included in our "U.S. Wireless" segment.

On October 29, 2012, we further amended our Amended Credit Facility to provide for a letter of credit sub-facility to our revolver loan, to be available for issuance in connection with the Company's Mobility Fund Grant obligations. Under the amendment, we have the

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ability to use up to \$55 million of our revolving credit facility for the issuance of letters of credit, which, when issued, will accrue a fee at a rate of 1.75% per annum on the outstanding amounts. We currently have no Mobility Fund letters of credit outstanding. Any actual award of Mobility Fund Grants is subject to certain conditions, including the issuance of a letter of credit. If we fail to comply with any of the terms and conditions upon which the Mobility Fund Grants were granted, or if we lose eligibility for Mobility Fund support, the FCC will be entitled to draw the entire amount of the letter of credit applicable to the affected project and may disqualify us from the receipt of additional Mobility Fund support.

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Results of Operations

Three Months Ended September 30, 2011 and 2012

	Three Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2011	2012		
(In thousands)				
REVENUE:				
US Wireless:				
Retail	\$ 89,143	\$ 83,269	\$ (5,874)	(6.6)%
Wholesale	57,048	54,918	(2,130)	(3.7)
International wireless	20,377	21,048	671	3.3
Wireline	21,748	21,120	(628)	(2.9)
Equipment and other	6,030	8,443	2,413	40.0
Total revenue	<u>194,346</u>	<u>188,798</u>	<u>(5,548)</u>	<u>(2.9)</u>
OPERATING EXPENSES:				
Termination and access fees	48,764	38,790	(9,974)	(20.5)
Engineering and operations	20,165	20,796	631	3.1
Sales and marketing	33,965	27,929	(6,036)	(17.8)
Equipment expense	14,379	23,408	9,029	62.8
General and administrative	25,014	22,195	(2,819)	(11.3)
Acquisition-related charges	98	2	(96)	(98.0)
Depreciation and amortization	26,712	26,048	(664)	(2.5)
Gain on disposition of long-lived assets	(2,397)	—	(2,397)	(100.0)
Total operating expenses	<u>166,700</u>	<u>159,168</u>	<u>(7,532)</u>	<u>(4.5)</u>
Income from operations	<u>27,646</u>	<u>29,630</u>	<u>1,984</u>	<u>7.2</u>
OTHER INCOME (EXPENSE):				
Interest expense	(4,320)	(2,986)	1,334	30.9
Interest income	99	3	(96)	(97.0)
Equity in earnings of unconsolidated affiliate	729	679	(50)	(6.9)
Other income(expense), net	255	199	(56)	(22.0)
Other, net	(3,237)	(2,105)	1,132	35.0
INCOME BEFORE INCOME TAXES	<u>24,409</u>	<u>27,525</u>	<u>3,116</u>	<u>12.8</u>
Income taxes	11,193	9,513	(1,680)	(15.0)
NET INCOME	<u>13,216</u>	<u>18,012</u>	<u>4,796</u>	<u>36.3</u>
Net income attributable to non-controlling interests	(1,880)	(2,047)	(167)	8.9
NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS	<u>\$ 11,336</u>	<u>\$ 15,965</u>	<u>\$ 4,629</u>	<u>40.8</u>

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U.S. wireless revenue. U.S. Wireless revenue includes voice and data services revenue from our prepaid and postpaid retail operations as well as our wholesale roaming operations. Retail revenue is derived from subscriber fees for use of our networks and facilities, including airtime, roaming and long distance as well as enhanced services such as caller identification, call waiting, voicemail and other features. Retail revenue also includes amounts received from the Universal Service Fund ("USF"). Wholesale revenue is generated from providing mobile voice or data services to the customers of other wireless

carriers and also includes revenue from other related wholesale services such as the provision of network switching services and certain wholesale transport services using our wireless subsidiaries' networks.

Retail revenue

The retail portion of our U.S. Wireless revenue was \$83.3 million for the three months ended September 30, 2012, as compared to \$89.1 million for the three months ended September 30, 2011, a decrease of \$5.8 million, or 6.5%. This decrease was primarily the result of net subscriber attrition especially in our post-paid subscriber base and \$1.8 million of revenue received in the third quarter of 2011 from the Universal Service Fund relating to a previous period. The decrease was partially offset by a \$2.3 million increase in usage charges in 2011 for which we were temporarily not able to bill customers immediately following the completion of an Alltel system conversion.

As of September 30, 2012, we had approximately 585,000 U.S. retail wireless subscribers (including 432,000 postpaid subscribers and 153,000 prepaid subscribers), a decrease of 8,000 from the approximately 593,000 subscribers we had as of September 30, 2011 and an increase of 1,000 from the approximately 584,000 subscribers we had as of June 30, 2012. Gross additions to the U.S. retail wireless subscriber base increased to 67,000 for the three months ended September 30, 2012, as compared to approximately 30,000 for the three months ended September 30, 2011. We will continue to focus on improving gross additions to our subscriber base in future periods as we concentrate our efforts on increasing distribution, by means such as our re-launch of our U-Prepaid branded offering in Walmart stores in our markets, and increasing awareness of our value proposition to potential customers in our markets. However, we believe that the gross additions to our subscriber base could be hindered by our challenges in obtaining some of the more popular handset devices.

Our overall U.S. retail wireless churn decreased from 4.05% for the three months ended September 30, 2011 to 3.70% for the three months ended September 30, 2012. This improvement was the result of fewer postpaid customer contract expirations as well as our ability to better control customer care and other churn factors since the end of the Alltel Transition period. However, our churn may increase in the near term as we are in a period of higher than normal contract expirations and seasonally higher churn. This, along with our challenges in obtaining popular handset devices, could lead to a decline in subscriber levels.

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Wholesale revenue

The wholesale portion of our U.S. Wireless revenue decreased to \$54.9 million for the three months ended September 30, 2012 from \$57.0 million for the three months ended September 30, 2011, a reduction of \$2.1 million or 4%. The decrease was the result of a reduction in voice traffic, a trend seen throughout the industry, expansion of the networks of our carrier customers and a decline in the average rates we charge these customers. Such decreases, however, were partially offset by growth in the volume of data, also a trend seen throughout the industry.

In 2007, we entered into a license purchase agreement with a roaming partner whereby we agreed to purchase and build out a wireless network in the midwestern United States and our roaming partner retained a call option to repurchase the spectrum and the related cell sites within a specified number of years. Since that time, we have generated wholesale revenue from our roaming partners' use of this network, which accounted for approximately \$15.1 million in wholesale revenue during the year ended December 31, 2011 and \$12.1 million during the nine months ended September 30, 2012. Following the exercise of this call option in July 2012, we entered into a definitive agreement to sell the spectrum and related sites for approximately \$15.8 million. We currently expect to close the transaction in late 2012 and to record a gain on the transaction of approximately \$11.0 million. The spectrum and related sites are being accounted for as held for sale and are included in other assets on our balance sheet and applicable depreciation has been suspended. With the exception of one similar call option involving a smaller portion of our wholesale roaming network, no other roaming partner has the right to acquire any portion of our existing roaming network.

We expect that data volume may increase in the next several quarters as customer usage of data and smart phone penetration continues to increase. Such increase, however, may be completely offset by a number of factors, including decisions by our roaming partners to no longer roam on our networks or to expand their networks in areas where we operate. In addition, any reductions in the roaming rates that we charge or any continued declines in overall voice traffic would also reduce our wholesale revenue. Further, the replacement of the wholesale revenue related to our midwestern United States sites, which we have agreed to sell in connection with the call option described above, will be unlikely to be entirely offset by future growth in other areas.

International wireless revenue. International Wireless revenue includes retail and wholesale voice and data wireless revenue from international operations in Bermuda and the Caribbean, including our operations in the U.S. Virgin Islands.

International wireless revenue increased by \$0.6 million, or 3%, to \$21.0 million for the three months ended September 30, 2012, from \$20.4 million for the three months ended September 30, 2011. International Wireless revenue increased as a result of subscriber growth in certain island markets partially offset by a decrease in subscribers in our other international operations.

While we have experienced subscriber growth in a number of our international markets, competition remains strong, and due to the fact that the majority of our international wireless subscribers are prepaid subscribers, revenue and subscriber levels could shift relatively quickly in future periods.

Wireline revenue. Wireline revenue is generated by our wireline operations in Guyana, including international telephone calls into and out of that country, our integrated voice and data operations and our wholesale transport operations in the United States, primarily in New England and New York State. This revenue includes basic service fees, measured service revenue and internet access fees, as well as installation charges for new lines, monthly line rental charges, long distance or toll charges, maintenance and equipment sales.

Wireline revenue decreased by \$0.6 million, or 3%, from \$21.7 million to \$21.1 million for the three months ended September 30, 2011 and 2012, respectively. The reductions of revenue in our integrated voice and data operations in New England and in our international long distance business in Guyana were partially offset by the growth in our data revenue in Guyana and in our wholesale transport revenue in New York State.

We anticipate that wireline revenue from our international long distance business in Guyana will be negatively impacted, principally through the loss of market share, if we cease to be the exclusive provider of domestic fixed and international long distance service in Guyana, whether by reason of the Government of Guyana enacting legislation to such effect or a modification, early termination or other revocation or lack of enforcement of our exclusive

rights. While the loss of our exclusive rights will likely cause an immediate reduction in our wireline revenue, over the longer term such pressure on our wireline revenue may be offset by increased revenue from data services to consumers and enterprises in Guyana, and wholesale transport services and large enterprise and agency sales in the United States. We currently cannot predict when or if the Government of Guyana will enact such legislation or take, or fail to take, any action that would otherwise affect our exclusive rights in Guyana. See Note 11 to our Condensed Consolidated Financial Statements for more information regarding GT&T's exclusive license in Guyana.

Equipment and other revenue. Equipment and other revenue represent revenue from wireless equipment sales, primarily handsets to retail customers, and other miscellaneous revenue items.

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Equipment and other revenue increased by \$2.4 million, or 40% to \$8.4 million for the three months ended September 30, 2012, from \$6.0 million for the three months ended September 30, 2011. Equipment revenue in our U.S. Wireless segment increased as the result of an increase in gross subscriber additions and an increase in smartphone sales. Equipment and other revenue also increased in our International Integrated Telephony segment due to increased smartphone sales.

We believe that equipment and other revenue could continue to increase in 2012 as a large portion of the two-year contracts with Alltel subscribers continue to expire, resulting in increased upgrades as compared to 2011. In addition, an increase in gross subscriber additions, more aggressive device subsidies and the continued growth in smartphone penetration could result in increased equipment revenues in future periods. Such increases in both gross subscriber additions and equipment revenues could be hindered by our challenges in obtaining some of the more popular handset devices.

Termination and access fee expenses. Termination and access fee expenses are charges that we pay for voice and data transport circuits (in particular, the circuits between our wireless sites and our switches), internet capacity and other access fees we pay to terminate our calls, as well as customer bad debt expense.

Termination and access fees decreased by \$10.0 million, or 20% from \$48.8 million for the three months ended September 30, 2011 to \$38.8 million for the three months ended September 30, 2012. The decrease in such fees was primarily the result of a reduction in roaming expenses and the completion of the Alltel Transition in our U.S. Wireless segment. Termination and access fees also decreased in our Island Wireless segment as the result of reduced roaming rates and cost synergies experienced in Bermuda subsequent to the CellOne Merger. These decreases were partially offset by an increase in circuit costs within our U.S. Wireline segment as our networks in New York and Vermont continue to expand. Termination and access fees may increase in future periods with expected growth in data volume, but should remain fairly proportionate to their related revenue.

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

Engineering and operations expenses increased \$0.6 million, or 3%, from \$20.2 million to \$20.8 million for the three months ended September 30, 2011 and 2012, respectively. Increased expenses in our U.S. Wireless and International Integrated Telephony segments, which experienced expansions in their respective networks in comparison with 2011, were partially offset by the completion of the Alltel Transition which reduced our engineering and operations expenses by eliminating duplicate costs.

We expect that engineering and operations expenses will increase over time due to ongoing network upgrades, including upgrades to a next generation mobile wireless technology and an increase in our network capacity if we choose to geographically expand our network.

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

Sales and marketing expenses decreased by \$6.1 million, or 18%, from \$34.0 million for the three months ended September 30, 2011 to \$27.9 million for the three months ended September 30, 2012. The decrease in sales and marketing expenses was the result of the elimination of duplicate expenses associated with the Alltel Transition, higher than usual customer service expenses in 2011 subsequent to the completion of the Alltel Transition and a reduction in expenses in our Island Wireless segment from the increased promotional expenses we incurred in 2011 relating to the CellOne Merger and brand re-launch in Bermuda.

We expect that sales and marketing expenses will remain relatively constant as a percentage of revenue for the short term as we continue to incur promotional and retention costs in an attempt to offset customer churn and increase gross customer additions. In the longer term, these costs should decrease as a percentage of revenue.

Equipment expenses. Equipment expenses include the costs of our handset and customer resale equipment at our retail wireless businesses.

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Equipment expenses increased by \$9.0 million, or 63%, from \$14.4 million for the three months ended September 30, 2011 to \$23.4 million for the three months ended September 30, 2012. The increase was the result of an increase in gross subscriber additions and an increase in smartphone sales in both our U.S. Wireless business and in our International Integrated Telephony segment. These increases were partially offset by decreased equipment expenses in Bermuda as a result of the CellOne Merger which caused higher than usual equipment expenses in 2011. We believe that equipment expenses could continue to increase in 2012 as a result of seasonal handset promotions and also increase in the first half of 2013 as a large portion of our two-year contracts with Alltel subscribers will be expiring, resulting in increased upgrades as compared to 2011 and due to increased demand for more expensive smartphone handset devices. We may also choose, from time to time, to increase device subsidies to attract and retain customers.

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

General and administrative expenses decreased by \$2.8 million, or 11%, from \$25.0 million for the three months ended September 30, 2011 to \$22.2 million for the three months ended September 30, 2012 primarily as a result of the completion of the Alltel Transition, as well as increased operating efficiencies in our U.S. Wireless segment. These expense decreases were partially offset by an increase in corporate overhead expenses.

We expect that general and administrative expenses will remain fairly consistent as a percentage of revenues in future periods.

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

We incurred \$0.1 million of acquisition-related charges for the three months ended September 30, 2011 and a nominal amount of acquisition-related charges for the three months ended September 30, 2012. We expect that acquisition-related expenses will be incurred from time to time as we continue to explore additional acquisition opportunities.

Depreciation and amortization expenses. Depreciation and amortization expenses represent the depreciation and amortization charges we record on our property and equipment and on certain intangible assets.

Depreciation and amortization expenses decreased by \$0.7 million, or 2.6%, from \$26.7 million for the three months ended September 30, 2011 to \$26.0 million for the three months ended September 30, 2012. The decrease is primarily due to the elimination of depreciation expense on U.S. Wireless assets to be sold to a roaming partner in the Midwestern United States as well as a reduction in the amortization of certain intangible assets which are being amortized on an accelerated basis.

We expect depreciation expense on our tangible assets to increase as a result of ongoing network investments in our businesses. Such increase, however, will be partially offset by a future decrease in the amortization of our intangible assets, which are being amortized using an accelerated amortization method.

Interest expense. Interest expense represents interest incurred on our outstanding credit facilities including our interest rate swaps.

Interest expense decreased from \$4.3 million for the three months ended September 30, 2011 to \$3.0 million for the three months ended September 30, 2012 due to a reduction in our outstanding debt and decreases in applicable margins as a result of amendments to our credit facilities effective September 16, 2011 and May 18, 2012. As of September 30, 2012, we had \$276.0 million in outstanding debt as compared to \$298.9 million as of September 30, 2011.

Interest income. Interest income represents interest earned on our cash and cash equivalents. Interest income decreased from \$0.1 million for the three months ended September 30, 2011 to a negligible amount for the three months ended September 30, 2012.

Equity in earnings of an unconsolidated affiliate. Equity in earnings of an unconsolidated affiliate is related to a minority-owned investment in our U.S. Wireless segment and was \$0.7 million for the three months ended September 30, 2011 and 2012.

Other income (expense), net. Other income (expense), net represents miscellaneous non-operational income we earned or expenses we incurred. Other income (expense), net was \$0.3 million and \$0.2 million for the three months ended September 30, 2011 and 2012 respectively.

Income taxes. Our effective tax rates for the three months ended September 30, 2011 and 2012 were 46% and 35%, respectively. Our effective tax rate declined in 2012 as the result of increased income in lower taxed jurisdictions, such as Bermuda and the U.S., as compared to 2011. In addition, we recorded a \$1.3 million benefit, net of reserves, relating to U.S. research and development tax credits claimed for 2010 and 2011 that positively impacted the effective tax rate by approximately 4.8%. Excluding the research and development tax credits, our effective tax rates were higher than the statutory federal income tax rate of 35% due primarily to (i) the portion of our earnings that are taxed in Guyana at 45%, and (ii) the portion of our earnings that include losses generated in non-tax foreign jurisdictions for which we receive no tax benefit. Our consolidated tax rate will continue to be impacted by the shift in the mix of income generated in the jurisdictions in which we operate.

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Net loss attributable to non-controlling interests. Net loss attributable to non-controlling interests reflected an allocation of \$1.9 million and \$2.0 million of income generated by our less than wholly-owned subsidiaries for the three months ended September 30, 2011 and 2012, respectively.

Net income attributable to Atlantic Tele-Network, Inc. stockholders. Net income attributable to Atlantic Tele-Network, Inc. stockholders increased to \$16.0 million for the three months ended September 30, 2012 from \$11.3 million for the three months ended September 30, 2011. On a per share basis, net income increased to \$1.02 per diluted share from \$0.73 per diluted share for the three months ended September 30, 2012 and 2011, respectively.

Nine Months Ended September 30, 2011 and 2012

	Nine Months Ended September 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2011	2012		
REVENUE:				
US Wireless:				

(In thousands)

Retail	\$ 284,221	\$ 254,081	\$ (30,140)	(10.6)%
Wholesale	153,615	153,854	240	—
International Wireless	52,874	60,318	7,444	14.1
Wireline	63,305	63,573	268	0.4
Equipment and Other	22,238	25,155	2,917	13.1
Total revenue	576,253	556,981	(19,272)	(3.3)
OPERATING EXPENSES:				
Termination and access fees	155,077	118,224	(36,853)	(23.8)
Engineering and operations	63,967	64,077	110	0.2
Sales and marketing	101,874	91,307	(10,567)	(10.4)
Equipment expense	54,447	65,747	11,300	20.8
General and administrative	81,405	67,102	(14,303)	(17.6)
Acquisition-related charges	664	7	(657)	(98.9)
Depreciation and amortization	76,903	79,654	2,751	3.6
Gain on disposition of long-lived assets	(2,397)	—	(2,397)	(100.0)
Total operating expenses	531,940	486,117	(45,823)	(8.6)
Income from operations	44,313	70,864	26,551	59.9
OTHER INCOME (EXPENSE):				
Interest expense	(12,743)	(10,953)	1,790	14.0
Interest income	680	200	(480)	(70.6)
Equity in earnings of unconsolidated affiliate	1,484	3,011	1,527	102.9
Other income, net	854	(133)	(987)	(115.6)
Other, net	(9,725)	(7,875)	1,850	19.0
INCOME BEFORE INCOME TAXES	34,588	62,989	28,401	82.1
Income taxes	16,074	24,273	8,199	51.0
NET INCOME	18,514	38,716	20,202	109.1
Net income attributable to non-controlling interests	(866)	(2,900)	(2,034)	(234.9)
NET INCOME ATTRIBUTABLE TO ATLANTIC TELE- NETWORK, INC. STOCKHOLDERS	<u>\$ 17,648</u>	<u>\$ 35,816</u>	<u>\$ 18,168</u>	<u>102.9</u>

U.S. wireless revenue.

Retail revenue

The retail portion of our U.S. Wireless revenue was \$254.1 million for the nine months ended September 30, 2012, as compared to \$284.2 million for the nine months ended September 30, 2011, a decrease of \$30.1 million, or 11%. The decrease in retail U.S. Wireless revenues was primarily the result of a decline in subscribers we experienced during the past year due to post-Alltel

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Acquisition initiatives to tighten credit and contract policies, the loss of a significant prepaid distribution channel and a number of other factors, including the effects of the separation of our markets from the formerly unified Alltel market, leaving many of our subscribers near the edge or outside of our licensed territory. In late July 2011, we completed the Alltel Transition. As a result, we are now able to better enhance our service offerings which we believe will enable us to drive improved gross subscriber additions, further control churn and optimize our service offerings. These subscriber-related functions had been somewhat constrained during the transition period and contributed to a continued decline in our U.S. retail wireless revenue.

Wholesale revenue

The wholesale portion of our U.S. Wireless revenue remained relatively unchanged at \$153.9 million for the nine months ended September 30, 2012 as compared to \$153.6 million for the nine months ended September 30, 2011. The increase in wireless wholesale revenue was due to an increase in data volume and a slightly larger network coverage area. This increase was partially offset by a decrease in voice traffic largely as a result of the industry trend of lower voice traffic as compared to data volume and, to some extent, Verizon and AT&T's network overbuilds following their acquisitions of certain Alltel properties.

International wireless revenue. International wireless revenue increased by \$7.4 million, or 14%, to \$60.3 million for the nine months ended September 30, 2012, from \$52.9 million for the nine months ended September 30, 2011 due mainly to our CellOne Merger in Bermuda and subscriber growth in the U.S. Virgin Islands. This increase was partially offset by a decrease in roaming revenue and subscribers in certain of our international operations.

Wireline revenue. Wireline revenue increased by \$0.3 million from \$63.3 million to \$63.6 million for the nine months ended September 30, 2011 and 2012, respectively. The growth in our data revenue in Guyana and in our wholesale transport revenue in New York State was offset by the reductions of revenue in our integrated data and voice operations in Vermont and in our international long distance business in Guyana.

Equipment and other revenue. Equipment and other revenue increased by \$3.0 million, or 14% to \$25.2 million for the nine months ended September 30, 2012, from \$22.2 million for the nine months ended September 30, 2011. Equipment revenue increased due to an increase in gross subscriber additions and related handset sales in our U.S. Wireless segment. Equipment and other revenue also increased in our International Integrated Telephony segment due to increased promotional campaigns that included increased handset subsidies.

Termination and access fee expenses. Termination and access fees decreased by \$36.9 million, or 24% from \$155.1 million for the nine months ended September 30, 2011 to \$118.2 million for the nine months ended September 30, 2012. The decrease was primarily the result of a reduction in roaming expenses, decreased customer bad debt expense, and the elimination of duplicate costs upon the completion of the Alltel Transition in our U.S. Wireless segment. These decreases were partially offset by an increase in data usage volume which increases "backhaul" costs as well as an increase in circuit costs within our U.S. Wireline segment as our networks in New York and Vermont continue to expand.

Engineering and operations expenses. Engineering and operations expenses remained unchanged at \$64.0 million for the nine months ended September 30, 2011. Increased expenses in our International Integrated Telephony and Island Wireless segments which experienced network expansions as compared to 2011, including an expansion of our network in Bermuda following our CellOne Merger in May 2011, were partially offset by the completion of the Alltel Transition which reduced our engineering and operations expenses by eliminating redundant costs.

Sales and marketing expenses. Sales and marketing expenses decreased by \$10.6 million, or 10% from \$101.9 million for the nine months ended September 30, 2011 to \$91.3 million for the nine months ended September 30, 2012. The decrease in sales and marketing expenses was the result of the elimination of expenses associated with the Alltel Transition and the culmination of increased promotional expenses in 2011 relating to the CellOne Merger in Bermuda. These decreases, however, were partially offset by an increase in sales and marketing expenses in our International Integrated Telephony segment as a result of increased promotional campaigns.

Equipment expenses. Equipment expenses increased by \$11.3 million, or 21%, from \$54.4 million for the nine months ended September 30, 2011 to \$65.7 million for the nine months ended September 30, 2012. This increase is largely the result of an increase in gross subscriber additions and an increase in smartphone sales in our U.S. wireless business and in our International Integrated Telephony segment. These increases were partially offset by decreased equipment expenses in Bermuda in 2012 as compared to the increased equipment expenses resulting from the CellOne Merger in 2011.

General and administrative expenses. General and administrative expenses decreased by \$14.3 million, or 18% from \$81.4 million for the nine months ended September 30, 2011 to \$67.1 million for the nine months ended September 30, 2012 primarily as a result of the completion of the Alltel Transition. During this transition period, we incurred a significant overlap of certain general and administrative expenses. These expense decreases were partially offset by an increase in expenses in Bermuda as a result of the CellOne Merger in 2011 and an increase in corporate overhead expenses.

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Acquisition-related charges. We incurred \$0.7 million of acquisition-related charges during the nine months ended September 30, 2011 and a nominal amount of acquisition-related charges for the nine months ended September 30, 2012.

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Depreciation and amortization expenses. Depreciation and amortization expenses increased by \$2.8 million, or 4% from \$76.9 million for the nine months ended September 30, 2011 to \$79.7 million for the nine months ended September 30, 2012. The increase is primarily due to additional fixed assets associated with the development of operational and business support systems which were put in service at the end of the Alltel Transition as well as the addition of tangible and intangible assets acquired with the CellOne Merger.

Interest expense. Interest expense decreased from \$12.8 million for the nine months ended September 30, 2011 to \$11.0 million for the nine months ended September 30, 2012 due to a reduction in our outstanding debt and decreases in applicable margins as a result of amendments to our credit facilities effective September 16, 2011 and May 18, 2012. As of September 30, 2012, we had \$276.0 million in outstanding debt as compared to \$298.9 million as of September 30, 2011.

Interest income. Interest income decreased from \$0.7 million for the nine months ended September 30, 2011 to \$0.2 million for the nine months ended September 30, 2012.

Equity in earnings of an unconsolidated affiliate. Equity in earnings of an unconsolidated affiliate was \$3.0 million for the nine months ended September 30, 2012 as compared to \$1.5 million for the nine months ended September 30, 2011.

Other income (expense), net. Other income (expense), net was \$0.9 million of income for the nine months ended September 30, 2011. For the nine months ended September 30, 2012, we recorded \$0.1 million of expense primarily as a result of \$0.7 million of deferred financing costs being expensed in connection with an amendment to our credit facility effective May 18, 2012.

Income taxes. Our effective tax rates for the nine months ended September 30, 2011 and 2012 were 46% and 39%, respectively. Our effective tax rate declined in 2012 as the result of (i) increased income in lower taxed jurisdictions, such as Bermuda, as compared to 2011 and (ii) a \$1.3 million benefit, net of tax, resulting from U.S. research and development tax credits claimed for 2010 and 2011. Excluding the research and development tax credits, our effective tax rates were higher than the statutory federal income tax rate of 35% due primarily to (i) the portion of our earnings that are taxed in Guyana at 45%, and (ii) the portion of our earnings that include losses generated in non-tax foreign jurisdictions for which we receive no tax benefit.

Net loss attributable to non-controlling interests. Net loss attributable to non-controlling interests reflected an allocation of \$0.9 million and \$2.9 million of income generated by our less than wholly owned subsidiaries for the nine months ended September 30, 2011 and 2012, respectively.

Net income attributable to Atlantic Tele-Network, Inc. stockholders. Net income attributable to Atlantic Tele-Network, Inc. stockholders increased to \$35.8 million for the nine months ended September 30, 2012 from \$17.6 million for the nine months ended September 30, 2011. On a per share basis, net income increased to \$2.30 per diluted share from \$1.14 per diluted share for the nine months ended September 30, 2012 and 2011, respectively.

Regulatory and Tax Issues

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

Liquidity and Capital Resources

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

Uses of Cash

Capital expenditures. A significant use of our cash has been for capital expenditures to expand and upgrade our networks.

For the nine months ended September 30, 2011 and 2012, we spent approximately \$65.9 million and \$50.5 million, respectively, on capital expenditures. The following notes our capital expenditures, by operating segment, for these periods:

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	Capital Expenditures					
	U.S. Wireless	International Integrated Telephony	Island Wireless	U.S. Wireline	Reconciling Items	Consolidated
Nine Months Ended September 30,						
2011	\$ 44,532	\$ 12,697	\$ 5,812	\$ 1,805	\$ 2,004	\$ 65,850
2012	29,446	7,362	3,915	7,280	2,502	50,505

We are continuing to invest in expanding our networks in many of our markets and updating our operating and business support systems. We expect to incur capital expenditures between \$65 million and \$85 million during 2012. Of this amount, we anticipate capital expenditures of between \$35 million to \$50 million in our U.S. Wireless business. Our 2012 capital expenditures are lower than our previously disclosed forecast of \$90 million to \$100 million primarily as a result of a delay in certain 2012 capital projects which are now forecasted for 2013.

We expect to fund our current capital expenditures primarily from cash generated from our operations and borrowings under our credit facilities.

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

We continue to explore opportunities to acquire or expand our existing communications properties and licenses in the United States, the Caribbean and elsewhere. Such acquisitions may require external financing. While there can be no assurance as to whether, when or on what terms we will be able to acquire any such businesses or licenses or make such investments, such acquisitions may be accomplished through the issuance of shares of our capital stock, payment of cash or incurrence of additional debt. From time to time, we may raise capital ahead of any definitive use of proceeds to allow us to move more quickly and opportunistically if an attractive investment materializes.

Dividends. We use cash-on-hand to make dividend payments to our common stockholders when declared by our Board of Directors. For the nine months ended September 30, 2012, dividends to our stockholders were approximately \$10.7 million, which reflects dividends declared on September 14, 2012 and paid on October 10, 2012. We have paid quarterly dividends for the last 56 fiscal quarters.

Stock repurchase plan. Our Board of Directors approved a \$5.0 million stock buyback plan in September 2004 pursuant to which we have spent approximately \$2.1 million as of September 30, 2012 repurchasing our common stock. Our last repurchase of our common stock was in 2007. We may repurchase shares at any time depending on market conditions, our available cash and our cash needs.

Sources of Cash

Total liquidity at September 30, 2012. As of September 30, 2012, we had approximately \$111.4 million in cash and cash equivalents, an increase of \$62.7 million from the December 31, 2011 balance of \$48.7 million. The increase in our cash and cash equivalents is attributable to the cash provided by our operating activities partially offset by investments in capital expenditures and dividends paid to our stockholders.

Cash generated by operations. Cash provided by operating activities was \$84.7 million for the nine months ended September 30, 2011 and \$137.5 million for the nine months ended September 30, 2012, an increase of \$52.8 million. Net income increased \$20.5 million to \$39.0 million for the nine months ended September 30, 2012 from \$18.5 million for the nine months ended September 30, 2011. The remainder of the increase in cash generated by operations was the result of an \$11.5 million income tax refund as well as increases in depreciation and amortization, the provision for doubtful accounts and changes in our working capital.

Cash used in financing activities. Cash used in financing activities increased by \$14.4 million from \$9.9 million to \$24.3 million for the nine months ended September 30, 2011 and 2012, respectively. The increase was primarily the result of increased principal repayments on our credit facility and the payment of debt issuance costs, both in connection with an amendment to our credit facility effective May 18, 2012.

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Loan Facilities—Bank

On May 18, 2012, we amended and restated our existing credit facility with CoBank, ACB (the “Amended Credit Facility”) providing for \$275.0 million in two term loans and a revolver loan of up to \$100.0 million (which includes a \$10.0 million swingline sub-facility) and additional term loans up to an aggregate of \$100.0 million, subject to lender approval.

On October 29, 2012, we further amended our Amended Credit Facility to provide for an additional letter of credit sub-facility to our revolver loan, to be available for issuance in connection with the Company's Mobility Fund Grant obligations. Under the amendment, we have the ability to use up to \$55 million of our revolving credit facility for the issuance of letters of credit, which, when issued, will accrue a fee at a rate of 1.75% per annum on the outstanding amounts. We currently have no Mobility Fund letters of credit outstanding. Any actual award of Mobility Fund Grants is subject to certain conditions, including the issuance of a letter of credit. If we fail to comply with any of the terms and conditions upon which the Mobility Fund Grants were granted, or if we lose eligibility for Mobility Fund support, the FCC will be entitled to draw the entire amount of the letter of credit applicable to the affected project and may disqualify us from the receipt of additional Mobility Fund support.

The term loan A-1 is \$125 million and matures on June 30, 2017 (the "Term Loan A-1"). The term loan A-2 is \$150 million and matures on June 30, 2019 (the "Term Loan A-2" and collectively with the Term Loan A-1, the "Term Loans"). Each of the Term Loans require certain quarterly repayment obligations. The revolver loan matures on June 30, 2017. We may prepay the Amended Credit Facility at any time without premium or penalty, other than customary fees for the breakage of London Interbank Offered Rate (LIBOR) loans.

Amounts borrowed under the Term Loan A-1 and the revolver loan bear interest at a rate equal to, at our option, either (i) LIBOR plus an applicable margin ranging between 2.00% to 3.50% or (ii) a base rate plus an applicable margin ranging from 1.00% to 2.50% (or, in the case of amounts borrowed under the swingline sub-facility, an applicable margin ranging from 0.50% to 2.00%). Amounts borrowed under the Term Loan A-2 bear interest at a rate equal to, at our option, either (i) the LIBOR plus an applicable margin ranging between 2.50% to 4.00% or (ii) a base rate plus an applicable margin ranging from 1.50% to 3.00%. The base rate is equal to the higher of (i) 1.50% plus the higher of (x) the one-week LIBOR and (y) the one-month LIBOR; and (ii) the prime rate (as defined in the Amended Credit Facility). The applicable margin is determined based on the ratio of our indebtedness (as defined in the Amended Credit Facility) to its EBITDA (as defined in the Amended Credit Facility).

Borrowings as of September 30, 2012, after considering the effect of the interest rate swap agreements as described in Note 7, bore a weighted-average interest rate of 4.36%. Availability under the revolver loan, net of an outstanding letter of credit of \$0.1 million, was \$99.9 million as of September 30, 2012. Upon completing the Amended Credit Facility, we expensed \$0.7 million of deferred financing costs which are included in other income (expense) within the statement of operations for the nine months ended September 30, 2012.

Under the terms of the Amended Credit Facility, we must also pay a fee ranging from 0.25% to 0.50% of the average daily unused portion of the revolver loan over each calendar quarter, which fee is payable in arrears on the last day of each calendar quarter.

The Amended Credit Facility contains customary representations, warranties and covenants, including covenants by the Company limiting additional indebtedness, liens, guaranties, mergers and consolidations, substantial asset sales, investments and loans, sale and leasebacks, transactions with affiliates and fundamental changes. In addition, the Amended Credit Facility contains financial covenants by the Company that (i) impose a maximum leverage ratio of indebtedness to EBITDA, (ii) require a minimum debt service ratio of EBITDA to principal, interest and taxes payments and (iii) require a minimum ratio of equity to consolidated assets. As of September 30, 2012, the Company was in compliance with all of the financial covenants of the Amended Credit Facility.

Prior to the execution of the Amended Credit Facility, our existing credit facility with CoBank, ACB, entered into on September 30, 2010 (the "Previous Credit Facility") provided for \$275.0 million in term loans and a revolver loan of up to \$100.0 million (which includes a \$10.0 million swingline sub-facility) and additional term loans up to an aggregate of \$50.0 million, subject to lender approval. These term loans were scheduled to mature on September 30, 2014 and required certain quarterly repayment obligations. The revolver loan was scheduled to mature on September 10, 2014. As a result of an amendment entered into on September 16, 2011, amounts borrowed under the Previous Credit Facility bore interest at a rate equal to, at our option, either (i) LIBOR plus an applicable margin ranging between 2.75% to 4.25% or (ii) a base rate plus an applicable margin ranging from 1.75% to 3.25% (or, in the case of amounts borrowed under the swingline sub-facility, an applicable margin ranging from 1.25% to 2.75%). The applicable margin was determined based on the ratio of our indebtedness to its EBITDA (each as defined in the Previous Credit Facility agreement).

Factors Affecting Sources of Liquidity

Internally generated funds. The key factors affecting our internally generated funds are demand for our services, competition, regulatory developments, economic conditions in the markets where we operate our businesses and industry trends within the telecommunications industry. For a discussion of regulatory risks in Guyana that could have an adverse impact on our liquidity, see "Risk Factors—Risks Relating to Our Wireless and Wireline Services in Guyana", and "Business—Guyana Regulation" in our Annual Report on Form 10-K for the year ended December 31, 2011.

Restrictions under credit facility. The Amended Credit Facility contains customary representations, warranties and covenants, including covenants by us limiting additional indebtedness, liens, guaranties, mergers and consolidations, substantial asset

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sales, investments and loans, sale and leasebacks, transactions with affiliates and fundamental changes. In addition, the Amended Credit Facility contains financial covenants by us that (i) impose a maximum ratio of indebtedness to EBITDA (ii) require a minimum ratio of EBITDA to principal and interest payments and cash taxes and, (iii) require a minimum ratio of equity to consolidated assets. As of September 30, 2012, we were in compliance with all of the financial covenants of the Amended Credit Facility, as amended.

Capital markets. Our ability to raise funds in the capital markets depends on, among other things, general economic conditions, the conditions of the telecommunications industry, our financial performance, the state of the capital markets and our compliance with Securities and Exchange Commission ("SEC") requirements for the offering of securities. On May 13, 2010, the SEC declared effective our "universal" shelf registration statement. This filing registered potential future offerings of our securities.

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Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard that eliminates the option to present other comprehensive income (“OCI”) in the statement of stockholders’ equity and instead requires net income, the components of OCI, and total comprehensive income to be presented in either one continuous statement or in two separate, but consecutive, statements. The standard also requires that items reclassified from OCI to net income be presented on the face of the financial statements. However, in December 2011, the FASB finalized a proposal to defer the requirement to present reclassifications from OCI to net income on the face of the financial statements and require that reclassification adjustments be disclosed in the notes to the financial statements, consistent with the existing disclosure requirements. The deferral does not change the requirement to present net income, components of OCI, and total comprehensive income in either one continuous statement or two separate but consecutive statements. The standard, which we adopted during the first quarter of 2012, did not have a material impact on our financial position, results of operations or liquidity.

In May 2011, the FASB issued amended guidance that clarifies the application of existing fair value measurement and increases certain related disclosure requirements about measuring fair value. The standard, which we adopted during the first quarter of 2012, did not have a material impact on our financial position, results of operations or liquidity.

Other new pronouncements issued but not effective until after September 30, 2012, are not expected to have a material impact on our financial position, results of operations or liquidity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Sensitivity. The functional currency we use in Guyana is the U.S. dollar because a significant portion of our Guyana revenues and expenditures are transacted in U.S. dollars. The results of future operations nevertheless may be affected by changes in the value of the Guyana dollar, however, as the Guyanese exchange rate has remained at approximately \$205 Guyana dollars to \$1 U.S. dollar since 2004, we have not recorded any foreign exchange gains or losses since that time. All of our other foreign subsidiaries operate in jurisdictions where the U.S. dollar is the recognized currency.

Interest Rate Sensitivity. Our exposure to changes in interest rates is limited and relates primarily to our variable interest rate long-term debt. As of September 30, 2012, \$147.5 million of our long term debt has a fixed rate (\$143.0 million by way of interest-rate swaps that effectively hedge our interest rate risk). The remaining \$128.5 million of outstanding debt as of September 30, 2012 is subject to interest rate risk. As a result of our hedging policy we believe our exposure to fluctuations in interest rates is not material.

ITEM 4. CONTROLS AND PROCEDURES

Management’s Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2012. The term “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”), means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2012, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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Changes in Internal Control Over Financial Reporting. There was no change in the internal control over financial reporting that occurred during the three months ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in each of our 2011 Annual Report on Form 10-K as filed with the SEC on March 15, 2012 and our Quarterly Report on Form 10-Q as filed with the SEC on May 10, 2012. The risks described therein are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

In September 2004, the Board of Directors authorized the Company to repurchase up to \$5.0 million of common stock. The repurchase authorizations do not have a fixed termination date and the timing of the buyback amounts and exact number of shares purchased will depend on market

conditions. No repurchases were made under this plan during the quarter ended September 30, 2012.

The following table reflects the repurchases by the Company of its common stock during the quarter ended September 30, 2012:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May be Purchased Under the Plans or Programs
July 1, 2012 — July 30, 2012	—	\$ —	—	\$ 2,919,965
August 1, 2012 — August 31, 2012	476(1)	\$ 39.01	—	\$ 2,919,965
September 1, 2012 — September 30, 2012	—	\$ —	—	\$ 2,919,965

(1) Represents shares purchased on August 9, 2012 from our executive officers and other employees who tendered these shares to the Company to satisfy their tax withholding obligations incurred in connection with the vesting of restricted stock awards on such date. These shares were not purchased under the plan discussed above. The price paid per share was the closing price per share of our Common Stock on the Nasdaq Global Select Market on August 9, 2012.

Item 6. Exhibits

10.1*	First Amendment to Third Amended and Restated Agreement dated as of October 29, 2012 by and among the Company, as Borrower, CoBank, ACB, as Administrative Agent, Lead Arranger, Swingline Lender, an Issuing Lender and a Lender, the Guarantors named therein, and the other Lenders named therein.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document

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101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Atlantic Tele-Network, Inc.

Date: November 9, 2012

/s/ Michael T. Prior

Michael T. Prior
President and Chief Executive Officer

Date: November 9, 2012

/s/ Justin D. Benincasa
Justin D. Benincasa
Chief Financial Officer and Treasurer

FIRST AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This **FIRST AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT** (this “**Amendment**”) is made and entered into as of October 29, 2012, by and among **ATLANTIC TELE-NETWORK, INC.**, a Delaware corporation (“**Borrower**”), each of the subsidiaries of Borrower identified as guarantors on the signature pages hereto (individually, a “**Guarantor**” and, collectively, the “**Guarantors**”; and together with Borrower, individually a “**Loan Party**” and, collectively, the “**Loan Parties**”), **COBANK, ACB**, as Administrative Agent (“**Administrative Agent**”), and each of the financial institutions executing this Amendment and identified as a Lender on the signature pages hereto (the “**Lenders**”).

RECITALS

WHEREAS, Borrower, the Guarantors and the Lenders have entered into that certain Third Amended and Restated Credit Agreement, dated as of May 18, 2012 (as amended, modified, supplemented, extended or restated from time to time, the “**Credit Agreement**”); and

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

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

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

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

(A) **Subsection 1.1(F)**. Subsection 1.1(F) of the Credit Agreement is hereby amended and restated by replacing such subsection in its entirety as follows:

(F) **Letters of Credit**.

(i) **Types of Letters of Credit**.

(A) **Standard Letters of Credit**. The Revolver Loan Commitment shall, in addition to advances as Revolver Loans, be utilized, upon the request of Borrower, for the issuance of irrevocable standby or

trade letters of credit (individually, a “**Standard Letter of Credit**” and, collectively, the “**Standard Letters of Credit**”) by an Issuing Lender for the account of any Loan Party.

(B) **Mobility Fund Letters of Credit**. The Revolver Loan Commitment shall, in addition to advances as Revolver Loans and in addition to Standard Letters of Credit issued pursuant to Subsection 1.1(F)(i)(A) above, be utilized, upon the request of Borrower, for the issuance of irrevocable standby or trade letters of credit which are necessary or desirable in order to qualify for disbursements from the Mobility Fund (individually, a “**Mobility Fund Letter of Credit**” and, collectively, the “**Mobility Fund Letters of Credit**”, and collectively with the Standard Letters of Credit, the “**Letters of Credit**”, and each individually, a “**Letter of Credit**”) by an Issuing Lender for the account of any Loan Party; provided, however, that Mobility Fund Letters of Credit with an aggregate face amount not to exceed \$1,000,000 at any time outstanding, may be issued for the account of Georgia RSA 8 Partnership. For the avoidance of doubt, any Mobility Fund Letters of Credit requested by the Borrower and issued pursuant to the terms of this Agreement shall be used solely for purposes associated with the Borrower’s participation in the Mobility Fund, and shall not be used for any other purpose.

(C) **Lender Participations; Reduction of Revolving Loan Commitment**. Immediately upon the issuance by an Issuing Lender of a Letter of Credit, and without further action on the part of Administrative Agent or any Lenders, each Lender shall be deemed to have purchased from such Issuing Lender a participation in such Letter of Credit equal to such Lender’s Pro Rata Share of the Revolver Loan Commitment of the aggregate amount available to be drawn under such Letter of Credit. Each Letter of Credit shall reduce the amount available under the Revolver Loan Commitment by the face amount of such Letter of Credit.

(ii) **Maximum Amount**. The aggregate amount of (A) Standard Letter of Credit Usage with respect to all Standard Letters of Credit outstanding at any time for the account of Borrower or any other Loan Party may not exceed the Standard Letter of Credit Sublimit and (B) Mobility Fund Letter of Credit Usage with respect to all Mobility Fund Letters of Credit outstanding at any time for the account of Borrower or any other Loan Party may not exceed the Mobility Fund Letter of Credit Sublimit; provided, however, that at any one time the aggregate principal amount of the Revolving Credit Obligations outstanding may not exceed the Revolver Loan Commitment. If at any time the aggregate amount of the Standard Letter of Credit Usage exceeds the Standard Letter of Credit Sublimit or the Mobility Fund Letter of Credit Usage exceeds the Mobility Fund Letter of Credit Sublimit, Borrower shall reduce the aggregate amount of the Standard Letter of Credit Usage or Mobility Fund Letter of Credit Usage (as applicable) by

(iii) Reimbursement. Borrower is irrevocably and unconditionally obligated without presentment, demand, protest or other formalities of any kind to reimburse an Issuing Lender in immediately available funds for any amounts paid by an Issuing Lender with respect to a Letter of Credit issued hereunder for the account of any Loan Party. Upon receipt from the beneficiary of any Letter of Credit of any notice of drawing under such Letter of Credit, the Issuing Lender shall notify Borrower and Administrative Agent thereof. Not later than 11:00 a.m. (Denver, Colorado time) on the date of any payment by the Issuing Lender under a Letter of Credit (or if notice is not provided to Borrower of such drawing prior to such time, not later than 11:00 a.m. (Denver, Colorado time) on the immediately succeeding Business Day), Borrower shall reimburse the Issuing Lender through Administrative Agent in the amount equal to the amount of such drawing (and, if reimbursed on the immediately succeeding Business Day pursuant to this sentence, interest at the sum of the Base Rate plus the applicable Base Rate Margin for such day (or days if the next immediately succeeding day is not a Business Day)). If Borrower fails to so reimburse the Issuing Lender by such time, Borrower shall be deemed to have requested Administrative Agent to make a Revolver Loan (but not a Swingline Loan) in the amount of the payment made by such Issuing Lender with respect to such Letter of Credit. If the Letter of Credit is payable in a foreign currency, the amount owed by Borrower in connection with such Letter of Credit shall equal the United States dollar equivalent of such foreign currency (determined by Administrative Agent in its reasonable discretion) on the date such payment is made by such Issuing Lender. All amounts paid by an Issuing Lender with respect to any Letter of Credit that are not repaid by Borrower as required by this Subsection 1.1(F)(iii), or that are not repaid with a Revolver Loan shall bear interest at the sum of the Base Rate plus 3.750% per annum. Each Lender agrees to fund its Pro Rata Share of any Revolver Loan made pursuant to this Subsection 1.1(F)(iii). In the event Borrower fails to reimburse an Issuing Lender in full for any payment in respect of a Letter of Credit issued for the account of any Loan Party, Administrative Agent shall promptly notify each Lender with a Pro Rata Share of the Revolver Loan Commitment of the amount of such unreimbursed payment and the accrued interest thereon and each such Lender, on the next Business Day, shall deliver to Administrative Agent an amount equal to its Pro Rata Share thereof in same day funds. Each Lender with a Pro Rata Share of the Revolver Loan Commitment hereby absolutely and unconditionally agrees to pay to each Issuing Lender upon demand by such Issuing Lender such Lender's Pro Rata Share of each payment made by such Issuing Lender in respect of a Letter of Credit and not immediately reimbursed by Borrower. Each Lender with a Pro Rata Share of the Revolver Loan Commitment acknowledges and agrees that its obligations to acquire participations pursuant to this Subsection 1.1(F)(iii) in respect of Letters of Credit and to make the payments to each Issuing Lender required by the preceding

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sentence are absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default or any failure by Borrower to satisfy any of the conditions set forth in Subsection 7.2. If any Lender with a Pro Rata Share of the Revolver Loan Commitment fails to make available to an Issuing Lender the amount of such Lender's Pro Rata Share of any payments made by such Issuing Lender in respect of a Letter of Credit as provided in this Subsection 1.1(F)(iii), Administrative Agent may elect to apply Cash Collateral as described in Subsection 1.14(C) and pay such amount to Issuing Lender. If Administrative Agent does not so elect or if the funds in such account are insufficient, such Issuing Lender shall be entitled to recover such amount on demand from such Revolver Lender together with interest at the Base Rate.

(iv) Conditions of Issuance of Letters of Credit. In addition to all other terms and conditions set forth in this Agreement, the issuance by an Issuing Lender of any Letter of Credit shall be subject to the conditions precedent that the Letter of Credit shall be in such form, be for such amount and in such currency, and contain such terms and conditions as are reasonably satisfactory to Administrative Agent and the Issuing Lender. The expiration date of each Letter of Credit must be on a date which is the earlier of (1) (a) for a standby Letter of Credit, one (1) year from its date of issuance and (b) for a trade Letter of Credit, 180 days from its date of issuance or (2) the 30th day before the date set forth in clause (B) of the definition of the term "Revolver Expiration Date," or such later date as agreed to by both Administrative Agent and the Issuing Lender, in their sole discretion.

(v) Request for Letters of Credit. Borrower must give Administrative Agent at least three (3) Business Days' prior notice, which notice will be irrevocable, specifying the date a Letter of Credit is requested to be issued and the amount and the currency in which such Letter of Credit is payable, identifying the beneficiary, stating whether the Letter of Credit will be a standby or trade Letter of Credit, stating whether the Letter of Credit will be a Standard Letter of Credit or a Mobility Fund Letter of Credit and describing the nature of the transactions proposed to be supported thereby. Any notice requesting the issuance of a Letter of Credit shall be accompanied by the form of the Letter of Credit to be provided by an Issuing Lender. Borrower must also complete any application procedures and documents required by an Issuing Lender in connection with the issuance of any Letter of Credit, including a certificate regarding Borrower's compliance with the provisions of Subsection 7.2 of this Agreement.

(vi) Borrower Obligations Absolute. The obligations of Borrower under this Subsection 1.1(F) are irrevocable, will remain in full force and effect until the Issuing Lender and Lenders have no further obligations to make any payments or disbursements under any circumstances with respect to any Letter of Credit, shall be absolute and unconditional, shall not be subject to counterclaim, setoff or other defense or any other qualification or exception whatsoever and

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shall be paid in accordance with the terms and conditions of this Agreement under all circumstances, including, any of the following circumstances:

(A) Any lack of validity or enforceability of this Agreement, any of the other Loan Documents or any documents or instruments relating to any Letter of Credit;

(B) Any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations in respect of any Letter of Credit or any other amendment, modification or waiver of or any consent to or departure from any Letter of Credit, any documents or instruments relating thereto, or any Loan Document in each case whether or not any Loan Party or any of its Subsidiaries has notice or knowledge thereof;

(C) The existence of any claim, setoff, defense or other right that any Loan Party or any of its Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), Administrative Agent, any Issuing Lender, any Lender, or any other Person, whether in connection with this Agreement, any other Loan Document, any Letter of Credit, the transactions contemplated hereby or any other related or unrelated transaction or transactions (including any underlying transaction between any Loan Party or any of its Subsidiaries and the beneficiary named in any such Letter of Credit);

(D) Any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, any errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, facsimile or otherwise, or any errors in translation or in interpretation of technical terms;

(E) Payment under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(F) Any defense based upon the failure of any drawing under any Letter of Credit to conform to the terms of such Letter of Credit (provided that any draft, certificate or other document presented pursuant to such Letter of Credit appears on its face to comply with the terms thereof), any nonapplication or misapplication by the beneficiary or any transferee of the proceeds of such drawing or any other act or omission of such beneficiary or transferee in connection with such Letter of Credit;

(G) The exchange, release, surrender or impairment of any collateral or other security for the obligations;

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(H) The occurrence of any Default or Event of Default; or

(I) Any other circumstance or event whatsoever, including, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Loan Party, any of its Subsidiaries or a guarantor.

Any action taken or omitted to be taken by an Issuing Lender under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, is binding upon the Loan Parties and their Subsidiaries and shall not create or result in any liability of such Issuing Lender to any Loan Party or any of its Subsidiaries.

(vii) Obligations of Issuing Lenders. Each Issuing Lender (other than CoBank) hereby agrees that it will not issue a Letter of Credit hereunder until it has provided Administrative Agent with notice specifying the amount, currency and intended issuance date of such Letter of Credit and Administrative Agent has returned a written acknowledgment of such notice to Issuing Lender. Each of Issuing Lender and Administrative Agent agrees to provide such notices and acknowledgement promptly upon Borrower's request of a Letter of Credit provided such request satisfies all of the requirements provided herein. Each Issuing Lender (other than CoBank) further agrees to provide to Administrative Agent: (1) a copy of each Letter of Credit issued by such Issuing Lender promptly after its issuance; (2) a monthly report summarizing available amounts under Letters of Credit issued by such Issuing Lender, the dates and amounts of any draws under such Letters of Credit, the effective date of any increase or decrease in the face amount of any Letters of Credit during such month and the amount of any unreimbursed draws under such Letters of Credit; and (3) such additional information reasonably requested by Administrative Agent.

(viii) UCP and ISP. The Uniform Customs and Practice for Documentary Credits as most recently published from time to time by the International Chamber of Commerce (the "UCP") is hereby incorporated in this Agreement with respect to trade Letters of Credit and shall be deemed incorporated by this reference into each trade Letter of Credit issued pursuant to this Agreement. The terms and conditions of the UCP shall be binding with respect to trade Letters of Credit on the parties to this Agreement and each beneficiary of any trade Letter of Credit issued pursuant to this Agreement. The International Standby Practices as most recently published from time to time by the International Chamber of Commerce (the "ISP") is hereby incorporated in this Agreement with respect to standby Letters of Credit and shall be deemed incorporated by this reference into each standby Letter of Credit issued pursuant to this Agreement. The terms and conditions of the ISP shall be binding with respect to standby Letters of Credit on the parties to this Agreement and each beneficiary of any standby Letter of Credit issued pursuant to this Agreement.

(B) Subsection 1.4(E). Subsection 1.4(E) of the Credit Agreement is hereby amended by amending and restating such subsection in its entirety to read as follows:

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(E) Letter of Credit Fees. From the Third Amendment Date, Borrower shall pay Administrative Agent for the account of all Revolver Lenders that are not Defaulting Lenders with respect to which any Issuing Lender has exercised the right to require Cash Collateralization pursuant to Subsection 1.14 from Borrower or such Defaulting Lender (based upon their respective Pro Rata Shares) a fee for each Letter of Credit from the date of issuance to the date of termination in an amount equal to (i) with respect to Mobility Fund Letters of Credit, 1.75% per annum; and (ii) with respect to Standard Letters of Credit, the applicable LIBOR Margin for Revolver Loans per annum, each as multiplied by the face amount of such Letter of Credit, calculated on the basis of a 360-day year for the actual number of days elapsed. Such fee shall be payable to Administrative Agent for the benefit of all Lenders committed to make Revolver Loans (based upon their respective Pro Rata Shares). Such fee is to be paid quarterly in arrears on the last day of each calendar quarter and the termination of the Letter of Credit. With respect to each Letter of Credit, Borrower shall also pay Administrative Agent, for the benefit of the Issuing Lender issuing such Letter of Credit, an issuance fee equal to the greater of (i) \$1,000 or (ii) 0.125% of the face amount of such Letter of Credit, which amount shall be paid upon the date of issuance and, if the expiration date of such Letter of Credit is later than one (1) year from its date of issuance, upon each anniversary of the date of issuance during the term of such Letter of Credit.

(C) **Subsection 1.6(E).** Subsection 1.6(E) of the Credit Agreement is hereby amended by amending and restated such subsection in its entirety to read as follows:

(E) **Application of Reduction of the Revolver Loan.** If a reduction in the Revolver Loan Commitment pursuant to Subsection 1.6(C) would cause the Revolver Loan Commitment to be less than the sum of the Swingline Loan Commitment and Letter of Credit Sublimit, then the Swingline Loan Commitment and Letter of Credit Sublimit will simultaneously with such reduction of the Revolver Loan Commitment be permanently reduced on a pro rata basis such that the sum of the two does not exceed the reduced Revolver Loan Commitment; provided, however, that the Standard Letter of Credit Sublimit shall be reduced to \$0 before any reduction is made to the Mobility Fund Letter of Credit Sublimit.

(D) Subsection 8.1(D). The first sentence of the second paragraph of Subsection 8.1(D) of the Credit Agreement is hereby amended and restated by amending and restating such sentence in its entirety to read as follows:

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in Subsection 9.2(A) through (H) that affects such Participant (which in the case of clause (D), (E), (F), (G) and (H) shall be all Participants).

(E) **Subsection 8.2(L).** Subsection 8.2(L) of the Credit Agreement is hereby amended by amending and restating such subsection in its entirety to read as follows:

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(L) **Indemnification.** Lenders will reimburse and indemnify Administrative Agent and all other Agent Parties on demand (to the extent not actually reimbursed by the Loan Parties, but without limiting the obligations of the Loan Parties under this Agreement) for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, reasonable attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Administrative Agent or any other Agent Party (i) in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Administrative Agent or any other Agent Parties under this Agreement or any of the Loan Documents, and (ii) in connection with the preparation, negotiation, execution, delivery, administration, amendment, modification, waiver or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any of the other Loan Documents in proportion to each Lender's Pro Rata Share; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements resulting from Administrative Agent's or any other Agent Parties' gross negligence, bad faith or willful misconduct. If any indemnity furnished to Administrative Agent or any other Agent Party for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The obligations of Lenders under this Subsection 8.2(L) shall survive the payment in full of the Obligations and the termination of this Agreement.

(F) **Subsection 10.1.** Subsection 10.1 of the Credit Agreement is hereby amended by amending and restating the definitions of "**Letter of Credit Sublimit**", "**Letter of Credit Usage**" in their entirety as follows:

"**Letter of Credit Sublimit**" means, collectively, the Standard Letter of Credit Sublimit and the Mobility Fund Letter of Credit Sublimit.

"**Letter of Credit Usage**" means, collectively, the Standard Letter of Credit Usage and the Mobility Fund Letter of Credit Usage.

"**Total Leverage Ratio**" means, as of the date of calculation, the ratio derived by dividing (A) Indebtedness (other than (i) as described in clause (H) of the definition of Indebtedness, (ii) as described in clause (M) of the definition of Indebtedness to the extent related to Mobility Fund Letters of Credit and (iii) to the extent related to or supporting the Indebtedness described in clause (H) of such definition, as described in clauses (K), (L), (M) and (N) of the definition of Indebtedness) by (B) EBITDA.

(G) **Subsection 10.1.** Subsection 10.1 of the Credit Agreement is hereby amended by adding the following definitions thereto:

"**Mobility Fund**" means, collectively, funds received by a Loan Party or Georgia RSA 8 Partnership from the FCC or Universal Service Administration Company pursuant

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to the Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform — Mobility Fund, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663 (2011).

"**Mobility Fund Letter of Credit Sublimit**" means \$55,000,000, as such amount may be adjusted in accordance with this Agreement.

"**Standard Letter of Credit Sublimit**" means \$10,000,000, as such amount may be adjusted in accordance with this Agreement.

"**Mobility Fund Letter of Credit Usage**" means, as to each Mobility Fund Letter of Credit, all reimbursement obligations of Borrower to the issuer of the Mobility Fund Letter of Credit consisting of (A) the amount available to be drawn or which may become available to be drawn; and (B) all amounts which have been paid and made available by the Issuing Lender to the extent not reimbursed by Borrower, whether by the making of a Revolver Loan or otherwise. In the case of any Mobility Fund Letter of Credit that is issued in a currency other than United States Dollars, the corresponding Letter of Credit Usage shall be determined in United States Dollars based on the currency exchange rate from time to time applicable to the issuer of such Mobility Fund Letter of Credit. For the avoidance of doubt, the Mobility Fund Letter of Credit Usage may be reduced by the providing of cash collateral in a manner set forth in Subsection 1.16 but only to the extent that such reduction does not permit the Revolving Credit

Obligations to exceed the Revolver Loan Commitment at any time; provided, further, the Mobility Fund Letter of Credit Usage shall not be reduced by any Cash Collateral provided pursuant to Subsections 1.14 of 1.17.

“**Standard Letter of Credit Usage**” means, as to each Standard Letter of Credit, all reimbursement obligations of Borrower to the issuer of the Standard Letter of Credit consisting of (A) the amount available to be drawn or which may become available to be drawn; and (B) all amounts which have been paid and made available by the Issuing Lender to the extent not reimbursed by Borrower, whether by the making of a Revolver Loan or otherwise. In the case of any Standard Letter of Credit that is issued in a currency other than United States Dollars, the corresponding Standard Letter of Credit Usage shall be determined in United States Dollars based on the currency exchange rate from time to time applicable to the issuer of such Standard Letter of Credit. For the avoidance of doubt, the Standard Letter of Credit Usage may be reduced by the providing of cash collateral in a manner set forth in Subsection 1.16 but only to the extent that such reduction does not permit the Revolving Credit Obligations to exceed the Revolver Loan Commitment at any time; provided further, the Standard Letter of Credit Usage shall not be reduced by any Cash Collateral provided pursuant to Subsections 1.14 of 1.17.

SECTION 3. This Amendment shall not constitute a novation of the Credit Agreement or any other Loan Document. Except as expressly provided in this Amendment, the execution and delivery of this Amendment does not and will not amend, modify or supplement any

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provision of, or constitute a consent to or a waiver of any noncompliance with the provisions of, the Loan Documents, and the Loan Documents shall remain in full force and effect.

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

(A) Each of the Loan Parties has taken all necessary limited liability company, partnership, corporate or other equivalent action to authorize the execution, delivery and performance of this Amendment. This Amendment, when executed and delivered will be the legally valid and binding obligations of the Loan Parties, enforceable against each of such Loan Parties, in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debt or relief laws from time to time in effect which affect the enforcement of creditors’ rights in general and general principles of equity.

(B) The execution, delivery and performance by the Loan Parties of this Amendment do not and will not, by the passage of time, the giving of notice or otherwise, (A) require any Governmental Approval or violate any Applicable Law relating to the Loan Parties or any of their respective Subsidiaries except as would not reasonably be expected to have a Material Adverse Effect, (B) materially conflict with, result in a material breach of or constitute a material default under the articles of incorporation, bylaws or other organizational documents of the Loan Parties or any of their respective Subsidiaries or any Material Contract to which such Person is a party or by which any of its properties may be bound, (C) conflict with, result in a breach of or constitute a default under any Governmental Approval relating to such Person except as would not reasonably be expected to have a Material Adverse Effect or (D) except as required or permitted under the Loan Documents, result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person.

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

(D) No Event of Default under the Loan Documents has occurred and is continuing as of this date.

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

SECTION 6. Each of the Guarantors hereby confirms and agrees that (a) its guarantee contained in the Credit Agreement and each Security Document to which it is a party is and shall continue to be in full force and effect, and (b) the obligations guaranteed or secured by each such applicable document include any and all obligations of the Loan Parties to the Secured Parties under the Credit Agreement.

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SECTION 7. This Amendment shall be effective only upon receipt by Administrative Agent of an execution counterpart hereto signed by Borrower, each Guarantor, and the Requisite Lenders.

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

SECTION 9. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and shall be binding upon all parties and their respective permitted successors and assigns, and all of which taken together shall constitute one and the same agreement.

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

[Signatures Follow on Next Page.]

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

BORROWER:

ATLANTIC TELE-NETWORK, INC.

GUARANTORS:

Justin D. Benincasa, Chief Financial Officer

COMMNET WIRELESS, LLC
COMMNET FOUR CORNERS, LLC
COMMNET MIDWEST, LLC
COMMNET OF ARIZONA, L.L.C.
GILA COUNTY WIRELESS, LLC
EXCOMM, L.L.C
SOVERNET HOLDING CORPORATION
COMMNET OF NEVADA, LLC
TISDALE TELEPHONE COMPANY, LLC
COMMNET OF GEORGIA, LLC
CHOICE COMMUNICATIONS, LLC
ALLIED WIRELESS COMMUNICATIONS CORPORATION
ALLIED WIRELESS COMMUNICATIONS (GA), LLC
ALLIED WIRELESS COMMUNICATIONS (ID), LLC
ALLIED WIRELESS COMMUNICATIONS (IL), LLC
ALLIED WIRELESS COMMUNICATIONS (NC), LLC
ALLIED WIRELESS COMMUNICATIONS (OH), LLC
ALLIED WIRELESS COMMUNICATIONS (SC), LLC
ALLIED WIRELESS OF THE PALMETTO STATE, LLC
COMMNET NEWCO, LLC
COMMNET OF TEXAS, LLC
ESSEXTEL, INC.
SHC-ION, LLC

Justin D. Benincasa, Treasurer

SOVERNET, INC.
NATIONAL MOBILE COMMUNICATIONS
CORPORATION

Justin D. Benincasa, Chief Financial Officer

[Signature Page to First Amendment]

SAL SPECTRUM LLC
By: Atlantic Tele-Network, Inc., its Sole Member

Justin D. Benincasa, Chief Financial Officer\

[Signatures continued on following page]

[Signature Page to First Amendment]

**CERTIFICATIONS PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael T. Prior, certify that:

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

Atlantic Tele-Network, Inc.

Date: November 9, 2012

/s/ Michael T. Prior

Michael T. Prior
President and Chief Executive Officer

**CERTIFICATIONS PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Justin D. Benincasa, certify that:

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

Atlantic Tele-Network, Inc.

Date: November 9, 2012

By: /s/ Justin D. Benincasa
Justin D. Benincasa
Chief Financial Officer and Treasurer

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

In connection with the quarterly report on Form 10-Q of Atlantic Tele-Network, Inc. (the "Company") for the period ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael T. Prior, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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.

Atlantic Tele-Network, Inc.

Date: November 9, 2012

By: /s/ Michael T. Prior
Michael T. Prior
President and Chief Executive Officer

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

In connection with the quarterly report on Form 10-Q of Atlantic Tele-Network, Inc. (the "Company") for the period ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Justin D. Benincasa, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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.

Atlantic Tele-Network, Inc.

Date: November 9, 2012

By: /s/ Justin D. Benincasa
Justin D. Benincasa
Chief Financial Officer and Treasurer
