
**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 June 30, 2016

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

ATN INTERNATIONAL, 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)

**500 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

Smaller reporting company

(Do not check if a 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 August 9, 2016, the registrant had outstanding 16,151,535 shares of its common stock (\$.01 par value).

ATN INTERNATIONAL, INC.
FORM 10-Q

Quarter Ended June 30, 2016

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS	3
PART I—FINANCIAL INFORMATION	4
Item 1 Unaudited Condensed Consolidated Financial Statements	4
Condensed Consolidated Balance Sheets at December 31, 2015 and June 30, 2016	4
Condensed Consolidated Income Statements for the Three and Six Months Ended June 30, 2015 and 2016	5
Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2015 and 2016	6
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2016	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations	24-42
Item 3 Quantitative and Qualitative Disclosures About Market Risk	43
Item 4 Controls and Procedures	43
PART II—OTHER INFORMATION	44
Item 1 Legal Proceedings	44
Item 1A Risk Factors	44
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 6 Exhibits	46
SIGNATURES	47
CERTIFICATIONS	

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 regulatory matters; changes to governmental regulations and laws affecting our business; our continued access to the credit and capital markets; the pace of our network expansion and improvement, including our level of estimated future capital expenditures and our realization of the benefits of these investments; our recent acquisitions; 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 operations, including operating margins, revenues, and the future growth and retention of our subscriber base and consumer demand for solar power; (2) government regulation of our businesses, which may impact our FCC and other telecommunications licenses or our renewables business; (3) economic, political and other risks facing our operations, including in various jurisdictions outside the United States where we have operations; (4) our ability to maintain favorable roaming arrangements; (5) our ability to efficiently and cost-effectively upgrade our networks and IT platforms to address rapid and significant technological changes in the telecommunications industry; (6) the loss of or an inability to recruit skilled personnel in our various jurisdictions, including key members of management; (7) our ability to find investment or acquisition or disposition opportunities that fit our strategic goals for the Company; (8) increased competition; (9) our ability to operate in the renewable energy industry; (10) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure; (11) the adequacy and expansion capabilities of our network capacity and customer service system to support our customer growth; (12) the occurrence of weather events and natural catastrophes; (13) our continued access to capital and credit markets; (14) our ability to integrate our acquired businesses; (15) our ability to realize the value that we believe exists in our businesses; and (16) our ability to receive requisite regulatory consents and approvals and satisfy other conditions needed to complete our pending sale. 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 in Item 1A of this Report under the caption “Risk Factors” and under Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 29, 2016 and of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed with the SEC on May 10, 2016 and the other reports we file from time to time with the SEC. The Company undertakes no obligation and has no intention to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect such forward-looking statements.

In this Report, the words “the Company”, “we,” “our,” “ours,” “us” and “ATN” refer to ATN International, Inc. and its subsidiaries. This Report contains trademarks, service marks and trade names that are the property of, or licensed by, ATN, and its subsidiaries.

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

PART I—FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
ATN INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 352,258	\$ 392,045
Restricted cash	1,430	824
Accounts receivable, net of allowances of \$12.0 million and \$9.3 million, respectively	46,554	39,020
Materials and supplies	8,330	8,220
Prepayments and other current assets	26,339	28,383
Total current assets	434,911	468,492
Fixed Assets:		
Property, plant and equipment	931,267	807,247
Less accumulated depreciation	(444,538)	(433,744)
Net fixed assets	486,729	373,503
Telecommunication licenses, net	43,157	43,468
Goodwill	40,865	45,077
Trade name license, net	2,317	417
Customer relationships, net	8,829	1,081
Restricted cash	5,161	5,477
Other assets	23,415	7,489
Total assets	\$ 1,045,384	\$ 945,004
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 12,362	\$ 6,284
Accounts payable and accrued liabilities	52,741	44,137
Dividends payable	5,168	5,142
Accrued taxes	14,144	9,181
Advance payments and deposits	13,132	9,459
Other current liabilities	10,501	10,152
Total current liabilities	108,048	84,355
Deferred income taxes	36,631	45,406
Other liabilities	44,178	26,944
Long-term debt, excluding current portion	51,096	26,575
Total liabilities	239,953	183,280
Commitments and contingencies (Note 13)		
ATN International, Inc. 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; 16,946,334 and 16,828,576 shares issued, respectively, and 16,151,535 and 16,067,736 shares outstanding respectively	168	168
Treasury stock, at cost; 794,800 and 760,840 shares, respectively	(20,661)	(18,254)
Additional paid-in capital	154,881	154,768
Retained earnings	540,019	547,321
Accumulated other comprehensive loss	(3,741)	(3,704)
Total ATN International, Inc. stockholders' equity	670,666	680,299
Non-controlling interests	134,765	81,425
Total equity	805,431	761,724
Total liabilities and equity	\$ 1,045,384	\$ 945,004

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

ATN INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 and 2015
(Unaudited)
(In thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
REVENUE:				
Wireless	\$ 57,088	\$ 60,326	\$ 115,965	\$ 117,341
Wireline	33,976	22,089	56,421	42,681
Equipment and other	3,365	2,621	6,139	5,069
Renewable energy	5,562	5,290	11,151	10,579
Total revenue	<u>99,991</u>	<u>90,326</u>	<u>189,676</u>	<u>175,670</u>
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	25,197	19,525	46,110	39,723
Engineering and operations	8,907	8,363	18,745	16,020
Sales and marketing	7,073	4,895	12,227	10,156
Equipment expense	4,063	2,833	7,322	6,661
General and administrative	20,408	14,192	36,828	28,502
Transaction-related charges	10,410	137	14,065	316
Restructuring charges	1,785	—	1,785	—
Depreciation and amortization	16,493	14,472	31,047	29,223
Impairment of long-lived assets	11,076	—	11,076	—
Bargain purchase gain	(7,304)	—	(7,304)	—
Gain on disposition of long-lived assets	(29)	(2,823)	(29)	(2,823)
Total operating expenses	<u>98,079</u>	<u>61,594</u>	<u>171,872</u>	<u>127,778</u>
Income from operations	<u>1,912</u>	<u>28,732</u>	<u>17,804</u>	<u>47,892</u>
OTHER INCOME (EXPENSE)				
Interest income	345	44	692	209
Interest expense	(1,061)	(786)	(1,886)	(1,568)
Loss on deconsolidation of subsidiary	—	—	—	(19,937)
Other income, net	(137)	36	(123)	61
Other expense, net	(853)	(706)	(1,317)	(21,235)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>1,059</u>	<u>28,026</u>	<u>16,487</u>	<u>26,657</u>
Income taxes	2,945	13,008	7,576	12,521
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(1,886)</u>	<u>15,018</u>	<u>8,911</u>	<u>14,136</u>
INCOME FROM DISCONTINUED OPERATIONS:				
Income from discontinued operations, net of tax	—	—	—	390
NET INCOME (LOSS)	<u>(1,886)</u>	<u>15,018</u>	<u>8,911</u>	<u>14,526</u>
Net income attributable to non-controlling interests, net of tax expense of \$0.5 million, \$0.5million, \$0.4 million, and \$0.8 million, respectively.	(1,200)	(5,568)	(5,877)	(8,345)
NET INCOME (LOSS) ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS	<u>\$ (3,086)</u>	<u>\$ 9,450</u>	<u>\$ 3,034</u>	<u>\$ 6,181</u>
NET INCOME (LOSS) PER WEIGHTED AVERAGE BASIC SHARE ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS:				
Continuing operations	\$ (0.19)	\$ 0.59	\$ 0.19	\$ 0.36
Discontinued operations	\$ —	\$ —	\$ —	\$ 0.02
Total	<u>\$ (0.19)</u>	<u>\$ 0.59</u>	<u>\$ 0.19</u>	<u>\$ 0.38</u>
NET INCOME (LOSS) PER WEIGHTED AVERAGE DILUTED SHARE ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS:				
Continuing operations	\$ (0.19)	\$ 0.59	\$ 0.19	\$ 0.36
Discontinued operations	\$ —	\$ —	\$ —	\$ 0.02
Total	<u>\$ (0.19)</u>	<u>\$ 0.59</u>	<u>\$ 0.19</u>	<u>\$ 0.38</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	16,145	16,038	16,118	15,988
Diluted	16,145	16,150	16,221	16,109
DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK	<u>\$ 0.32</u>	<u>\$ 0.29</u>	<u>\$ 0.64</u>	<u>\$ 0.58</u>

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

ATN INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)
(In thousands)

	<u>Three months</u> <u>ended June 30,</u>		<u>Six months</u> <u>ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net income (loss)	\$ (1,886)	\$ 15,018	\$ 8,911	\$ 14,526
Other comprehensive income:				
Foreign currency translation adjustment	(40)	30	(36)	28
Other comprehensive income (loss), net of tax	(40)	30	(36)	28
Comprehensive income	(1,926)	15,048	8,875	14,554
Less: Comprehensive income attributable to non-controlling interests	(1,200)	(5,568)	(5,877)	(8,345)
Comprehensive income (loss) attributable to ATN International, Inc.	<u>\$ (3,126)</u>	<u>\$ 9,480</u>	<u>\$ 2,998</u>	<u>\$ 6,209</u>

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

ATN INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)
(In thousands)

	June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 8,911	\$ 14,526
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	31,047	29,223
Provision for doubtful accounts	100	237
Amortization and write off of debt discount and debt issuance costs	236	283
Stock-based compensation	3,633	2,677
Deferred income taxes	(8,775)	—
Income from discontinued operations, net of tax	—	(390)
Bargain purchase gain	(7,304)	—
Gain on disposition of long-lived assets	(29)	(2,823)
Impairment of long-lived assets	11,076	—
Loss on deconsolidation of subsidiary	—	19,937
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable, net	(2,902)	4,033
Materials and supplies, prepayments, and other current assets	(4,505)	(4,275)
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(4,713)	4,440
Accrued taxes	15,294	18,553
Other assets	(1,854)	(32)
Other liabilities	10,505	(5,847)
Net cash provided by operating activities of continuing operations	50,720	80,542
Net cash provided by operating activities of discontinued operations	—	603
Net cash provided by operating activities	50,720	81,145
Cash flows from investing activities:		
Capital expenditures	(42,727)	(28,031)
Purchase of marketable securities	(2,000)	—
Acquisition of businesses, net of acquired cash of \$8.3 million and \$6.6 million	(29,719)	(11,968)
Purchases of spectrum licenses and other intangible assets, including deposits	(10,860)	—
Acquisition of non-controlling interest in subsidiary	(7,045)	—
Change in restricted cash	(290)	39,001
Proceeds from disposition of long-lived assets	1,424	5,873
Net cash provided by (used in) investing activities of continuing operations	(91,217)	4,875
Cash flows from financing activities:		
Dividends paid on common stock	(10,311)	(9,267)
Distribution to non-controlling stockholders	(4,302)	(9,160)
Payment of debt issuance costs	—	(30)
Proceeds from stock option exercises	164	1,686
Principal repayments of term loan	(4,759)	(2,997)
Purchase of common stock	(1,986)	(1,568)
Investments made by minority shareholders in consolidated affiliates	21,904	905
Net cash provided by (used in) financing activities of continuing operations	710	(20,431)
Net change in cash and cash equivalents	(39,787)	65,589
Cash and cash equivalents, beginning of period	392,045	326,216
Cash and cash equivalents, end of period	\$ 352,258	\$ 391,805

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

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

1. ORGANIZATION AND BUSINESS OPERATIONS

The Company is a holding company that, through its operating subsidiaries, (i) provides wireless and wireline telecommunications services in North America, Bermuda and the Caribbean, (ii) develops, owns and operates commercial distributed generation solar power systems in the United States and India, and (iii) owns and operates terrestrial and submarine fiber optic transport systems in the United States and the Caribbean, respectively.

The Company offers the following principal services:

- **Wireless.** In the United States, the Company offers wholesale wireless voice and data roaming services to national, regional, local and selected international wireless carriers in rural markets located principally in the Southwest and Midwest United States. The Company also offers wireless voice and data services to retail customers in Bermuda, Guyana, and in other smaller markets in the Caribbean and the United States.
- **Wireline.** The Company's wireline services include local telephone, data, and cable television services in Bermuda, Guyana, and in other smaller markets in the Caribbean and the 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. In addition, the Company offers wholesale long-distance voice services to telecommunications carriers. The Company also offers facilities-based integrated voice and data communications services and wholesale transport services to enterprise and residential customers in New England, primarily Vermont, and in New York State.
- **Renewable Energy.** In the United States, the Company provides distributed generation solar power to corporate, utility and municipal customers in Massachusetts, California and New Jersey. Beginning in April 2016, the Company began developing projects in India to provide distributed generation solar power to corporate and utility customers.

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 June 30, 2016:

Services	Segment	Markets	Tradenames
Wireless	U.S. Telecom	United States (rural markets)	Commnet, Choice
	International Telecom	Aruba, Bermuda, Guyana, U.S. Virgin Islands	Mio, CellOne, Choice
Wireline	U.S. Telecom	United States (New England and New York State)	Sovernet, ION, Essextel
	International Telecom	Guyana, Bermuda, Cayman Islands, British Virgin Islands, St. Maarten	GTT, KeyTech, Bermuda CableVision, Logic
Renewable Energy	Renewable Energy	United States (Massachusetts, California, and New Jersey), India	Ahana Renewables, Vibrant Energy

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

To be consistent with how management allocates resources and assesses the performance of its business operations in 2016, the Company updated its reportable operating segments to consist of the following: i) U.S. Telecom, consisting of the Company's former U.S. Wireless and U.S. Wireline segments, ii) International Telecom, consisting of the Company's former Island Wireless and International Integrated Telephony segments, and iii) Renewable Energy, consisting of its former Renewable Energy segment. The prior period segment information has been recast to conform to the current year's segment presentation.

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 2015 Annual Report on Form 10-K.

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

Certain reclassifications have been made in the prior period financial statements to conform the Company's consolidated income statements to how management analyzes its operations in the current period. The changes did not impact operating income. For the three months ended June 30, 2015 the aggregate impact of the changes included an increase to termination and access fees of \$0.1 million, an increase to engineering and operations expenses of \$0.3 million, a decrease to sales and marketing expenses of \$0.2 million and a decrease to general and administrative expenses of \$0.2 million. For the six months ended June 30, 2015 the aggregate impact of the changes included an increase to termination and access fees of \$0.2 million, an increase to engineering and operations expenses of \$0.4 million, a decrease to sales and marketing expenses of \$0.3 million and a decrease to general and administrative expenses of \$0.3 million.

During the six months ended June 30, 2016, the Company's other assets increased primarily due to a deposit to purchase spectrum licenses of \$10.9 million, a \$2.0 million purchase of securities in an unaffiliated entity, and \$0.9 of loan commitment fees related to the Innovative Transaction.

The Company's effective tax rates for the three months ended June 30, 2016 and 2015 were 278.2% and 46.4%, respectively. The Company's effective tax rates for the six months ended June 30, 2016 and 2015 were 46.0% and 47.0%, respectively. The effective tax rate for the three months ended June 30, 2016 was impacted by the following items: (i) certain transactional charges incurred in connection with our recent acquisitions that had no tax benefit, (ii) an impairment charge to write down the value of assets related to our U.S. Wireline business, (iii) the cumulative rate impact resulting from a change to the annual forecasted rate, applied against a lower Q2 2016 pretax book income, and (iv) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the three months ended June 30, 2015 was impacted by the following items: (i) the \$19.9 million loss on deconsolidation within its International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the six months ended June 30, 2016 was impacted by the following items: (i) certain transactional charges incurred in connection with our recent acquisitions that had no tax benefit, (ii) an impairment charge to write down the value of assets related to our U.S. Wireline business, and (iii) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the six months ended June 30, 2015 was impacted by the following items: (i) the \$19.9 million loss on deconsolidation within its International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which we operate.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, which provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. On July 9, 2015, the FASB approved the deferral of the new standard’s effective date by one year. The new standard is now effective for annual reporting periods beginning after December 15, 2017. The FASB will permit companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the adoption method options and the impact of the new guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”, which amends the presentation of debt issuance costs on the consolidated balance sheet. Under the new guidance, debt issuance costs are presented as a direct deduction from the carrying amount of the debt liability rather than as an asset. The Company adopted ASU 2015-03 on January 1, 2016 and has determined that its adoption did not have a material impact on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”, which provides guidance about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer’s accounting for service contracts. The standard is effective beginning January 1, 2017, with early adoption permitted, and may be applied prospectively or retrospectively. The Company does not expect ASU 2015-05 to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”, which provides updated guidance related to simplifying the accounting for measurement period adjustments related to business combinations. The amended guidance eliminates the requirement to retrospectively account for adjustments made during the measurement period. The standard was adopted January 1, 2016, and did not have a material impact on its consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which provides comprehensive lease accounting guidance. The standard requires entities to recognize lease assets and liabilities on the balance sheet as well as disclosure of key information about leasing arrangements. ASU 2016-02 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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 business combinations, fair value of indefinite-lived intangible assets, goodwill and income taxes. Actual results could differ significantly from those estimates.

4. ACQUISITIONS

Completed Acquisitions

Vibrant Energy

On April 7, 2016, the Company completed its acquisition of a solar power development portfolio in India from Armstrong Energy Global Limited (“Armstrong”), a well-known developer, builder, and owner of solar farms (the “Vibrant Energy Acquisition”). The business operates under the name Vibrant Energy. The Company also retained several Armstrong employees in the UK and India who are employed by the Company to oversee the development, construction and operation of the India solar projects. The projects to be developed initially are located in the states of Andhra Pradesh and Telangana and are based on a commercial and industrial business model, similar to the Company’s existing renewable energy operations in the United States. As of April 7, 2016, the Company began consolidating the results of Vibrant Energy in its financial statements within its Renewable Energy segment.

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

Consideration Transferred	\$ 6,193
Preliminary Purchase price allocation:	
Cash	\$ 136
Prepayments and other assets	636
Property, plant and equipment	7,321
Accounts payable and accrued liabilities	(5,179)
Goodwill	3,279
Net assets acquired	<u>6,193</u>

The consideration transferred includes \$3.5 million paid and \$2.7 million to be paid, which relates to the passage of time and achievement of initial production milestones which are considered probable. The acquired property, plant and equipment is comprised of solar equipment and the accounts payable and accrued liabilities consists mainly of amounts payable for certain asset purchases. The fair value of the property, plant, and equipment was based on recent acquisition costs for the assets, given their recent purchase dates from third parties. The goodwill in the transaction relates to the assembled workforce of the business acquired.

For the six months ended June 30, 2016 the Vibrant Energy Acquisition accounted for \$0.1 million of the Company’s revenue. The Company incurred \$10.2 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which \$9.0 million were incurred during the six months ended June 30, 2016. The pro forma financial information assuming the acquisition had occurred as of the beginning of the calendar year prior to the year of acquisition, as well as the revenues and earnings generated during the current year, were not material for disclosure purposes.

KeyTech Limited

On May 3, 2016, the Company completed its acquisition of a controlling interest in KeyTech Limited (“KeyTech”), a publicly held Bermuda company listed on the Bermuda Stock Exchange (“BSX”) that provides broadband and cable television services and other telecommunications services to residential and enterprise customers

under the “Logic” name in Bermuda and the Cayman Islands (the “KeyTech Transaction”). KeyTech also owned a minority interest of approximately 43% in the Company’s consolidated subsidiary, Bermuda Digital Communications Ltd. (“BDC”), which provides wireless services in Bermuda under the “CellOne” name. As part of the transaction, the Company contributed its ownership interest of approximately 43% in BDC and \$41.6 million in cash in exchange for a 51% ownership interest in KeyTech. As part of the transaction, BDC was merged with and into a company within the KeyTech group and the approximate 15% interest in BDC held, in the aggregate, by BDC’s minority shareholders was converted into the right to receive common shares in KeyTech. Following the transaction, BDC is now wholly owned by KeyTech, and KeyTech continues to be listed on the BSX. A portion of the cash proceeds that KeyTech received upon closing was used to fund a one-time special dividend to KeyTech’s pre-transaction shareholders and to retire KeyTech’s subordinated debt. On May 3, 2016, the Company began consolidating the results of KeyTech within its financial statements in its International Telecom segment.

The KeyTech Transaction was accounted for as a business combination of a controlling interest in KeyTech in accordance with ASC 805 and the acquisition of an incremental ownership interest in BDC in accordance with ASC 810, *Consolidation*. The total purchase consideration of \$41.6 million of cash was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition. The table below represents the preliminary allocation of the consideration transferred to the net assets of KeyTech and incremental interest acquired in BDC based on their acquisition date fair values (in thousands):

Consideration Transferred	
Cash consideration - KeyTech	\$ 34,518
Cash consideration - BDC	7,045
Total consideration transferred	<u>41,563</u>
Non-controlling interests - KeyTech	32,909
Total value to allocate	<u>\$ 74,472</u>
Value to allocate KeyTech	67,427
Value to allocate - BDC	7,045
Preliminary Purchase price allocation KeyTech:	
Cash	8,185
Accounts receivable	6,451
Other current assets	3,241
Property, plant and equipment	100,892
Identifiable intangible assets	10,590
Other long term assets	3,464
Accounts payable and accrued liabilities	(16,051)
Advance payments and deposits	(6,683)
Current debt	(6,429)
Long term debt	(28,929)
Net assets acquired	<u>74,731</u>
Gain on KeyTech bargain purchase	<u>\$ 7,304</u>
Purchase price allocation BDC:	
Carrying value of BDC non-controlling interest acquired	<u>2,940</u>
Excess of purchase price paid over carrying value of non-controlling interest acquired	<u>\$ 4,105</u>

The acquired property, plant and equipment is comprised of telecommunication equipment located in Bermuda and the Cayman Islands. The property, plant and equipment was valued using the income and cost approaches. Cash flows were discounted at approximately 15% rate to determine fair value under the income approach. The property, plant and equipment have useful lives ranging from 3 to 18 years and the customer relationships acquired have average useful lives of 9 to 12 years. The fair value of the non-controlling interest was determined using the income approach and a discount rate of approximately 15%. The acquired receivables consist of trade receivables incurred in the ordinary course of business. The Company currently expects to collect the full amount of the receivables.

The purchase price and resulting bargain purchase gain are the result of the market conditions and competitive environment in which KeyTech operates along with the Company's strategic position and resources in those same markets. Both companies realized that their combined resources would accelerate the transformation of both companies to better serve customers in these markets. The bargain purchase gain is included in operating income in the accompanying income statement for the three and six months ended June 30, 2016.

The Company's statement of operations for the six months ended June 30, 2016 includes \$14.0 million of revenue and \$3.0 million of income before taxes attributable to the KeyTech Transaction. The Company incurred \$4.1 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which \$3.2 million were incurred during the six months ended June 30, 2016.

The following table reflects unaudited pro forma operating results of the Company for the three and six month periods ended June 30, 2016 and June 30, 2015 assuming that the KeyTech Transaction occurred at the beginning of each period presented. The pro forma amounts adjust KeyTech's results to reflect the depreciation and amortization that would have been recorded assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2015. Also, KeyTech's results are adjusted to reflect the retirement of \$24.7 million of debt as of January 1, 2015. ATN's results were adjusted to reflect ATN's incremental ownership in BDC. Amounts are presented in thousands, except per share data:

	Three months ended		Three months ended		Six months ended		Six months ended	
	June 30, 2016		June 30, 2015		June 30, 2016		June 30, 2015	
	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted
Revenue	\$ 99,991	\$ 107,006	\$ 90,326	\$ 112,181	\$ 189,676	\$ 231,757	\$ 175,670	\$ 218,510
Net Income attributable to ATN International, Inc.								
Stockholders	(3,086)	(1,157)	9,450	9,746	3,034	9,935	6,181	25,673
Earnings per share:								
Basic	(0.19)	(0.07)	0.59	0.61	0.19	0.62	0.38	1.61
Diluted	(0.19)	(0.07)	0.59	0.60	0.19	0.61	0.38	1.59

Acquisition Completed Subsequent to Quarter End

Innovative

On July 1, 2016, the Company completed its acquisition of all of the membership interests of Caribbean Asset Holdings LLC, the holding company for the Innovative group of companies operating cable television, Internet, wireless and landline services in the U.S. Virgin Islands, British Virgin Islands and St. Maarten ("Innovative"), from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The Company acquired the Innovative operations for a purchase price of approximately \$145 million, subject to certain purchase price adjustments (the "Innovative Transaction"). In connection with the transaction, the Company financed \$60 million of the purchase price with a loan from an affiliate of CFC, the Rural Telephone Finance Cooperative ("RTFC") on the terms and conditions of a Loan Agreement by and among RTFC, CAH and ATN VI Holdings, LLC, the parent entity of CAH and a wholly-owned subsidiary of the Company. The Company funded the remaining approximately \$85.0 million of the purchase price in cash. Following the purchase, the Company's current operations in the U.S. Virgin Islands under the "Choice" name will

be combined with Innovative to deliver residential and business subscribers a full range of telecommunications and media services.

Beginning July 1, 2016, the results of the Innovative Transaction will be included in the Company's International Telecom segment.

5. LOSS ON DECONSOLIDATION OF SUBSIDIARY

During March 2015, the Company sold certain assets and liabilities of its Turks and Caicos business in its International Telecom segment. As a result, the Company recorded a loss of approximately \$19.9 million arising from the deconsolidation of non-controlling interests of \$20.0 million and a gain of \$0.1 million arising from an excess of sales proceeds over the carrying value of net assets disposed of. The net loss on disposition is included within other income (expense) and does not relate to a strategic shift in the Company's operations. As a result, the subsidiary's historical results and financial position are presented with continuing operations.

6. IMPAIRMENT OF LONG LIVED ASSETS AND GOODWILL

During June 2016, as a result of recent industry consolidation activities and a review of strategic alternatives for our U.S. Wireline business in the Northeast, the Company identified factors indicating the carrying amount of certain assets may not be recoverable. More specifically, the factors included the competitive environment, recent industry consolidation, and the Company's view of future opportunities in the market which began to evolve in the second quarter of 2016. As a result of these factors, on August 4, 2016, the Company entered into a stock purchase agreement to sell a portion of its U.S. Wireline business. The transaction is subject to certain regulatory approvals. As a result of this transaction and the recent developments in the market, the Company determined that carrying value exceeded the fair value of certain assets. Therefore, the Company recorded an impairment charge of \$11.1 million, including \$7.5 million related to goodwill, to reduce the carrying value of these assets to the estimated fair value. The impairment charge is included in income from operations for the three months ended June 30, 2016.

7. 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 and intangible assets that have been impaired 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 June 30, 2016 and December 31, 2015 are summarized as follows (in thousands):

Description	June 30, 2016		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Certificates of deposit	\$ —	\$ 388	\$ 388
Money market funds	\$ 26,318	\$ —	\$ 26,318
Total assets measured at fair value	\$ 26,318	\$ 388	\$ 26,706

Description	December 31, 2015		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Certificates of deposit	\$ —	\$ 377	\$ 377
Money market funds	\$ 76,263	\$ —	\$ 76,263
Total assets measured at fair value	\$ 76,263	\$ 377	\$ 76,640

Certificate of Deposit

As of June 30, 2016 and December 31, 2015, this asset class consisted of a time deposit at a financial institution denominated in U.S. dollars. The asset class is classified within Level 2 of the fair value hierarchy because the fair value was based on observable market data.

Money Market Funds

As of June 30, 2016 and December 31, 2015, this asset class consisted of a money market portfolio that comprises Federal government and U.S. Treasury securities. The asset class is classified within Level 1 of the fair value hierarchy because its underlying investments are valued using quoted market prices in active markets for identical assets.

Other Fair Value Disclosures

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short-term maturities of these financial instruments.

The fair value of marketable securities is estimated using Level 2 inputs. At June 30, 2016, the fair value of marketable securities was equal to its carrying amount of \$2.0 million and is included in other assets on the condensed consolidated balance sheet.

The fair value of long-term debt is estimated using Level 2 inputs. At June 30, 2016, the fair value, in thousands, of long-term debt, including the current portion, was equal to its carrying amount of \$63.5 million. At December 31, 2015, the fair value of the long-term debt, including the current portion, was equal to its carrying amount of \$32.9 million.

8. LONG-TERM DEBT

On December 19, 2014, the Company amended and restated its then existing credit facility with CoBank, ACB and a syndicate of other lenders to provide for a \$225 million revolving credit facility (the “Credit Facility”) that includes (i) up to \$10 million under the Credit Facility for standby or trade letters of credit, (ii) up to \$25 million under the Credit Facility for letters of credit that are necessary or desirable to qualify for disbursements from the FCC’s mobility fund and (iii) up to \$10 million under a swingline sub-facility.

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

On January 11, 2016, the Company amended the Credit Facility (the “Amendment”) to provide for lender consent to, among other actions, (i) the contribution by the Company of all of its equity interests in ATN Bermuda Holdings, Ltd. to ATN Overseas Holdings, Ltd. in connection with the KeyTech Transaction, and subject to the closing of the KeyTech Transaction, a one-time, non-pro rata cash distribution by KeyTech in an aggregate amount not to exceed \$13.0 million to certain of KeyTech’s shareholders; and (ii) the incurrence by certain subsidiaries of the Company of secured debt in an aggregate principal amount not to exceed \$60.0 million in connection with the Company’s option to finance a portion of the Innovative Transaction. The Amendment increases the amount the Company is permitted to invest in “unrestricted” subsidiaries of the Company, which are not subject to the covenants of the Credit Facility, from \$275.0 million to \$400.0 million (as such increased amount shall be reduced from time to time by the aggregate amount of certain dividend payments to the Company’s stockholders). The Amendment also provides for the incurrence by the Company of incremental term loan facilities, when combined with increases to revolving loan commitments under the Credit Facility, in an aggregate amount not to exceed \$200.0 million, which facilities shall be subject to certain conditions, including pro forma compliance with the total net leverage ratio financial covenant under the Credit Facility.

The Credit Facility contains customary representations, warranties and covenants, including a financial covenant that imposes a maximum ratio of indebtedness to EBITDA as well as 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 Credit Facility contains a financial covenant by us that imposes a maximum ratio of indebtedness to EBITDA. As of June 30, 2016, the Company was in compliance with all of the financial covenants of the Credit Facility.

As of June 30, 2016, the Company had no borrowings under the Credit Facility and approximately \$10.6 million of outstanding letters of credit.

Ahana Debt

In connection with the Ahana Acquisition on December 24, 2014, the Company assumed \$38.9 million in long-term debt (the “Ahana Debt”). The Ahana Debt includes multiple loan agreements with banks that bear interest at rates between 4.5% and 6.0 %, mature at various times between 2018 and 2023 and are secured by certain solar facilities. Repayment of the Ahana Debt with the banks is made on a monthly basis until maturity.

The Ahana Debt also includes a loan from Public Service Electric & Gas (PSE&G). The note payable to PSE&G bears interest at 11.3%, matures in 2027, and is secured by certain solar facilities. Repayment of the Ahana Debt with PSE&G can be made in either cash or solar renewable energy credits (“SRECs”), at the Company’s discretion,

with the value of the SRECs being fixed at the time of the loan's closing. Historically, the Company has made all repayments of the note payable to PSE&G using SRECs.

As of June 30, 2016, \$29.7 million of the Ahana Debt remained outstanding.

KeyTech Debt

In connection with the KeyTech Transaction on May 3, 2016, the Company assumed \$35.4 million in debt (the "KeyTech Debt"). The KeyTech Debt matures in 2021, bears interest of the three-month LIBOR plus a margin of 3.25%, and repayment is made quarterly until maturity. The debt is secured by the property and assets of certain KeyTech subsidiaries.

As of June 30, 2016, \$33.8 million of the KeyTech Debt remained outstanding.

9. GOVERNMENT GRANTS

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

Phase I Mobility Fund Grants

As part of the Federal Communications Commission's ("FCC") reform of 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, the FCC created two new funds, including the Phase I Mobility Fund ("Mobility Fund"), a one-time award meant to support wireless coverage in underserved geographic areas in the United States. In August 2013 and October 2014, the Company received FCC final approvals for \$21.7 million and \$2.4 million, respectively, of Mobility Fund support to its wholesale wireless business (the "Mobility Funds"), to expand voice and broadband networks in certain geographic areas in order to offer either 3G or 4G coverage. As part of the receipt of the Mobility Funds, the Company committed to comply with certain additional FCC construction and other requirements. A portion of these funds will be used to offset network capital costs and a portion is used to offset the costs of supporting the networks for a period of five years from the award date. In connection with the Company's application for the Mobility Funds, the Company has issued approximately \$10.6 million in letters of credit to the Universal Service Administrative Company ("USAC") to secure these obligations. If the Company fails to comply with any of the terms and conditions upon which the Mobility Funds were granted, or if the Company loses eligibility for the Mobility Funds, USAC will be entitled to draw the entire amount of the letter of credit applicable to the affected project plus penalties and may disqualify the Company from the receipt of additional Mobility Fund support.

The Mobility Funds projects and their results are included within the Company's U.S. Telecom segment. As of June 30, 2016, the Company had received approximately \$8.1 million in Mobility Funds. Of these funds, \$2.2 million was recorded as an offset to operating expenses, \$5.8 million was recorded as an offset to the cost of the property, plant, and equipment associated with these projects and, consequentially, a reduction of future depreciation expense and the remaining \$0.1 million of future operating costs is recorded within current liabilities in the Company's consolidated balance sheet as of June 30, 2016. The balance sheet presentation is based on the timing of the expected usage of the funds which will reduce future operations expenses.

10. EQUITY

Stockholders' equity was as follows (in thousands):

	Six months ended June 30,					
	2016			2015		
	ATN International, Inc.	Non-Controlling Interests	Total Equity	ATN International, Inc.	Non-Controlling Interests	Total Equity
Equity, beginning of period	\$ 680,299	\$ 81,425	\$ 761,724	\$ 677,222	\$ 60,960	\$ 738,182
Stock-based compensation	3,626	—	3,626	2,677	—	2,677
Comprehensive income:						
Net income	3,034	5,877	8,911	6,181	8,345	14,526
Translation adjustment	(36)	—	(36)	28	—	28
Total comprehensive income	2,998	5,877	8,875	6,209	8,345	14,554
Issuance of common stock upon exercise of stock options	585	—	585	2,074	—	2,074
Dividends declared on common stock	(10,330)	—	(10,330)	(9,306)	—	(9,306)
Distributions to non-controlling interests	—	(4,404)	(4,404)	—	(9,261)	(9,261)
Investments made by non-controlling interests	—	21,904 (1)	21,904	—	905	905
Acquisition of KeyTech	—	32,903	32,903	—	—	—
Sale of non-controlling interests	—	—	—	—	20,013	20,013
Purchase of non-controlling interests	(4,105)	(2,940)	(7,045)	—	—	—
Purchase of treasury stock	(2,407)	—	(2,407)	(1,955)	—	(1,955)
Equity, end of period	\$ 670,666	\$ 134,765	\$ 805,431	\$ 676,921	\$ 80,962	\$ 757,883

(1) During the six months ended June 30, 2016, the holder of a non-controlling interest in one of ATN's U.S. Telecom subsidiaries contributed \$21.7 million of cash to the subsidiary. ATN maintained a controlling interest in the subsidiary both before and after the contribution.

11. NET INCOME (LOSS) PER SHARE

For the three and six months ended June 30, 2016 and 2015, outstanding stock options were the only potentially dilutive securities. The reconciliation from basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Basic weighted-average shares of common stock outstanding	16,145	16,038	16,118	15,988
Stock options	—	112	103	121
Diluted weighted-average shares of common stock outstanding	16,145	16,150	16,221	16,109

The above calculation does not include approximately 105,000 shares and 5,000 shares related to certain stock options because the effects of such options were anti-dilutive during the three and six months ended June 30, 2016, respectively. There were no anti-dilutive options for the three months ended June 30, 2015 or the six months ended June 30, 2015.

12. SEGMENT REPORTING

For the three and six months ended June 30, 2015, the Company had five reportable segments for separate disclosure in accordance with the FASB's authoritative guidance on disclosures about segments of an enterprise. Those five segments were: i) U.S. Wireless, which generated all of its revenues in and had all of its assets located in the United States, ii) International Integrated Telephony, which generated all of its revenues in and had all of its assets located in Guyana, iii) Island Wireless, which generated a majority of its revenues in, and had a majority of its assets located in, Bermuda and which also generated revenues in and had assets located in the U.S. Virgin Islands, Aruba and Turks and Caicos (through March 23, 2015), iv) U.S. Wireline, which generated all of its revenues in and had all of its assets located in the United States, and v) Renewable Energy, which generated all of its revenues in and had all of its assets located in the United States. The operating segments were managed separately because each offers different services and serves different markets.

To be consistent with how management allocates resources and assesses the performance of its business operations in 2016, the Company updated its reportable operating segments to consist of the following: i) U.S. Telecom, consisting of the Company's former U.S. Wireless and U.S. Wireline segments, ii) International Telecom, consisting of the Company's former Island Wireless and International Integrated Telephony segments and the results of its KeyTech Transaction, and iii) Renewable Energy, consisting of the Company's former Renewable Energy segment and the results of its Vibrant Energy Acquisition. The prior period segment information has been recast to conform to the current year's segment presentation.

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

For the Three Months Ended June 30, 2016					
	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	\$ 37,655	\$ 19,433	\$ —	\$ —	\$ 57,088
Wireline	5,811	28,165	—	—	33,976
Equipment and Other	481	2,764	120	—	3,365
Renewable Energy	—	—	5,562	—	5,562
Total Revenue	43,947	50,362	5,682	—	99,991
Depreciation and amortization	5,609	8,209	1,207	1,467	16,493
Non-cash stock-based compensation	—	—	28	1,877	1,905
Operating income (loss)	4,797	1,955	(3,619)	(1,221)	1,912

For the Three Months Ended June 30, 2015					
	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	\$ 40,103	\$ 20,223	\$ —	\$ —	\$ 60,326
Wireline	6,679	15,410	—	—	22,089
Equipment and Other	698	1,923	—	—	2,621
Renewable Energy	—	—	5,290	—	5,290
Total Revenue	47,480	37,556	5,290	—	90,326
Depreciation and amortization	5,657	6,399	1,204	1,212	14,472
Non-cash stock-based compensation	—	—	29	1,424	1,453
Operating income (loss)	23,122	10,332	2,691	(7,413)	28,732

For the Six Months Ended June 30, 2016					
	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	\$ 77,119	\$ 38,846	\$ —	\$ —	\$ 115,965
Wireline	11,857	44,564	—	—	56,421
Equipment and Other	1,169	4,850	120	—	6,139
Renewable Energy	—	—	11,151	—	11,151
Total Revenue	90,145	88,260	11,271	—	189,676
Depreciation and amortization	11,229	14,586	2,415	2,818	31,047
Non-cash stock-based compensation	—	—	57	3,576	3,633
Operating income (loss)	21,579	9,655	(3,555)	(9,875)	17,804

For the Six Months Ended June 30, 2015

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	\$ 75,946	\$ 41,395	\$ —	\$ —	\$ 117,341
Wireline	12,672	30,009	—	—	42,681
Equipment and Other	1,239	3,830	—	—	5,069
Renewable Energy	—	—	10,579	—	10,579
Total Revenue	89,857	75,234	10,579	—	175,670
Depreciation and amortization	11,159	13,310	2,408	2,346	29,223
Non-cash stock-based compensation	—	—	210	2,467	2,677
Operating income (loss)	39,896	16,520	5,343	(13,867)	47,892

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
June 30, 2016					
Net fixed assets	\$ 120,103	\$ 243,935	\$ 112,147	\$ 10,544	\$ 486,729
Goodwill	32,148	5,438	3,279	—	40,865
Total assets	242,524	390,932	143,190	268,738	1,045,384
December 31, 2015					
Net fixed assets	\$ 119,596	\$ 133,262	\$ 106,560	\$ 14,085	\$ 373,503
Goodwill	39,639	5,438	—	—	45,077
Total assets	227,707	278,770	122,788	315,739	945,004

Capital Expenditures

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Six months ended June 30,					
2016	\$ 16,447	\$ 22,283	\$ 242	\$ 3,755	\$ 42,727
2015	17,075	9,265	12	1,679	28,031

(1) Reconciling items refer to corporate overhead matters and consolidating adjustments.

13. 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 below, for which the Company is currently unable to predict the final outcome, the disposition of proceedings currently pending will not have a material adverse effect on the Company's financial position or results of operations.

As of June 30, 2016 the Company had approximately \$10.6 million in letters of credit payable to USAC outstanding to cover its Mobility Fund obligations and there were no drawdowns against these letters of credit. The letters of credit accrue a fee at a rate of 1.75% per annum on the outstanding amounts. If the Company fails to comply with certain terms and conditions upon which the Mobility Funds are to be granted, or if it loses eligibility for Mobility Fund support, USAC will be entitled to draw the entire amount of the letter of credit applicable to the affected project including penalties. The results of the Company's Mobility Fund projects, once initiated, will be included in the Company's "U.S. Telecom" segment.

Currently, the Company's Guyana subsidiary, GTT, holds a license to provide domestic fixed services and international voice and data services in Guyana on an exclusive basis until December 2030. Since 2001, the Government of Guyana has stated its intention to introduce additional competition into Guyana's telecommunications sector. In connection therewith, the Company and GTT have met on several occasions with officials of the Government of Guyana to discuss potential modifications of GTT's exclusivity and other rights under the existing agreement and license. On July 18, 2016, the Guyana Parliament passed telecommunications legislation that introduces material changes to many features of Guyana's existing telecommunications regulatory regime with the intention of creating a more competitive market. In contrast to prior legislative proposals, the legislation that passed does not include a provision that permits other telecommunications carriers to receive licenses automatically upon signing of the legislation, nor does it have the effect of terminating the Company's exclusive license. Instead the legislation as passed requires the Minister of Telecommunications to conduct further proceedings and issue implementing orders to enact the various provisions of the legislation. The Company cannot predict when the legislation will be signed into law or the manner in which it will be implemented by the Minister of Telecommunications.

The Company understands that the Government of Guyana intends to discuss with the Company modifications of the Company's exclusivity rights and other rights under its existing agreement and license. However, there can be no assurance that the Government of Guyana will convene those discussions before the Government issues new licenses contemplated by the legislation or at all, or that they will satisfactorily address contractual exclusivity rights. Although the Company believes that it would be entitled to damages or other compensation for any involuntary termination of its contractual exclusivity rights, it cannot guarantee that the Company would prevail in a proceeding to enforce its rights or that its actions would effectively halt any unilateral action by the Government.

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

In a letter dated September 8, 2006, the National Frequency Management Unit ("NFMU") agreed that total spectrum fees in Guyana should not increase for the years 2006 and 2007. However, that letter implied that spectrum fees in 2008 and onward may be increased beyond the amount GTT agreed to with the Government. GTT has objected to the NFMU's proposed action and reiterated its position that an increase in fees prior to development of an acceptable methodology would violate the Government's prior agreement. In 2011, GTT paid the NFMU \$2.6 million representing payments in full for 2008, 2009 and 2010. However, by letter dated November 23, 2011, the NFMU stated that it did not concur with GTT's inference that the amount was payment in full for the specified years as it was their continued opinion that the final calculation for GSM spectrum fees was not agreed upon and was still an outstanding issue. By further letter dated November 24, 2011, the NFMU further rejected a proposal that was previously submitted jointly by GTT and Digicel which outlined a recommended methodology for the calculation of these fees. The NFMU stated that it would prepare its own recommendation which it would send to the Minister of Telecommunications for decision of the matter. GTT paid additional spectrum fees in 2012 according to the methodology used for its 2011 payments, and have reserved amounts payable for 2013 and 2014 according to this methodology. There have been no further discussions on this subject and GTT has not had the opportunity to review any recommendation made to the Minister.

In November 2007, Caribbean Telecommunications Limited ("CTL") filed a complaint in the U.S. District Court for the District of New Jersey against GTT and ATN claiming breach of an interconnection agreement for domestic cellular services in Guyana and related claims. CTL asserted over \$200 million in damages. GTT and ATN moved to dismiss the complaint on procedural and jurisdictional grounds. On January 26, 2009, the court granted the motions to dismiss the complaint on the grounds asserted. On November 7, 2009 and again on April 4, 2013, CTL filed a similar claim against GTT and the Public Utility Commission in the High Court of Guyana. The matter remained idle from the April 2013 filing until December 2015 when CTL filed a "Statement of Claim" reiterating the claims previously made in its prior filings. On April 7, 2016 the High Court of Guyana struck and dismissed CTL's action as abandoned pursuant to the Court's rules of civil procedure and the claim is no longer pending.

On May 8, 2009, Digicel filed a lawsuit in Guyana challenging the legality of GTT's exclusive license rights under Guyana's constitution. Digicel initially filed this lawsuit against the Attorney General of Guyana in the High Court. On May 13, 2009, GTT petitioned to intervene in the suit in order to oppose Digicel's claims and that petition was granted on May 18, 2009. GTT filed an answer to the charge on June 22, 2009 and the case is pending. The Company believes that any legal challenge to GTT's exclusive license rights granted in 1990 is without merit and the Company intends to vigorously defend against such a legal challenge.

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

GTT is also involved in several legal claims regarding its tax filings with the Guyana Revenue Authority dating back to 1991 regarding the deductibility of intercompany advisory fees as well as other tax assessments. Should GTT be held liable for any of the disputed tax assessments, totaling \$32.4 million, the Company believes that the Government of Guyana would then be obligated to reimburse GTT for any amounts necessary to ensure that GTT's return on investment was no less than 15% per annum for the relevant periods. The Company believes that some adverse outcome is probable and has accordingly accrued \$5.0 million as of June 30, 2016 for these matters.

The term of the Company's telecommunications license to operate in Aruba expired on January 15, 2014. The government of Aruba informed the Company earlier in January 2014 that a renewed license would be issued only upon payment by the Company of a fee in the amount of Afl 7.2 million (or approximately US\$4 million). The Company is continuing to operate as it is actively contesting the assessment of such fee.

14. SUBSEQUENT EVENTS

See Note 4 for a discussion of the Innovative Transaction.

On August 8, 2016, the Company announced that it had entered into an agreement to sell its U.S. Wireline business in the Northeast, including its integrated voice and data operations in New England, and its wholesale transport operations in New York. Following the completion of the sale, the Company will retain its wholesale long-distance business in its "U.S. Telecom" segment. The transaction is expected to close early 2017, following the satisfaction of customary regulatory approvals.

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, 2015 (our "2015 Annual Report on Form 10-K"), and in particular, the information set forth therein under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Overview

We are a holding company that, through our operating subsidiaries, (i) provides wireless and wireline telecommunications services in North America, Bermuda and the Caribbean, (ii) develops, owns and operates commercial distributed generation solar power systems in the United States and India, and (iii) owns and operates terrestrial and submarine fiber optic transport systems in the United States and the Caribbean, respectively. We were incorporated in Delaware in 1987 and began trading publicly in 1991. Since that time, we have engaged in strategic acquisitions and investments to grow our operations. We continue to actively evaluate additional domestic and international acquisition, divestiture, and investment opportunities and other strategic transactions in the telecommunications, energy-related and other industries that meet our return-on-investment and other acquisition criteria. For a discussion of our investment strategy and risks involved, see "Risk Factors—We are actively evaluating investment, acquisition and other strategic opportunities, which may affect our long-term growth prospects." in our 2015 Annual Report on Form 10-K.

We offer the following principal services:

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

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 June 30, 2016:

Services	Segment	Markets	Tradenames
Wireless	U.S. Telecom	United States (rural markets)	Commnet, Choice
	International Telecom	Aruba, Bermuda, Guyana, U.S. Virgin Islands	Mio, CellOne, Choice
Wireline	U.S. Telecom	United States (New England and New York State)	Sovernet, ION, Essexel
	International Telecom	Guyana, Bermuda, Cayman Islands, British Virgin Islands, St. Maarten	GTT, KeyTech, Bermuda CableVision, Logic
Renewable Energy	Renewable Energy	United States (Massachusetts, California, and New Jersey), India	Ahana Renewables, Vibrant Energy

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 our subsidiaries are eliminated in consolidation.

To be consistent with how management allocates resources and assesses the performance of its business operations in 2016, we updated our reportable operating segments to consist of the following: i) U.S. Telecom, consisting of the Company’s former U.S. Wireless and U.S. Wireline segments, ii) International Telecom, consisting of the Company’s former Island Wireless and International Integrated Telephony segments and the results of our KeyTech Transaction, and iii) Renewable Energy, consisting of our former Renewable Energy segment and the results of our Vibrant Energy Acquisition. The prior period segment information has been recast to conform to the current year’s segment presentation.

Acquisitions

During the three months ended June 30, 2016, we completed our acquisitions of Vibrant Energy and a controlling interest in KeyTech and, on July 1, 2016, we completed our acquisition of the Innovative group of companies (collectively, “Our Recent Acquisitions”).

Completed Acquisitions

Vibrant Energy

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

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

KeyTech Limited

On May 3, 2016, we completed our acquisition (the “KeyTech Transaction”) of a controlling interest in KeyTech Limited (“KeyTech”), a publicly held Bermuda company listed on the Bermuda Stock Exchange (“BSX”) that provides broadband and cable television services and other telecommunications services to residential and enterprise customers under the “Logic” name in Bermuda and the Cayman Islands (the “KeyTech Transaction”). KeyTech also owned a minority interest of approximately 43% in the Company’s consolidated subsidiary, Bermuda Digital Communications Ltd. (“BDC”), which provides wireless services in Bermuda under the “CellOne” name. As part of the transaction, the Company contributed its ownership interest of approximately 43% in BDC and approximately \$42 million in cash in exchange for a 51% ownership interest in KeyTech. As part of the transaction, BDC was merged with and into a company within the KeyTech group and the approximate 15% interest in BDC held, in the aggregate, by BDC’s minority shareholders was converted into the right to receive common shares in KeyTech. Following the transaction, BDC is now indirectly wholly owned by KeyTech, and KeyTech continues to be listed on the BSX. A portion of the cash proceeds that KeyTech received upon closing was used to fund a one-time special dividend to KeyTech’s existing shareholders and to retire KeyTech’s subordinated debt. On May 3, 2016, the Company began consolidating the results of KeyTech within its financial statements in its International Telecom segment.

The KeyTech Transaction was accounted for as a business combination of a controlling interest in KeyTech in accordance with ASC 805 and the acquisition of an incremental ownership interest in BDC in accordance with ASC 810, *Consolidation*. The total purchase consideration of \$41.6 million of cash was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition.

Acquisitions Completed Subsequent to Quarter End

Innovative

On July 1, 2016, we completed our acquisition of all of the membership interests of Caribbean Asset Holdings LLC, the holding company for the Innovative group of companies operating cable TV, Internet, wireless and landline services primarily in the U.S. Virgin Islands (“Innovative”), from the National Rural Utilities Cooperative Finance Corporation (“CFC”). We acquired the Innovative operations for a purchase price of approximately \$145 million, subject to certain purchase price adjustments (the “Innovative Transaction”). In connection with the transaction, we financed \$60 million of the purchase price with a loan from an affiliate of CFC, the Rural Telephone Finance Cooperative (“RTFC”) on the terms and conditions set forth in a Loan Agreement by and among RTFC, CAH and ATN VI Holdings, LLC, the parent entity of CAH. We funded the remaining \$85.0 million of the purchase price in cash. With the purchase, our current operations in the U.S. Virgin Islands under the “Choice” name will be combined with Innovative to deliver residential and business subscribers a full range of telecommunications and media services.

On July 1, 2016, the results of the Innovative Transaction will be included in our International Telecom segment.

Dispositions

Turks and Caicos Operations

During March 2015, we sold certain assets and liabilities of our Turks and Caicos business in our International Telecom segment. As a result, we recorded a loss of approximately \$19.9 million arising from the deconsolidation of non-controlling interests of \$20.0 million and a gain of \$0.1 million arising from an excess of sales proceeds over the carrying value of net assets disposed of. The net loss on disposition is included within other income (expense) and does not relate to a strategic shift in our operations. As a result, the subsidiary’s historical results and financial position are presented within continuing operations.

Northeast U.S. Wireline Business

On August 8, 2016, we announced that we had entered into an agreement to sell our U.S. Wireline business in the Northeast, including our integrated voice and data operations in New England and our wholesale transport operations in New York to an affiliate of Oak Hill Capital Partners. Following the completion of the sale, we will retain our wholesale long-distance business in our “U.S. Telecom” segment. The transaction is expected to close in early 2017, following the satisfaction of customary regulatory approvals.

Phase I Mobility Fund Grants

As part of the Federal Communications Commission’s (“FCC”) reform of 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, the FCC created two new funds, including the Phase I Mobility Fund (“Mobility Fund”), a one-time award meant to support wireless coverage in underserved geographic areas in the United States. We have received FCC final approvals for \$24.1 million of Mobility Fund support to our wholesale wireless business (the “Mobility Funds”) to expand voice and broadband networks in certain geographic areas in order to offer either 3G or 4G coverage. As part of the receipt of the Mobility Funds, we committed to comply with certain additional FCC construction and other requirements. A portion of these funds will be used to offset network capital costs and a portion is used to offset the costs of supporting the networks for a period of five years from the award date. In connection with our application for the Mobility Funds, we have issued approximately \$10.6 million in letters of credit to the Universal Service Administrative Company (“USAC”) to secure these obligations. If we fail to comply with any of the terms and conditions upon which the Mobility Funds were granted, or if we lose eligibility for the Mobility Funds, USAC will be entitled to draw the entire amount of the letter of credit applicable to the affected project plus penalties and may disqualify us from the receipt of additional Mobility Fund support.

The results of our Mobility Fund projects are included within our U.S. Telecom segment. As of June 30, 2016, we had received approximately \$8.1 million in Mobility Funds. Of these funds, \$2.2 million was recorded as an offset to operating expenses, \$5.8 million was recorded as an offset to the cost of the property, plant, and equipment associated with these projects and, consequentially, a reduction of future depreciation expense and the remaining \$0.1 million of future operating costs is recorded within current liabilities in our consolidated balance sheet as of June 30, 2016. The balance sheet presentation is based on the timing of the expected usage of the funds which will reduce future operations expenses.

Results of Operations

Three Months Ended June 30, 2016 and 2015

	Three Months Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	2016	2015		
REVENUE:				
Wireless	\$ 57,088	\$ 60,326	\$ (3,238)	(5.4)%
Wireline	33,976	22,089	11,887	53.8
Equipment and Other	3,365	2,621	744	28.4
Renewable Energy	5,562	5,290	272	5.1
Total revenue	99,991	90,326	9,665	10.7
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	25,197	19,525	5,672	29.0
Engineering and operations	8,907	8,362	544	6.5
Sales, marketing and customer services	7,073	4,895	2,178	44.5
Equipment expense	4,063	2,833	1,230	43.4
General and administrative	20,408	14,193	6,216	43.8
Transaction-related charges	10,410	137	10,273	7,498.5
Restructuring charges	1,785	—	1,785	100.0
Depreciation and amortization	16,493	14,472	2,021	14.0
Impairment of long-lived assets	11,076	—	11,076	100.0
Bargain purchase gain	(7,304)	—	(7,304)	100.0
Gain on disposition of long-lived assets	(29)	(2,823)	2,794	(99.0)
Total operating expenses	98,079	61,594	36,485	59.2
Income from operations	1,912	28,732	(26,821)	(93.3)
OTHER INCOME (EXPENSE):				
Interest income	345	44	301	684.1
Interest expense	(1,061)	(786)	(275)	35.0
Other income, net	(137)	36	(173)	(480.6)
Other income (expense), net	(853)	(706)	(147)	(1,013.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES				
	1,059	28,026	(26,967)	(96.2)
Income tax expense	2,945	13,008	(10,063)	(77.4)
NET INCOME (LOSS)				
	(1,886)	15,018	(16,905)	(112.6)
Net income attributable to non-controlling interests, net of tax:	(1,200)	(5,568)	4,368	(78.4)
NET INCOME (LOSS) ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS				
	\$ (3,086)	\$ 9,450	\$ (12,536)	(132.7)%

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

Wholesale

Wholesale revenue from our U.S. Telecom segment is generated from providing mobile voice or data services to the customers of other wireless carriers, the provision of network switching services and certain transport services using our wireless networks. Wholesale 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 rates we are paid from our carrier customers for carrying that traffic.

The most significant competitive factor we face in our U.S. Telecom'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. Occasionally, we have entered into buildout projects with existing carrier customers to help the customer accelerate the buildout of a given area. Pursuant to these arrangements, we agree to incur the cost of building and operating a network in a newly designated area meeting specified conditions. In exchange, the carrier agrees to license us spectrum in that area and enter into a contract with specific pricing and terms. These arrangements typically include a purchase right in favor of the carrier to purchase that portion of the network and receive back the spectrum for a predetermined price, depending on when the option to purchase is exercised. We currently have one buildout arrangement of approximately 100 built cell sites, which provides the carrier with an option to purchase such sites exercisable beginning no earlier than 2018. At this time, we cannot predict whether the purchase option will be exercised.

Our U.S. Telecom's wholesale revenue decreased by \$2.7 million, or 7.4%, to \$33.6 million from \$36.3 million for the three months ended June 30, 2016 and 2015, respectively. This decrease was the result of a reduction in wholesale roaming rates partially offset by growth in data traffic volumes due to capacity and technology upgrades to our network and the increase in the number of base stations to 905 from 840 as of June 30, 2016 and 2015, respectively.

We expect to experience a decline in revenues and for margins to contract as a result of the necessary steps we have taken to significantly reducing rates in exchange for longer-term contracts with carriers. While we expect that wholesale data volumes will continue to increase during 2016 due to increased demand combined with our increased capacity, we expect that our reduced rates will more than offset any revenue increase resulting from increased data volumes. We believe that this new model has much lower risk in that the extended term and reduced pricing create a potential for a long-lived shared infrastructure solution.

Retail

Retail revenues are generated from providing mobile voice or data services to our subscribers in both our U.S. Telecom and International Telecom segments. Retail revenues also include roaming revenues generated by other carriers' customers roaming into our retail markets.

Retail revenue accounted for the remaining \$23.5 million and \$24.0 million of our wireless revenue for the three months ended June 30, 2016 and 2015, respectively, a decrease of \$0.5 million, or 2.1%. During late 2015, we modified our definition of an active subscriber which resulted in a decrease in wireless subscribers. This change was retroactively applied to the reported subscribers for June 30, 2015. Even with these adjustments, our wireless subscribers increased to 345,000 from 307,000 as of June 30, 2016 and 2015, respectively. However, a decrease in roaming revenue due to anticipated rate declines resulted in the decline in retail revenue.

We expect retail revenues to remain relatively unchanged in future periods. Growth in revenue from anticipated subscriber growth may be offset by a decline in roaming revenues because many visitors' home market carriers continue to charge their customers unusually high rates for roaming services, resulting in lowered overall roaming traffic in these markets. Roaming revenues in these markets are also subject to seasonality and can fluctuate between quarters.

Additionally, revenue from our wireless voice and data services in Bermuda may be negatively impacted, principally through the loss of market share or increased costs, as a result of certain regulatory matters currently pending before the Bermuda Regulatory Authority. In 2015, our Bermuda subsidiary was required to surrender a portion of spectrum reserved for the launch of next generation wireless and data services. In 2016, it is expected that a recently-initiated process to assign that spectrum to an existing competitor or a new entrant will conclude. Although BDC is prohibited from applying for the surrendered spectrum, as part of that same assignment process it has applied for another similar spectrum. If BDC's application for additional spectrum is not successful, BDC's wireless revenues, or cost of providing service, may be negatively impacted.

Wireline revenue. Wireline revenue is generated by our International Telecom and U.S. Telecom segments. Within our International Telecom segment, revenue is generated in Bermuda and the Caribbean (including

the U.S. Virgin Islands) and includes internet, voice, international long-distance and media service revenues. In our U.S. Telecom segment, revenue is generated by our integrated voice and data operations in New England, our wholesale transport operations in New York and our wholesale long-distance voice services to telecommunications carriers. 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, and maintenance.

Wireline revenue increased by \$11.9 million, or 53.8%, to \$34.0 million for the three months ended June 30, 2016 from \$22.1 million for the three months ended June 30, 2015. This increase was the result of an increase in wireline revenue within our International Telecom segment of \$12.8 million as a result of our KeyTech Transaction, which reported wireline revenue of \$13.3 million during the quarter ended June 30, 2016. Partially offsetting this amount was a \$0.5 million decrease, primarily relating to data and international long-distance revenues in the Guyana market within our International Telecom segment. Within our U.S. Telecom segment, our wholesale long-distance voice business reported a decrease in its wireline revenue of \$0.9 million as compared to the same period of 2015.

We expect that wireline revenue will increase during the remainder of 2016, particularly in the International Telecom segment, as a result of the KeyTech and Innovative Transactions. We anticipate that wireline revenue from our international long-distance business in Guyana will continue to decrease, principally as a result of the loss of market share, should 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 implementing recently-passed legislation or new regulations or lack of enforcement of our exclusive rights. While the loss of our exclusive rights will likely cause an immediate reduction in our wireline revenue, over the longer term, such declines may be offset by increased revenue from data services to consumers and enterprises in Guyana, an increase in regulated local calling rates in Guyana, an increase in 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 take any action to implement such legislation or any other action that would otherwise affect our exclusive rights in Guyana. See Note 13 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

On August 8, 2016, we announced that we had entered into an agreement to sell our U.S. Wireline business in the Northeast, including our integrated voice and data operations in New England and our wholesale transport operations in New York to an affiliate of Oak Hill Capital Partners. Following the completion of the sale, we will retain our wholesale long-distance business in our "U.S. Telecom" segment. The transaction is expected to close in early 2017, following the satisfaction of customary regulatory approvals. We expect that wireline revenue within the U.S. Telecom segment will remain relatively unchanged until the close of the transaction and then subsequently decrease significantly.

Renewable Energy revenue. Renewable energy revenue represents revenue from the sale of electricity through long-term (10 to 25 years) power purchase agreements ("PPAs") as well as the sale of solar renewable energy credits ("SRECs").

Renewable energy revenue increased \$0.3 million, or 5.7%, to \$5.6 million from \$5.3 million for the three months ended June 30, 2016 and 2015, respectively. This increase was primarily the result of increased production and certain customer contract price escalations.

Our PPAs, which are typically priced at or below local retail electricity rates, allow our customers to secure electricity at predictable and stable prices over the duration of their long-term contract. As such, our PPAs provide us with high-quality contracted cash flows, which will continue over their average remaining life. For these reasons, we expect that Renewable Energy revenue from our current portfolio of commercial solar projects will remain fairly consistent in future periods.

With the closing of our Vibrant Energy Acquisition, we are now currently developing projects in India to provide distributed generation solar power to corporate and utility customers and expect to begin generating revenue in early 2017, with a target of development of at least 250 MWp in solar energy projects through the end of 2018. When fully developed, we expect that revenue margins from this portfolio of projects will be in line with our current domestic solar operations.

Equipment and other revenue. Equipment and other revenue represents wireless equipment sales, primarily handsets, to retail telecommunications customers within both our U.S. Telecom and International Telecom segments. Equipment and other revenue also includes equipment rental income within our International Telecom segment and consulting fees within our Renewable Energy segment.

Equipment and other revenue increased by \$0.8 million, or 30.8% to \$3.4 million for the three months ended June 30, 2016 from \$2.6 million for the three months ended June 30, 2015. Equipment and other revenue increased in our International Telecom segment primarily as a result of the KeyTech Transaction which generated \$0.8 million of equipment and other revenue. Other markets within our International Telecom segment increased their equipment and other revenues by \$0.2 million. However, these increases were offset by a decrease in revenues of \$0.2 million in our U.S. Telecom segment.

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

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

Termination and access fees increased by \$5.7 million, or 29.2%, to \$25.2 million for the three months ended June 30, 2016 from \$19.5 million for the three months ended June 30, 2015. This increase was reported within our International Telecom segment and was mainly attributable to our KeyTech Transaction which reported \$5.4 million of these expenses. The remaining \$0.3 million increase within the International Telecom segment was related to network expansions in other markets within that segment.

Termination and access fees increased by \$0.7 million within the wholesale wireless operations of our U.S. Telecom segment as a result of increased data traffic volumes, costs related to additional technologies and the expansion and upgrade of our networks. This increase, however, was offset by a decrease within the wireline operations within that segment.

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

Engineering and operations expenses increased by \$0.5 million, or 6.0%, to \$8.9 million from \$8.4 million for the three months ended June 30, 2016 and 2015, respectively. The increase was primarily the result of an increase within our International Telecom segment of \$0.7 million attributable to the acquisition of KeyTech, which reported engineering and operations expenses of \$0.9 million offset by reductions in other markets within that segment. In addition, we reduced our corporate overhead expenses by \$0.2 million.

We expect that engineering and operations expenses will increase as a result of our Recent Acquisitions but will remain fairly consistent as a percentage of revenues in future periods.

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

Sales and marketing expenses increased by \$2.2 million, or 44.9%, to \$7.1 million from \$4.9 million for the three months ended June 30, 2016 and 2015, respectively. This increase was primarily incurred within our International Telecom segment as a result of \$1.2 million in increased promotional spending in Guyana, including the Company's

sponsorship of events celebrating the 50th anniversary of that country's independence, and \$0.9 million attributable to the KeyTech Transaction.

We expect that sales, marketing and customer service expenses will increase as a result of the KeyTech and Innovative Transactions but will remain fairly consistent as a percentage of revenues in future periods.

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

Equipment expenses increased by \$1.3 million, or 46.4%, to \$4.1 million for the three months ended June 30, 2016 from \$2.8 million for the three months ended June 30, 2015. The increase was primarily the result of an increase in handset and data modem sales within our International Telecom segment.

We believe that equipment expenses could continue to increase as a result of the increase in demand for smartphones and modems by our subscribers partially driven by customer incentives such as device subsidies.

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

General and administrative expenses increased by \$6.2 million, or 43.7%, to \$20.4 million for the three months ended June 30, 2016 from \$14.2 million for the three months ended June 30, 2015. Of this increase, KeyTech incurred \$3.6 million of general and administrative expenses. Of the remaining \$2.6 million increase, \$0.9 million was generated by our U.S. Telecom segment as a result of the conclusion of a transition services agreement entered into to provide support services following the sale of our Alltel business which was accounted for as an offset to the expenses in previous periods, \$0.7 million was incurred within our corporate overhead to help support our recent acquisitions, \$0.7 million was generated by our other businesses within our International Telecom segment and \$0.3 million was incurred within our Renewable Energy segment in connection with our recent Vibrant Energy Acquisition.

We expect that these general and administrative expenses will increase as a result of the recent acquisitions but general and administrative expenses associated with the KeyTech and Innovative businesses will remain fairly consistent as a percentage of revenues in future periods. We also expect to incur additional general and administrative expenses necessary to launch the construction of our Vibrant Energy projects that will disproportionately affect our Renewable Energy results until such projects start to become operational.

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

We incurred \$10.4 million and \$0.1 million of transaction-related charges during the three months ended June 30, 2016 and 2015, respectively. A substantial majority of the 2016 expenses was related to the Vibrant Energy and KeyTech Transactions. The Vibrant Energy transactions expenses include amounts incurred for the development and structuring of an operating model associated with a development stage entity in an international market. In addition, certain expenses were incurred in the three months ended June 30, 2016 for the Innovation Transaction which was completed on July 1, 2016.

We expect that transaction-related expenses will continue throughout the remainder of 2016, albeit at a substantially reduced amount, as a result of the Innovative Transaction and Vibrant Energy Acquisition. Thereafter, transaction related expenses will continue to be incurred from time to time as we continue to explore additional acquisition and investment opportunities.

Restructuring charges. During the three months ended June 30, 2016, we incurred \$1.8 million of certain restructuring costs in connection with the KeyTech Transaction.

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

Depreciation and amortization expenses increased by \$2.0 million, or 13.8%, to \$16.5 million for the three months ended June 30, 2016 from \$14.5 million for the three months ended June 30, 2015. The increase was primarily the result of our KeyTech Transaction on May 3, 2016 which recognized \$2.6 million of expense during the three months ended June 30, 2016 as well as a \$0.2 million increase in expense within our corporate overhead, offset by a decrease of \$0.8 million within our International Telecom segment.

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

Impairment of long-lived assets. During June 2016, as a result of recent industry consolidation activities and a review of strategic alternatives for our U.S. Wireline business in the Northeast, the Company identified factors indicating the carrying amount of certain assets may not be recoverable. More specifically, the factors included the competitive environment, recent industry consolidation, and the Company's view of future opportunities in the market which began to evolve in the second quarter of 2016 as discussed in Note 14 to the Unaudited Condensed Consolidated Financial Statements included in this report. As a result of these factors, the analysis concluded that certain U.S. Wireline assets in the U.S. Telecom segment were overvalued. As a result, we recorded a non-cash impairment charge of \$11.1 million during the three months ended June 30, 2016. The impairment reduced the carrying value of long lived assets by \$3.6 million and goodwill by \$7.5 million.

Bargain purchase gain. In connection with the KeyTech Transaction, we recorded a bargain purchase gain of \$7.3 million during the quarter ended June 30, 2016. The purchase price and resulting bargain purchase gain are the result of the market conditions and competitive environment in which KeyTech operates along with the Company's strategic position and resources in those same markets. Both companies realized that their combined resources would accelerate the transformation of both companies to better serve customers in these markets. The bargain purchase gain is included in operating income in the accompanying income statement for the three months ended June 30, 2016.

Gain on disposition of long-lived assets. During the three months ended June 30, 2015, we sold certain network assets and telecommunications licenses in our U.S. Telecom segment and recognized a gain on such disposition of \$2.8 million.

Interest income. Interest income represents interest earned on our cash, cash equivalents, and restricted cash balances.

Interest income increased to \$0.3 million for the three months ended June 30, 2016. We expect that interest income may decline in future periods as we deploy cash balances for disclosed acquisitions and development of our solar portfolio in India.

Interest expense. Interest expense represents commitment fees, letter of credit fees, amortization of debt issuance costs, and interest incurred on our outstanding credit facilities and on the term loans we assumed in our Ahana Acquisition and KeyTech Transaction.

Interest expense increased by \$0.3 million to \$1.1 million from \$0.8 million for the three months ended June 30, 2016 and 2015, respectively. The increase reflects the addition of KeyTech debt.

We expect that interest expense will increase in future periods as a result of our financing \$60.0 million of the Innovative Transaction on July 1, 2016.

Other income (expense), net. Other income (expense), net represents miscellaneous non-operational income we earned or expenses we incurred. Other income (expense), net was nominal for the three months ended June 30, 2016 and 2015.

Income taxes. Our effective tax rates for the three months ended June 30, 2016 and 2015 were 278.1% and 46.4%, respectively. The effective tax rate for the three months ended June 30, 2016 was impacted by the following items: (i) certain transactional charges incurred in connection with our recent acquisitions that had no tax benefit, (ii) an impairment charge to write down the value of assets related to our Wireline business, (iii) the cumulative rate impact resulting from a change to the annual forecasted rate, applied against a lower Q2 2016 pretax book income, and (iv) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the three months ended June 30, 2015 was impacted by the following items: (i) the \$19.9 million loss on deconsolidation within its International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which we operate. Our effective tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax contingencies. Our consolidated tax rate will continue to be impacted by the mix of income generated among the jurisdictions in which we operate.

Net income attributable to non-controlling interests. Net income attributable to non-controlling interests reflected an allocation of \$1.2 million and \$5.6 million of income generated by our less than wholly-owned subsidiaries for the three months ended June 30, 2016 and 2015, respectively.

Net income(loss) attributable to ATN International, Inc. stockholders. Net income (loss) attributable to ATN International, Inc. stockholders decreased to a loss of \$3.1 million from income of \$9.5 million for the three months ended June 30, 2016 and 2015, respectively.

On a per share basis, net income (loss) decreased to a loss of \$0.19 per diluted share from income of \$0.59 per diluted share for the three months ended June 30, 2016 and 2015, respectively.

Results of Operations

Six Months Ended June 30, 2016 and 2015

	Six Months Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	2016	2015		
REVENUE:				
Wireless	\$ 115,965	\$ 117,341	\$ (1,376)	(1.2)%
Wireline	56,421	42,681	13,740	32.2
Equipment and Other	6,139	5,069	1,070	21.1
Renewable Energy	11,151	10,579	572	5.4
Total revenue	<u>\$ 189,676</u>	<u>\$ 175,670</u>	<u>\$ 14,006</u>	<u>8.0 %</u>
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	46,110	39,724	6,387	16.1
Engineering and operations	18,745	16,020	2,725	17.0
Sales and marketing	12,227	10,155	2,071	20.4
Equipment expense	7,322	6,661	661	9.9
General and administrative	36,828	28,502	8,326	29.2
Transaction-related charges	14,065	316	13,749	4,350.9
Restructuring charges	1,785	—	1,785	100.0
Depreciation and amortization	31,047	29,223	1,824	6.2
Impairment of long-lived assets	11,076	—	11,076	100.0
Bargain purchase gain	(7,304)	—	—	—
Gain on disposition of long-lived asset	(29)	(2,823)	2,794	(99.0)
Total operating expenses	<u>\$ 171,873</u>	<u>\$ 127,778</u>	<u>\$ 44,094</u>	<u>34.5 %</u>
Income from operations	<u>\$ 17,804</u>	<u>\$ 47,892</u>	<u>\$ (30,088)</u>	<u>(62.8)%</u>
OTHER INCOME (EXPENSE):				
Interest income	692	209	483	231.1
Interest expense	(1,886)	(1,568)	(318)	20.3
Loss on deconsolidation of subsidiary	—	(19,937)	19,937	(100.0)
Other income (expense), net	(123)	61	(184)	(301.6)
Other income (expense), net	<u>\$ (1,317)</u>	<u>\$ (21,235)</u>	<u>\$ 19,919</u>	<u>(93.8)%</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES				
Income tax expense	16,487	26,657	(10,169)	(38.2)
Income tax expense	7,576	12,521	(4,945)	(39.5)
INCOME FROM CONTINUING OPERATIONS	<u>8,912</u>	<u>14,136</u>	<u>(5,225)</u>	<u>(37.0)</u>
INCOME FROM DISCONTINUED OPERATIONS				
Income from discontinued operations	<u>\$ —</u>	<u>\$ 390</u>	<u>\$ (390)</u>	<u>(100.0)%</u>
NET INCOME	<u>8,912</u>	<u>14,526</u>	<u>(5,614)</u>	<u>(38.7)</u>
Net income attributable to non-controlling interests, net of tax:	<u>(5,877)</u>	<u>(8,345)</u>	<u>2,467</u>	<u>(29.6)</u>
NET INCOME ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS	<u>\$ 3,034</u>	<u>\$ 6,181</u>	<u>\$ (3,147)</u>	<u>(50.9)%</u>

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

Wholesale

Our U.S. Telecom's wholesale revenue decreased by \$0.6 million, or 0.9%, to \$68.8 million from \$69.4 million for the six months ended June 30, 2016 and 2015, respectively. This decrease was the result of a reduction in wholesale

roaming rates partially offset by growth in data traffic volumes due to capacity and technology upgrades to our network and the increase in the number of base stations to 905 from 840 as of June 30, 2016 and 2015, respectively.

Retail

Retail revenue accounted for the remaining \$47.1 million and \$48.0 million of our wireless revenue for the six months ended June 30, 2016 and 2015, respectively, a decrease of \$0.9 million, or 1.9%. Our wireless subscribers increased to 345,000 from 307,000 as of June 30, 2016 and 2015, respectively. However, a decrease in roaming revenue due to anticipated rate declines resulted in the decline in retail revenue. During late 2015, we modified our definition of an active subscriber which resulted in a decrease in wireless subscribers. This change was retroactively applied to the reported subscribers for June 30, 2015.

Wireline revenue. Wireline revenue increased by \$13.7 million, or 32.1%, to \$56.4 million for the six months ended June 30, 2016 from \$42.7 million for the six months ended June 30, 2015. This increase was the result of an increase in wireline revenue within our International Telecom segment of \$14.6 million as a result of our KeyTech Transaction, which reported wireline revenue of \$13.3 million during the quarter ended June 30, 2016. The remaining increase within the International Telecom segment was attributable to our Guyana market as a result of increased broadband data revenues driven by an increase in subscribers.

Partially offsetting the International Telecom segment's increase was a \$0.8 million decrease within our U.S. Telecom segment as a result of our wholesale long-distance voice business reporting a decrease in its wireline revenue of \$0.8 million as compared to the same period of 2015.

Renewable Energy revenue. Renewable energy revenue increased \$0.6 million, or 5.7%, to \$11.2 million from \$10.6 million for the six months ended June 30, 2016 and 2015, respectively. This increase was primarily the result of increased production and certain customer contract price escalations.

Equipment and other revenue. Equipment and other revenue increased by \$1.0 million, or 19.6% to \$6.1 million for the six months ended June 30, 2016 from \$5.1 million for the six months ended June 30, 2015. Equipment and other revenue increased in our International Telecom segment primarily as a result of the KeyTech Transaction which generated \$0.8 million of revenue. Other markets within our International Telecom segment increased their equipment and other revenues by \$0.2 million.

Termination and access fee expenses. Termination and access fees increased by \$6.4 million, or 16.1%, to \$46.1 million for the six months ended June 30, 2016 from \$39.7 million for the six months ended June 30, 2015. Of this increase, \$4.8 million was reported within our International Telecom segment and was mainly attributable to our KeyTech Transaction which reported \$5.4 million of these expenses. This increase was partially offset by the March 2015 sale of our operations in Turks and Caicos.

Termination and access fees increased by \$2.1 million within the wholesale wireless operations of our U.S. Telecom segment as a result of increased data traffic volumes, costs related to additional technologies and the expansion and upgrade of our networks. This increase, however, was offset by a \$0.5 million decrease within the wireline operations within that segment.

Engineering and operations expenses. Engineering and operations expenses increased by \$2.7 million, or 16.9%, to \$18.7 million from \$16.0 million for the three months ended June 30, 2016 and 2015, respectively. The increase was primarily the result of an increase within our International Telecom segment of \$2.0 million primarily as a result of an increase in network and billing system support, maintenance and consulting as well as our KeyTech Transaction which reported engineering and operations expenses of \$0.9 million. Engineering and operations expenses within our U.S. Telecom segment increased by \$0.7 million to support expanding and upgraded networks and additional technologies.

Sales and marketing expenses. Sales and marketing expenses increased by \$2.0 million, or 19.6%, to \$12.2 million from \$10.2 million for the six months ended June 30, 2016 and 2015, respectively. This increase was primarily

incurred within our International Telecom segment as a result of \$1.3 million in increased promotional spending in Guyana, including the Company's sponsorship of events celebrating the 50th anniversary of that country's independence, and \$0.9 million attributable to KeyTech which we acquired on May 3, 2016.

Equipment expenses. Equipment expenses increased by \$0.6 million, or 9.0%, to \$7.3 million for the six months ended June 30, 2016 from \$6.7 million for the six months ended June 30, 2015. The increase was primarily the result of an increase in handset and data modem sales within our International Telecom segment and an increase in handset sales in the retail operations within our U.S. Telecom segment.

General and administrative expenses. General and administrative expenses increased by \$8.3 million, or 29.1%, to \$36.8 million for the six months ended June 30, 2016 from \$28.5 million for the six months ended June 30, 2015. KeyTech, acquired on May 3, 2016, incurred \$3.6 million of general and administrative expenses. General and administrative expenses within our U.S. Telecom segment increased by \$2.1 million primarily as a result of the conclusion of a transition services agreement entered into to provide support services following the sale of our Alltel business which was accounted for as an offset to the expenses in previous periods. In addition, we incurred an additional \$1.8 million and \$0.3 million within our corporate overhead and renewable energy segments of general and administrative expenses to help support our recent acquisitions. Lastly, general and administrative expenses within our International Telecom segment increased \$0.5 million related to corporate initiatives.

Transaction-related charges. We incurred \$14.1 million and \$0.3 million of transaction-related charges during the six months ended June 30, 2016 and 2015, respectively. A substantial majority of the 2016 expenses was related to the Vibrant Energy and KeyTech Acquisitions. In addition, certain expenses were incurred for the Innovation Transaction which was completed on July 1, 2016.

Restructuring charges. During the six months ended June 30, 2016, we incurred \$1.8 million of certain non-recurring restructuring costs in connection with the KeyTech Transaction.

Depreciation and amortization expenses. Depreciation and amortization expenses increased by \$1.8 million, or 6.2%, to \$31.0 million for the six months ended June 30, 2016 from \$29.2 million for the six months ended June 30, 2015. The increase was primarily the result of our KeyTech Transaction which recognized \$2.6 million of expense during the six months ended June 30, 2016. This increase was partially offset by a decrease in other markets as well as the March 2015 sale of our operations in Turks and Caicos.

Impairment of long-lived assets. During June 2016, as a result of recent industry consolidation activities and a review of strategic alternatives for our U.S. Wireline business in the Northeast, the Company identified factors indicating the carrying amount of certain assets may not be recoverable. More specifically, the factors included the competitive environment, recent industry consolidation, and the Company's view of future opportunities in the market which began to evolve in the second quarter of 2016 as discussed in Note 14 to the Unaudited Condensed Consolidated Financial Statements included in this report. As a result of these factors, the analysis concluded that certain U.S. Wireline assets in the U.S. Telecom segment were overvalued. As a result, we recorded a non-cash impairment charge of \$11.1 million during the six months ended June 30, 2016. The impairment reduced the carrying value of long lived assets by \$3.6 million and goodwill by \$7.5 million.

Bargain purchase gain. In connection with the KeyTech Transaction, we recorded a bargain purchase gain of \$7.3 million during the six months ended June 30, 2016. The purchase price and resulting bargain purchase gain are the result of the market conditions and competitive environment in which KeyTech operates along with the Company's strategic position and resources in those same markets. Both companies realized that their combined resources would accelerate the transformation of both companies to better serve customers in these markets. The bargain purchase gain is included in operating income in the accompanying income statement for the six months ended June 30, 2016.

Gain on disposition of long-lived assets. During the six months ended June 30, 2015, we sold certain network assets and telecommunications licenses in our U.S. Telecom segment and recognized a gain on such disposition of \$2.8 million.

Interest income. Interest income increased to \$0.5 million for the six months ended June 30, 2016.

Interest expense. Interest expense increased by \$0.3 million to \$1.9 million from \$1.6 million for six months ended June 30, 2016 and 2015, respectively.

Other income (expense), net. Other income (expense), net represents miscellaneous non-operational income we earned or expenses we incurred. Other income (expense), net was nominal for the three months ended June 30, 2016 and 2015.

Income taxes. Our effective tax rates for the six months ended June 30, 2016 and 2015 were 46.0% and 47.0%, respectively. The effective tax rate for the six months ended June 30, 2016 was impacted by the following items: (i) certain transactional charges incurred in connection with our recent acquisitions that had no tax benefit, (ii) an impairment charge to write down the value of assets related to our wireline business, and (iii) the mix of income generated among the jurisdictions in which we operate. The effective tax rate for the six months ended June 30, 2015 was impacted by the following items: (i) the \$19.9 million loss on deconsolidation within its International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which we operate. Our effective tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax contingencies. Our consolidated tax rate will continue to be impacted by the mix of income generated among the jurisdictions in which we operate.

Net income attributable to non-controlling interests. Net income attributable to non-controlling interests reflected an allocation of \$5.9 million and \$8.3 million of income generated by our less than wholly-owned subsidiaries for the six months ended June 30, 2016 and 2015, respectively.

Net income attributable to ATN International, Inc. stockholders. Net income attributable to ATN International, Inc. stockholders decreased to \$3.0 million from \$6.2 million for the six months ended June 30, 2016 and 2015, respectively.

On a per share basis, net income decreased to \$0.19 per diluted share from income of \$0.38 per diluted share for the six months ended June 30, 2016 and 2015, respectively.

Regulatory and Tax Issues

We are involved in a number of regulatory and tax proceedings. A material and adverse outcome in one or more of these proceedings could have a material adverse impact on our financial condition and future operations. For discussion of ongoing proceedings, see Note 13 to the Unaudited Condensed Consolidated Financial Statements in this Report.

Liquidity and Capital Resources

Historically, we have met our operational liquidity needs through a combination of cash on hand and internally generated funds and have funded capital expenditures and acquisitions with a combination of internally generated funds, cash on hand, proceeds from dispositions 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 at least the next twelve months for working capital needs and capital expenditures.

Uses of Cash

Capital Expenditures. A significant use of our cash has been for capital expenditures to expand and upgrade our telecommunications networks as well as for acquisitions.

For the six months ended June 30, 2016 and 2015, we spent approximately \$42.7 million and \$28.0 million, respectively, on capital expenditures. The following notes our capital expenditures, by operating segment, for these periods (in thousands):

<u>Capital Expenditures</u>					
<u>Six months ended June 30,</u>	<u>U.S.</u>	<u>International</u>	<u>Renewable</u>	<u>Reconciling</u>	<u>Consolidated</u>
	<u>Telecom</u>	<u>Telecom</u>	<u>Energy</u>	<u>Items (1)</u>	
2016	\$ 16,447	\$ 22,283	\$ 242	\$ 3,755	\$ 42,727
2015	17,075	9,265	12	1,679	28,031

(1) Reconciling items refer to corporate overhead matters and consolidating adjustments.

We are continuing to invest in upgrading and expanding our telecommunications networks and renewable energy assets in many of our markets, along with upgrading our operating and business support systems. We currently anticipate that capital expenditures for the combined U.S. Telecom and International Telecom segments for the year ending December 31, 2016 will be between \$80 million and \$95 million and capital expenditures for our Renewable Energy segment will be between \$40 million and \$50 million for the year ending December 31, 2016.

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

Acquisitions and Investments. Historically, we have funded our acquisitions with a combination of cash on hand and borrowings under our credit facilities. During the three months ended June 30, 2016, we funded the KeyTech Transaction and Vibrant Energy Acquisition with \$33.4 million and \$3.5 million, respectively, of cash (net of cash acquired). During July 2016, we funded the Innovative Transaction with \$85.0 million in cash and financed the remaining \$60.0 million of the purchase price with a loan from an affiliate of the seller, the Rural Telephone Finance Cooperative.

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

As of June 30, 2016, we had approximately \$358.8 million in cash, cash equivalents and restricted cash. Of this amount, \$93.1 million was held by our foreign subsidiaries and is permanently invested outside the United States.

In addition, we had approximately \$63.5 million of debt as of June 30, 2016. How and when we deploy our balance sheet capacity will figure prominently in our longer-term growth prospects and stockholder returns.

Income taxes. We have historically used cash-on-hand to make payments for income taxes. Our policy is to indefinitely reinvest the undistributed earnings of our foreign subsidiaries, and accordingly, no provision for federal income taxes has been made on accumulated earnings of foreign subsidiaries. For the six months ended June 30, 2016 and 2015, our effective tax rates were 46% and 47%, respectively, as a result of certain acquisition and disposition related charges being incurred which had no tax benefit.

Dividends. We use cash-on-hand to make dividend payments to our common stockholders when declared by our Board of Directors. For the three months ended June 30, 2016, our Board declared dividends to our stockholders, which includes a \$0.32 per share dividend declared on June 21, 2016 and paid on July 11, 2016, of \$5.1 million. We have declared quarterly dividends for the last 71 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 through June 30, 2016. Our last repurchase of our Common Stock under this plan 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. As of June 30, 2016, we had approximately \$352.8 million in cash and cash equivalents, a decrease of \$39.7 million from the December 31, 2015 balance of \$392.0 million. The decrease is primarily attributable to the use of \$33.4 million and \$6.1 million of cash, net of cash acquired, to complete the KeyTech Transaction and Vibrant Energy Acquisitions, respectively as well as our capital expenditures, including the purchases of spectrum licenses and related deposits of \$53.6 million. These uses were partially offset by cash provided by our operating activities as of June 30, 2016 of \$50.5 million.

Cash provided by operations. Cash provided by operating activities was \$50.7 million for the six months ended June 30, 2016 as compared to \$81.1 million for the six months ended June 30, 2015. The decrease of \$30.6 million included a decrease in operating income within our U.S. Telecom segment of \$13.6 million primarily related to a reduction in wholesale roaming rates and decreases in operating income within our International Telecom and Renewable Energy segments of \$7.7 million and \$6.1 million, respectively, as a result of certain expenses incurred within both of these segments for acquisition related charges. The decreases in operating income were partially offset by changes in operating assets and liabilities, including customer payments received in advance of long-term service contracts.

Cash provided by (used in) investing activities. Cash used in investing activities was \$91.0 million for the six months ended June 30, 2016. Cash provided by investing activities was \$4.9 million for the six months ended June 30, 2015. The increase in the usage of cash was primarily related to an increase in capital expenditures (including purchases of spectrum licenses inclusive of deposits) of \$25.6 million and an increase in the cash used in acquisitions of \$24.8 million. These increases in usage were offset by a decrease in the proceeds from the disposition of long-lived assets of \$4.4 million. In addition, the six months ended June 30, 2015 includes \$39.0 million of cash provided by the final receipt of the escrowed funds from our sale of the retail wireless business operated under the Alltel name.

Cash provided by (used in) financing activities. For the six months ended June 30, 2015, cash used in financing activities was \$20.4 million as compared to cash provided by financing activities of \$0.7 million. The \$21.1 million increase was primarily the result of an investment made by a minority shareholder of \$21.9 million during the six months ended June 30, 2016.

Credit facility. On December 19, 2014, we amended and restated our then existing credit facility with CoBank, ACB and a syndicate of other lenders to provide for a \$225.0 million revolving credit facility (the "Credit Facility") that includes (i) up to \$10 million under the Credit Facility for standby or trade letters of credit, (ii) up to \$25.0 million under the Credit Facility for letters of credit that are necessary or desirable to qualify for disbursements from the FCC's Mobility Fund and (iii) up to \$10.0 million under a swingline sub-facility.

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

The Credit Facility contains customary representations, warranties and covenants, including a financial covenant that imposes a maximum ratio of indebtedness to EBITDA as well as covenants by us 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 Credit Facility contains a financial covenant by us that imposes a maximum ratio of indebtedness to EBITDA. As of June 30, 2016, we were in compliance with all of the financial covenants of the Credit Facility.

On January 11, 2016, we amended the Credit Facility to provide for lender consent to, among other actions, (i) the contribution by the Company of all of its equity interests in ATN Bermuda Holdings, Ltd. to ATN Overseas Holdings, Ltd. in connection with the KeyTech Transaction, and subject to the closing of the KeyTech Transaction, a one-time, non-pro rata cash distribution by KeyTech of \$12.7 million to certain of KeyTech's shareholders; and (ii) the incurrence by certain subsidiaries of the Company of secured debt in an aggregate principal amount not to exceed \$60.0 million in connection with our option to finance a portion of the Innovative Transaction. The Amendment increases the amount the Company is permitted to invest in "unrestricted" subsidiaries of the Company, which are not subject to the covenants of the Credit Facility, from \$275.0 million to \$400.0 million (as such increased amount shall be reduced from time to time by the aggregate amount of certain dividend payments to the Company's stockholders). The Amendment also provides for the incurrence by the Company of incremental term loan facilities, when combined with increases to revolving loan commitments under the Credit Facility, in an aggregate amount not to exceed \$200.0 million, which facilities shall be subject to certain conditions, including pro forma compliance with the total net leverage ratio financial covenant under the Credit Facility.

As of June 30, 2016, we had no borrowings under the Credit Facility and approximately \$10.6 million of outstanding letters of credit.

Ahana Debt

In connection with the Ahana Acquisition on December 24, 2014, we assumed \$38.9 million in debt (the "Ahana Debt"). The Ahana Debt includes multiple loan agreements with banks that bear interest at rates between 4.5% and 6.0%, mature at various times between 2018 and 2023 and are secured by certain solar facilities. Repayment of the Ahana Debt with the banks is made on a monthly basis until maturity.

The Ahana Debt includes a loan from Public Service Electric & Gas (PSE&G). The note payable to PSE&G bears interest at 11.3%, matures in 2027, and is secured by certain solar facilities. Repayment of the Ahana Debt with PSE&G can be made in either cash or SRECs, at our discretion. The value of the SRECs was fixed at the time of the loan's closing.

As of June 30, 2016, \$29.7 million of the Ahana Debt remained outstanding.

KeyTech Debt

In connection with the KeyTech Transaction on May 3, 2016, we assumed \$35.4 million in debt (the "KeyTech Debt"). The KeyTech Debt matures in 2021, bears interest of the three-month LIBOR plus a margin of 3.25%, and repayment is made quarterly until maturity. The debt is secured by the property and assets of certain KeyTech subsidiaries.

As of June 30, 2016, \$33.8 million of the KeyTech Debt remained outstanding.

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 and renewable energy industries.

Restrictions under Credit Facility. Our Credit Facility contains customary representations, warranties and covenants, including covenants 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 Credit Facility contains a financial covenant that imposes a maximum ratio of indebtedness to EBITDA. As of June 30, 2016, we were in compliance with all of the financial covenants of the Credit Facility.

Capital markets. Our ability to raise funds in the capital markets depends on, among other things, general economic conditions, the conditions of the telecommunications and renewable energy industries, our financial performance, the state of the capital markets and our compliance with Securities and Exchange Commission (“SEC”) requirements for the offering of securities. On June 6, 2014, the SEC declared effective our “universal” shelf registration statement. This filing registered potential future offering of our securities.

Completed Acquisitions. As discussed above, we funded the KeyTech Transaction and Vibrant Energy Acquisition with \$33.4 million and \$3.5 million, respectively, of cash (net of cash acquired). On July 1, 2016, we funded the Innovative Transaction with \$85.0 million payable in cash and financed the remaining \$60.0 million of the purchase price with a loan from an affiliate of the seller, the Rural Telephone Finance Cooperative.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, which provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. On July 9, 2015, the FASB approved the deferral of the new standard’s effective date by one year. The new standard is now effective for annual reporting periods beginning after December 15, 2017. The FASB will permit companies to adopt the new standard early, but not before the original effective date of annual reporting periods beginning after December 15, 2016. We are currently evaluating the adoption method options and the impact of the new guidance on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”, which amends the presentation of debt issuance costs on the consolidated balance sheet. Under the new guidance, debt issuance costs are presented as a direct deduction from the carrying amount of the debt liability rather than as an asset. We adopted the standard on January 1, 2016 and it did not have a material impact on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”, which provides guidance about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer’s accounting for service contracts. The standard is effective beginning January 1, 2017, with early adoption permitted, and may be applied prospectively or retrospectively. We do not expect ASU 2015-05 to have a material impact on our consolidated financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”, which provides updated guidance related to simplifying the accounting for measurement period adjustments related to business combinations. The amended guidance eliminates the requirement to retrospectively account for adjustments made during the measurement period. The standard was adopted on January 1, 2016 and did not have a material impact on our consolidated financial position, results of operations or cash flows.

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

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The standard is intended to simplify several areas of

accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Sensitivity. The only foreign currency for which we have a material exposure is the Guyana dollar because a significant portion of our Guyana revenues and expenditures are transacted in Guyana dollars. The exchange rate has remained consistent at 210 Guyana dollars to 1 U.S. dollar since 2014 and remained at 210 Guyana dollars to 1 U.S. dollar as of June 30, 2016. The results of future operations may be affected by changes in the value of the Guyana dollar.

Interest Rate Sensitivity. As of June 30, 2016, we had \$33.8 million of variable rate debt outstanding, which is subject to fluctuations in interest rates. The Company's interest expense may be affected by changes in interest rates. We may have additional exposure to fluctuations in interest rates if we again borrow amounts under our revolver loan within our Credit Facility.

Item 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2016. 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 Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions 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 June 30, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See Note 13 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

Item 1A. Risk Factors

Risks Related to our Telecommunications Business in the U.S. Virgin Islands

On July 1, 2016, we completed our acquisition of all of the membership interests of Caribbean Asset Holdings LLC, the holding company for the Innovative group of companies operating cable TV, Internet, wireless and landline services in the U.S. Virgin Islands, British Virgin Islands and St. Maarten (“Innovative”), from the National Rural Utilities Cooperative Finance Corporation (“CFC”). Following the purchase, our current operations in the U.S. Virgin Islands under the “Choice” name will be combined with Innovative to deliver residential and business subscribers a full range of telecommunications and media services. Beginning July 1, 2016, the results of the Innovative Transaction will be included in our International Telecom segment.

Changes in Universal Service Fund (“USF”) funding could have an adverse impact on our financial condition or results of operations.

In November 2011, the FCC released an order reforming the USF program for all types of USF support recipients beginning in 2012, including Innovative. This order, and follow-on orders issued by the FCC, include, among other things, new services and reporting obligations applicable to USF support recipients. Innovative currently receives high cost USF support, which was \$16.3 million for the year ended December 31, 2015. Although we cannot predict the impact of such changes on the amounts we pay or receive in USF funds, the changes, or any future changes, could impact Innovative’s USF funding negatively, and consequently, our efforts to build and maintain networks in the U.S. Virgin Islands market and our ability to provide services currently offered to very low income consumers supported by USF funds, which could adversely affect the revenues of our International Telecom segment.

In addition to the other information set forth in this Report, you should carefully consider the factors discussed under Part I, Item 1A “Risk Factors” of our 2015 Annual Report on Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016. The risks described herein and in such other reports 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 June 30, 2016.

The following table reflects the repurchases by the Company of its common stock during the quarter ended June 30, 2016:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share (1)	(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
April 1, 2016 — April 30, 2016	—	\$ —	—	\$ 2,919,965
May 1, 2016 — May 31, 2016	809	\$ 73.04	—	\$ 2,919,965
June 1, 2016 — June 30, 2016	—	\$ —	—	\$ 2,919,965

(1) Represents shares purchased on May 11, 2016 and May 20, 2016 from our executive officers and other employees who tendered these shares to the Company to satisfy their tax withholding obligations incurred in connection with the exercise of stock options and the vesting of restricted stock awards at such date. These shares were not purchased under the plan discussed above. The price paid per share was the closing price per share of our Common Stock on the Nasdaq Stock Market on the date those shares were purchased.

Item 6. Exhibits :

- 3.1 Certificate of Amendment to the Company's Restated Certificate of Incorporation, filed June 10, 2016 and effective June 21, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Periodic Report on Form 8-K (File No. 001-12593) filed on June 27, 2016).
- 3.2 Amended and Restated By-Laws, effective as of June 21, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Periodic Report on Form 8-K (File No. 001-12593) filed on June 27, 2016).
- 10.1 Amendment No. 1 to the Purchase Agreement, dated as of July 1, 2016, by and among National Rural Utilities Cooperative Finance Corporation, Caribbean Asset Holdings, LLC, ATN VI Holdings, LLC, and ATN International, Inc..
- 10.2 Loan Agreement, dated as of July 1, 2016, by and among ATN VI Holdings, LLC, Caribbean Asset Holdings LLC, and Rural Telephone Finance Cooperative.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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.

ATN International, Inc.

Date: August 9, 2016

/s/ Michael T. Prior

Michael T. Prior
President and Chief Executive Officer

Date: August 9, 2016

/s/ Justin D. Benincasa

Justin D. Benincasa
Chief Financial Officer

**AMENDMENT NO. 1 TO
PURCHASE AGREEMENT**

This Amendment No. 1 to the Purchase Agreement, is entered into to be effective as of July 1, 2016 (this "Amendment"), by and among National Rural Utilities Cooperative Finance Corporation, a member-owned, nonprofit financing cooperative incorporated under the laws of the District of Columbia ("Parent"), Caribbean Asset Holdings, LLC, a Delaware limited liability company (the "Company"), ATN VI Holdings, LLC, a Delaware limited liability company (the "Buyer"), and ATN International, Inc. (formerly Atlantic Tele-Network, Inc.), a Delaware corporation ("Buyer Parent").

Preliminary Statements

WHEREAS, reference is made to that certain Purchase Agreement, dated as of September 30, 2015 (as the same may be amended from time to time, the "Purchase Agreement"), by and among, Parent, the Company, the Buyer and Buyer Parent; capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings assigned to such terms in the Purchase Agreement; and

WHEREAS, the parties hereto wish to amend the Purchase Agreement to the extent set forth herein to memorialize agreements among them pertaining to, among other matters, a reduction to the Purchase Price and the escrow of additional funds as security for certain Tax matters;

WHEREAS, in exchange therefor, the Buyer and Buyer Parent wish to waive and release indemnification and other rights with respect to certain unsatisfied conditions to the Buyer's obligation to consummate the transactions contemplated by the Purchase Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Article 1 – Amendments to Purchase Agreement

1. Definitions. In connection with the amendments to the Purchase Agreement set forth in this Amendment:

(a) Section 1.01 of the Purchase Agreement is amended by deleting therefrom the term "Escrow Account" and adding in alphabetical order the following definition:

"Escrow Amount" means an amount equal to the aggregate of the Tax Escrow Deposit and the Indemnity Escrow Deposit."

(b) Section 1.02 of the Purchase Agreement is amended by adding to the table of defined terms included therein, the following in alphabetical order:

Indemnity Escrow Deposit	2.03(b)
Indemnity Escrow Fund	2.03(b)
Tax Escrow Deposit	2.03(a)
Tax Escrow Fund	2.03(a)
Tax Liability	2.03(a)
Tax Lien	2.03(a)

2. Purchase Price. The Purchase Price is reduced by \$1,250,000 by amending Section 2.02 of the Purchase Agreement by the following:

- (a) deleting from the end of clause (vi) therein the word “and”,
- (b) adding the word “and” to the end of clause (vii) therein, and
- (c) adding “(viii) minus \$1,250,000” as new clause (viii) thereto.

3. Flow of Funds. The Flow of Funds is modified with respect to the payment of the Closing Pension / OPEB Shortfall by amending Section 2.02(c)(iii) of the Purchase Agreement by inserting the following words immediately following “including wire instructions if applicable” :

“, it being understood that the Closing Pension / OPEB Shortfall shall, at the discretion of Buyer Parent (i) be paid to the trustee of the Pension / OPEB Plan, (ii) be paid to ATN Overseas Holdings Ltd. to be held for the benefit of the Seller Entity sponsor of the Pension / OPEB Plans, or (iii) if neither of the foregoing is practicable, be held by Buyer Parent for the benefit of such Seller Entity sponsor and paid to said trustee promptly following the Closing.”

4. Tax Escrow Deposit. The Escrow Amount is increased by \$1,572,000 to secure certain Tax matters by amending and restating Section 2.03 of the Purchase Agreement as follows:

“Section 2.03 Escrows.

- (a) At the Closing, the Buyer shall deposit with the Escrow Agent, by wire transfer of immediately available funds \$1,572,000 of the Purchase Price (the “Tax Escrow Deposit” and, together with interest earned thereon, the “Tax Escrow Fund”), to be held in an escrow account in accordance with the Escrow Agreement and this Agreement to provide security to the Buyer solely with respect to (i) the real property tax liabilities (each, a “Tax Liability” and collectively, the “Tax Liabilities”) identified in that certain letter dated June 28, 2016 from the USVI Lieutenant Governor attached as Exhibit L hereto, and (ii) the Tax liens identified on Exhibit M hereto (each, a “Tax Lien” and together, the “Tax Liens”). The Tax Escrow Fund shall be used solely to satisfy Tax Liens and Tax

Liabilities and shall not be used for any other Losses. The Tax Escrow Fund shall be disbursed at such times and in such amounts as Buyer and Parent shall mutually agree in accordance with the following:

- (i) At such time that Parent provides Buyer with evidence reasonably satisfactory to Buyer that a Tax Lien has been released in full, Buyer and Parent shall execute and deliver a joint instruction letter to the Escrow Agent that instructs the Escrow Agent to disburse to Parent from the Tax Escrow Fund the amount listed on Exhibit L for such Tax Lien, *unless* it is determined that the amount of the Liability for other Tax Liens or Tax Liabilities that have not been released and satisfied exceed the amount listed with respect thereto on Exhibit L or M, as applicable, in which case the amount disbursed to Parent will be reduced by an amount equal to such excess.
- (ii) At such time that Parent provides Buyer with evidence reasonably satisfactory to Buyer that a Tax Liability has been satisfied in full, whether by offset against credit balances for overpaid franchise taxes or otherwise, Buyer and Parent shall work together in good faith to determine the amount to be disbursed to Parent (if any) from the Tax Escrow Fund for the satisfaction of such Tax Liability and following such determination, execute and deliver a joint instruction letter to the Escrow Agent that instructs the Escrow Agent to disburse to Parent such amount.
- (iii) If mutually agreed by Parent and Buyer, they shall instruct the Escrow Agent to disburse funds from the Tax Escrow Fund directly to the appropriate Tax authority to pay Liabilities for Taxes determined to be owing in excess of credit balances for overpaid franchise taxes or otherwise.
- (iv) To the extent Buyer or any of its Affiliates pays or satisfies Tax Liens or Tax Liabilities by offset against Tax credits or receivables (other than via offset against Tax receivables included in the final calculation of Net Working Capital), Buyer and Parent shall execute and deliver a joint instruction

to the Escrow Agent that instructs the Escrow Agent to disburse to Buyer an amount equal to the amount so paid or offset.

- (v) At such time as all Tax Liens and Tax Liabilities have been satisfied in full, Buyer and Parent shall execute and deliver a joint instruction letter to the Escrow Agent that instructs the Escrow Agent to disburse to the balance of the Tax Escrow Fund, if any, to Parent.

The Buyer and Parent acknowledge the interplay between the Tax Liens and Tax Liabilities and the tax receivables and tax liabilities included in the final Net Working Capital as determined in accordance with Section 2.05. Accordingly, at all times, Parent and Buyer shall cooperate in good faith to give proper consideration to such interplay so as to avoid either party receiving the benefit of double-counting.

(b) At the Closing, the Buyer shall deposit with the Escrow Agent, by wire transfer of immediately available funds \$14,500,000 of the Purchase Price (the "Indemnity Escrow Deposit" and, together with interest earned thereon, the "Indemnity Escrow Fund"), to be held in an escrow account in accordance with the Escrow Agreement and this Agreement as security to the Buyer for Parent's indemnification obligations under this Agreement. On the 15th month anniversary of the Closing Date, the balance of the Indemnity Escrow Fund, less any amounts subject to outstanding claims for Losses, shall be released to Parent in accordance with this Agreement and the Escrow Agreement.

(c) If on the 15th month anniversary of the Closing, any claim by Buyer for Losses to be paid from the Indemnity Escrow Fund remains outstanding or a balance remains in the Tax Escrow Fund, the Escrow Agreement and respective escrow accounts shall remain in place, and an amount equal to such Losses or other balance, if applicable, shall continue to be held by the Escrow Agent thereunder until final resolution of all of such claims and matters, as applicable, and the disbursement in full of the Escrow Amount, at which time the Escrow Agreement shall be terminated in accordance with this Agreement and the Escrow Agreement.

(d) Without limiting the foregoing, the Buyer shall afford the Parent and its designees and representatives reasonable access to the books, records (including accountants' work papers) and employees of the Company and the Seller Entities, in each case, to

the extent the Parent reasonably requests in connection with satisfying a Tax Lien or Tax Liability or a request for a disbursement from the Tax Escrow Fund, in accordance with this Agreement and the Escrow Agreement. The Buyer shall also provide Parent with prompt written notice, with reasonable supporting documentation, of its satisfaction of any Tax Lien or Tax Liability pursuant to Section 2.03(a)(iv).

5. Rate Adjustment Deletion. The Rate Adjustment to the Purchase Price is deleted in its entirety by (a) deleting Section 2.05(f) of the Purchase Agreement in its entirety and (b) deleting in its entirety each other reference to “Rate Adjustment” in the Purchase Agreement.

6. Indemnification Cross References. Cross-references in the indemnification provisions are amended and restated by amending Section 11.02(a) of the Purchase Agreement as follows:

(a) delete the reference to “Section 6.02(b)(i)” in clause (viii) thereof and replace it with “Section 6.05(b)”;
and

(b) delete the reference to “Section 6.20(b)(ii)” at the end of clause (viii) thereof and replace it with “Section 6.05(b)(i)”

7. Exhibit Additions. The Exhibits to the Purchase Agreement are amended by adding thereto Exhibit L and Exhibit M attached hereto as additional Exhibits to the Purchase Agreement.

Article 2 Waiver and Release of Claims

Each of the parties hereto acknowledge and agree that the conditions to Buyer’s obligations to consummate the transactions contemplated by this Agreement set forth on Exhibit C will not be satisfied prior to Closing (each, an “Unsatisfied Condition” and collectively, the “Unsatisfied Conditions”). The Buyer and Buyer Parent hereby knowingly waive satisfaction of each Unsatisfied Condition in full and agree to consummate the acquisition of the Membership Interest pursuant to the Agreement irrespective of the non-satisfaction of such Unsatisfied Conditions.

Notwithstanding anything to the contrary in the Purchase Agreement, in consideration of this Amendment, including the reduction of the Purchase Price and the increase in the Escrow Amount, each of the Buyer and Buyer Parent, on behalf of itself and any other Buyer Indemnified Party, knowingly waives, releases and relinquishes any and all rights (to indemnity or otherwise), claims, remedies, and causes of action, in law or in equity, that such party may have now or in the future, whether known or unknown, against Parent or its Affiliates arising from an Unsatisfied Condition.

From and following the Closing, Parent shall use good faith efforts (without the incurrence of out-of-pocket costs) to cooperate with Buyer and Buyer’s Affiliates with

respect to reasonable efforts undertaken by Buyer or Buyer's Affiliates to satisfy the Unsatisfied Conditions.

The parties hereto agree that, except as herein expressly amended, all terms and provisions of the Purchase Agreement are and shall remain in full force and effect. All issues and questions concerning the construction, validity, interpretation and enforceability of this Amendment and the exhibits hereto shall be governed by and construed in accordance with the laws of the United States applicable thereto and the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

{Remainder of page left intentionally blank. Signature page(s) to follow.}

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers to be effective as of the day and year first above written.

COMPANY:

CARIBBEAN ASSET HOLDINGS, LLC

By: National Rural Utilities Cooperative Finance Corporation,
its sole and managing member

By: /s/ Steven L. Lilly

Name: STEVEN L. LILLY

Title: SENIOR VICE PRESIDENT

PARENT:

NATURAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

Title: [ILLEGIBLE]

BUYER:

ATN VI HOLDINGS, LLC

By: _____

Name: Michael T. Prior

Title: Chief Executive Officer

BUYER PARENT:

ATN INTERNATIONAL, INC.

By: _____

Name: Michael T. Prior

Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers to be effective as of the day and year first above written.

COMPANY:

CARIBBEAN ASSET HOLDINGS, LLC

By: National Rural Utilities Cooperative Finance Corporation,
its sole and managing member

By: _____
Name: _____
Title: _____

PARENT:

NATURAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

By:
Name:
Title:

BUYER:

ATN VI HOLDINGS, LLC

By: _____
Name: Michael T. Prior
Title: Chief Executive Officer

BUYER PARENT:

ATN INTERNATIONAL, INC.

By: _____
Name: Michael T. Prior
Title: Chief Executive Officer



**OFFICE OF THE LIEUTENANT GOVERNOR
UNITED STATES VIRGIN ISLANDS
EXECUTIVE OFFICE**

Tuesday, June 28, 2016

VIA ELECTRONIC MAIL

Nathania Bates, Esq.
Vice President, Legal affairs
INNOVATIVE
4006 Estate Diamond
Christiansted, St. Croix
United States Virgin Islands 00820

Re: Office of the Lieutenant Governor
Preliminary Calculations of Monies Owed To and By Innovative Entities

Dear Attorney Bates:

Pursuant to a review of the business records of the Innovative Entities ["Innovative"], the Office of the Lieutenant Governor, Division of Corporation and Trademarks, has determined that Innovative has a credit balance for franchise tax payments in excess of its stated capital. The amount of the credit balance per entity is as set forth below.

COMPANY	AMOUNT OF REFUND
1. GROUP B200, INC.	\$ 7,569.00
2. ICC TV, INC.	\$ 562.95
3. VI POWERNET, LLC	\$ 141,465.99
4. CARIBBEAN COMMUNICATIONS CORP.	\$ 166,018.50
5. VITELCOM CELLULAR, INC.	\$ 70,489.92
6. INNOVATIVE LONG DISTANCE, INC.	\$ 33,636.00
7. ST. CROIX CABLE TV, INC.	\$ 86,338.68
8. VIRGIN ISLANDS TELEPHONE CORPORATION	\$ 196,914.84
TOTAL	\$ 702,995.88
LESS 2016 GOOD STANDING, COPY & EXPEDITE FEES	(\$ 2,375.00)
FINAL TOTAL	\$ 700,620.88

NUMBER 5049 KONGENS GADE, ST. THOMAS, VIRGIN ISLANDS 00802 ☐ TEL 340.774.2991 ☐ FAX 340.776.4612
NUMBER 1105 KING STREET, CHRISTIANSTED ☐ ST. CROIX, VIRGIN ISLANDS 00820 ☐ TEL 340.773.6449 ☐ FAX 340.773.0330
WWW.LTG.GOV.VI

A complete breakdown of the actual amounts paid by each entity, and the amounts that are to be credited is attached to this letter as Exhibit A, however, please note the following:

1. The credit includes a balance of \$23,400.00 for Virgin Islands Telephone Corporation from the June 30, 2009 filing date.
2. Based on the annual filings for the eight Innovative entities, the franchise tax amount of \$8,905.53, which is due by June 30, 2016, has been deducted from the credit on file.
3. In addition, the payment amount of \$2,375.00 for Certificated of Good Standing, copies and expedite fees for document requests have also been deducted from the credit on file.

Further, pursuant to the request from Innovative, the Office of the Lieutenant Governor is willing to apply the franchise tax credit balance to the outstanding tax arrearages for real property owned by Innovative.

Accordingly, the Office has performed a review of outstanding amounts and determined that Innovative owes the following amounts on real property taxes, payable to the Office of the Tax Collector. Please note that these are preliminary balances that are subject to change once all Innovative properties are properly identified and prior years' bills, interest and penalties are properly calculated.

Parcel ID Number	Balance Due - June 30, 2016	Balance Due - July 31, 2016
1-02304-0143-01	\$4,271.22	\$4,280.16
1-02602-0146-00	\$11,301.21	\$11,380.93
1-05302-2432-00	\$244,302.85	\$245,233.19
1-05302-2432-01	\$69,052.66	\$69,236.14
1-05601-0418-00	\$274.54	\$275.45
1-05604-0107-00	\$39,119.08	\$39,237.99
1-07403-0416-00	\$8,863.98	\$8,905.23
1-07704-0502-00	\$11,656.85	\$11,712.11
2-03300-0263-00	\$6,712.36	\$6,743.93
2-04404-0528-00	\$1,178.44	\$1,181.27
2-04404-0529-00	\$300,367.72	\$300,449.78
2-04404-0550-00	\$1,301.87	\$1,304.16
2-04404-0553-00	\$1,178.44	\$1,181.27
2-04903-1707-01	\$118,909.87	\$119,007.79
3-04103-0102-02	\$229.50	\$229.50
3-06103-0416-00	\$11,656.85	\$26,613.56
3-06003-0217-01	\$1,575.00	\$1,575.00
4-06207-0321-01	\$2,733.28	\$2,742.67
4-07601-1219-00	\$39,781.05	\$39,819.88
4-07900-0213-00	\$18,263.73	\$18,327.27
4-09301-0508-00	\$538.07	\$539.69
Total	\$908,225.28	\$909,976.98

Please review the information and get back to me so that we may continue our discussions with an aim to formally concluding this matter.

Sincerely,

/s/ Dolace McLean

Dolace Mclean, Ph.D., Esq.
Legal Counsel to the Lieutenant Governor
United States Virgin Islands
5049 Kongens Gade
St. Thomas VI 00802
340.774.2991xt. 4111
Do/ace. Mclean@go.vi.gov

INNOVATIVE ENTITIES

COMPANY		AMOUNT OF REFUND
	\$	7,569.00
GROUP B200, INC.	\$	562.95
ICC TVI, INC.	\$	141,465.99
VI POWERNET, LLC	\$	166,018.50
CARIBBEAN COMMUNICATIONS CORP.	\$	70,489.92
VITELCOM CELLULAR, INC.	\$	33,636.00
ST. CROIX CABLE TV, INC.	\$	86,338.68
VIRGIN ISLANDS TELEPHONE CORPORATION	\$	196,914.84
TOTAL	\$	702,995.88
LESS RECENT GOOD STANDING, COPY & EXPEDITE FEES	\$	(2,375.00)
FINAL TOTAL	\$	700,620.88

INNOVATIVE ENTITIES

GROUP B200, INC. DUE DATE:	AMOUNT PAID		CORRECT TAX		AMOUNT OF REFUND
6/30/2009					\$
6/30/2010					\$
6/30/2011					\$
6/30/2012	\$ 2,773.00	\$	150.00	\$	2,623.00
6/30/2013	\$ 2,773.00	\$	150.00	\$	2,623.00
6/30/2014	\$ 2,773.00	\$	150.00	\$	2,623.00
6/30/2015		\$	150.00	\$	(150.00)
6/30/2016		\$	150.00	\$	(150.00)
TOTAL	\$ 8,319.00	\$	750.00	\$	47,569.00

INNOVATIVE ENTITIES

ICC TV, INC. DUE DATE:	AMOUNT PAID		CORRECT TAX		AMOUNT OF REFUND
6/30/2009	\$ 150.00	\$	150.00	\$	
6/30/2010	\$ 150.00	\$	150.00	\$	
6/30/2011	\$ 150.00	\$	150.00	\$	
6/30/2012	\$ 437.65	\$	150.00	\$	287.65
6/30/2013	\$ 437.65	\$	150.00	\$	287.65
6/30/2014	\$ 437.65	\$	150.00	\$	287.65
6/30/2015		\$	150.00	\$	(150.00)
6/30/2016		\$	150.00	\$	(150.00)
TOTAL	\$ 1,762.95	\$	1,200.00	\$	562.95

INNOVATIVE ENTITIES

VI POWERNET, LLC

DUE DATE:	AMOUNT PAID	CORRECT TAX	AMOUNT OF REFUND
6/30/2009			\$
6/30/2010			\$
6/30/2011			\$
6/30/2012	\$ 47,655.33	\$ 300.00	\$ 47,355.33
6/30/2013	\$ 47,655.33	\$ 300.00	\$ 47,355.33
6/30/2014	\$ 47,655.33	\$ 300.00	\$ 47,355.33
6/30/2015		\$ 300.00	\$ (300.00)
6/30/2016		\$ 300.00	\$ (300.00)
TOTAL	\$ 142,965.99	\$ 1,500.00	\$ 141,465.99

INNOVATIVE ENTITIES

CARIBBEAN COMMUNICATIONS CORP.			
DUE DATE:	AMOUNT PAID	CORRECT TAX	AMOUNT OF REFUND
6/30/2009	\$ 324.00	\$ 324.00	\$
6/30/2010	\$ 324.00	\$ 324.00	\$
6/30/2011	\$ 324.00	\$ 324.00	\$
6/30/2012	\$ 55,732.50	\$ 324.00	\$ 55,408.50
6/30/2013	\$ 55,953.00	\$ 324.00	\$ 55,629.00
6/30/2014	\$ 55,953.00	\$ 324.00	\$ 55,629.00
6/30/2015		\$ 324.00	\$ (324.00)
6/30/2016		\$ 324.00	\$ (324.00)
TOTAL	\$ 168,610.50	\$ 2,592.00	\$ 166,018.50

INNOVATIVE ENTITIES

VITELCOM CELLULAR, INC.

DUE DATE:	AMOUNT PAID	CORRECT TAX	AMOUNT OF REFUND
6/30/2009	\$ 150.00	\$ 150.00	\$
6/30/2010	\$ 150.00	\$ 150.00	\$
6/30/2011	\$ 150.00	\$ 150.00	\$
6/30/2012	\$ 23,746.64	\$ 150.00	\$ 23,596.64
6/30/2013	\$ 23,746.64	\$ 150.00	\$ 23,596.64
6/30/2014	\$ 23,746.64	\$ 150.00	\$ 23,596.64
6/30/2015		\$ 150.00	\$ (150.00)
6/30/2016		\$ 150.00	\$ (150.00)
TOTAL	\$ 71,689.92	\$ 1,200.00	\$ 70,489.92

INNOVATIVE ENTITIES

INNOVATIVE LONG DISTANCE, INC.

DUE DATE:	AMOUNT PAID	CORRECT TAX	AMOUNT OF REFUND
6/30/2009	\$ 150.00	\$ 150.00	\$
6/30/2010	\$ 150.00	\$ 150.00	\$
6/30/2011	\$ 150.00	\$ 150.00	\$
6/30/2012	\$ 11,462.00	\$ 150.00	\$ 11,312.00
6/30/2013	\$ 11,462.00	\$ 150.00	\$ 11,312.00
6/30/2014	\$ 11,462.00	\$ 150.00	\$ 11,312.00
6/30/2015		\$ 150.00	\$ (150.00)
6/30/2016		\$ 150.00	\$ (150.00)
TOTAL	\$ 34,836.00	\$ 1,200.00	\$ 33,636.00

INNOVATIVE ENTITIES

ST. CROIX CABLE TV, INC.

DUE DATE:	AMOUNT PAID		CORRECT TAX		AMOUNT OF REFUND
6/30/2009	\$ 181.53	\$	181.53	\$	
6/30/2010	\$ 181.53	\$	181.53	\$	
6/30/2011	\$ 181.53	\$	181.53	\$	
6/30/2012	\$ 29,020.11	\$	181.53	\$	28,838.58
6/30/2013	\$ 29,113.11	\$	181.53	\$	28,931.58
6/30/2014	\$ 29,113.11	\$	181.53	\$	28,931.58
6/30/2015		\$	181.53	\$	(181.53)
6/30/2016		\$	181.53	\$	(181.53)
TOTAL	\$ 87,790.92	\$	1,452.24	\$	86,338.68

INNOVATIVE ENTITIES

VIRGIN ISLANDS TELEPHONE CORPORATION

DUE DATE:	AMOUNT PAID	CORRECT TAX	AMOUNT OF REFUND
6/30/2009	\$ 158,400.00	\$ 135,000.00	\$ 23,400.00
6/30/2010	\$ 158,400.00	\$ 135,000.00	\$ 23,400.00
6/30/2011	\$ 158,400.00	\$ 135,000.00	\$ 23,400.00
6/30/2012	\$ 54,738.28	\$ 7,500.00	\$ 47,238.28
6/30/2013	\$ 54,738.28	\$ 7,500.00	\$ 47,238.28
6/30/2014	\$ 54,738.28	\$ 7,500.00	\$ 47,238.28
6/30/2015		\$ 7,500.00	\$ (7,500.00)
6/30/2016		\$ 7,500.00	\$ (7,500.00)
TOTAL	\$ 639,414.84	\$ 442,500.00	\$ 196,914.84

Exhibit M

1. Tax Lien on Parcel #2-04404-0529-00 Plot Nos 21 Estate Mon Bijou and Plot No. 22 Estate mon Bijou - \$ 272,326.35
 2. Tax lien on Parcel #1-05304-0203-00 Kronprindsens Gade 49a, 49ba, 50a, 50ba, 51A, 51As and 51B, Freeway 51B, 51Aa, 51A, 49a, 49ba, 50a, 50ba, 48b, 49bb, 50bb and 50c - \$388,328.33
-

Exhibit C

Section 9.01(r) in respect of the following:

- Spill Prevent, Control and Countermeasure Plan Certificates for fuel storage tanks from Department of Planning & Natural Resources Division of Environmental Protection US Virgin Islands.
- Renewal of Air Pollution Control Permit to Operate No. STT-1-059-A-12, to be issued to Vitelco, issued by the Department of Planning & Natural Resources Division of Environmental Protection – US Virgin Islands.
- Facility Fire Inspection, to be performed by the Virgin Islands Fire Service, for Vitelco (St. Croix).
- FCC License Nos. WLY-863, WLY-864, WLY-865, WLY-866 and WHZ-442, issued to Caribbean Communications Corporation re: CARS Service.

Section 9.01(u) in respect of non-compliance by the applicable Seller Entities with the Repair (912) call answer rate Quality of Service metric during the month of May 2016.

Section 9.01(c) in respect of the following.

- Showtime Network Services Agreements between Showtime Networks Inc. and (i) Caribbean Communications Corp. d/b/a Innovative Cable TV St. Thomas - St. John, and (ii) St. Croix Cable TV Inc. d/b/a Innovative Cable TV St. Croix, each dated as May 1, 2010 and each as amended as of February 1, 2014 (notice and waiver of termination right).
- License Agreements for Pole Attachments between Virgin Islands Water and Power Authority with (a) St. Thomas-John Cable TV dated April 13, 1987 and (b) St. Croix Cable TV dated August 15, 1986. Each requires consent of the Water and Power Authority prior to transfer of control of the licensee.

Owned Real property

Registration Section: East Central
Block: 3039B
Parcel: 149

Consent of the British Virgin Islands Ministry of Natural Resources and Labour with respect to the following:

Real Property in Process of finalizing transfer and registration process

PROPERTY	REGISTRATION SECTION	PROPRIETOR	Status
Block 6070B Parcel 58	Anegada	Ernest Faulkner, Anegada	<p>An undated Bill of Sale was entered into between Luanne Hodge for and on behalf of BVI Cable and Ernest Faulkner to purchase a portion of the Property measuring 50 x 50. It does not appear that any formal Transfer of Land was executed or registered with the Department of Land Registry in the British Virgin Islands therefore the transfer process is incomplete.</p> <p>Steps are being taken to finalize the transfer and registration process.</p>
Block 3039B Parcel 282	East Central	George Lewis Smith	<p>An executed but undated Transfer of Land was entered into between BVI Cable T.V. Ltd. and George Smith but it does not appear that the Transfer of Land was registered with the Department of Land Registry in the British Virgin Islands therefore the transfer process is incomplete.</p> <p>Steps are being taken to finalize the transfer and registration process</p>

Written consent by VIPM, LLC in respect of the Sunny Isle Lease.



LOAN AGREEMENT

This **LOAN AGREEMENT** ("Agreement") is made as of July 1, 2016, by and among ATN VI HOLDINGS, LLC, a Delaware limited liability company ("**Holdings**"), immediately upon consummation of the Acquisition (as defined below), CARIBBEAN ASSET HOLDINGS LLC, a Delaware limited liability company ("**CAH**" and, together with Holdings, each a "**Borrower**" and collectively the "**Borrowers**"), and RURAL TELEPHONE FINANCE COOPERATIVE, a District of Columbia cooperative association (the "**Lender**").

RECITALS

WHEREAS, Holdings has requested the Lender to make a single term loan to the Borrowers in a principal amount not to exceed the Commitment (as defined below), and the proceeds of such Loan shall be used to finance the Acquisition (as defined below) and to pay fees, costs and expenses in connection therewith; and

WHEREAS, the Lender is willing to make the Loan (as defined below) upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, each Borrower and the Lender do hereby agree as follows:

1. CONSTRUCTION AND DEFINITION OF TERMS

All accounting terms not specifically defined herein shall have the meanings assigned to them as determined by GAAP. In addition to the terms defined elsewhere in this Agreement, unless the context otherwise requires, when used herein, the following terms shall have the following meanings:

"**Accounting Change**" shall mean any change in accounting principles that is required or permitted hereafter by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto) and such change is adopted by Borrower and the other Loan Parties with the agreement of the accountants for such Persons.

"**Acquisition**" shall mean the acquisition by Holdings on the date hereof of the membership interests in CAH pursuant to the Acquisition Agreement.

"**Acquisition Agreement**" shall mean that certain Purchase Agreement, dated as of September 30, 2015, among CAH, National Rural Utilities Cooperative Finance Corporation, Holdings and Parent Guarantor, as amended, restated, supplemented or otherwise modified from time to time.

"**Act**" shall mean the Securities Exchange Act of 1934, as amended or modified from time to time.

"**Advance**" shall mean the advance as defined in Section 2.02.

"Affiliate" shall mean, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with Person specified. "Control" for purposes of this definition means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"Agreement" shall have the meaning assigned in the preamble hereto.

"Annual Operating Cash Flow" shall mean the sum of (a) pre-tax Net Income, excluding extraordinary gains, gains on sale of assets, the write-up of any asset, and any investment income or loss; (b) total interest expense, including capitalized, accreted or paid-in-kind interest; (c) depreciation and amortization expense; (d) certain one-time expenses and/or adjustments associated with any acquisition permitted hereunder; (e) any other non-cash expenses, charges and losses reducing net income for such period to the extent such non-cash items do not represent a cash item in any future period; and (f) any transaction costs and similar amounts that would be required to be expensed as a result of the application of FAS No. 141R (whether or not applicable thereto), in each case, as calculated on a consolidated basis for the Borrowers and their Subsidiaries.

"Borrower" and **"Borrowers"** shall have the meanings assigned in the preamble hereto.

"Breakage" shall mean, with respect to (a) any prepayment of the Loan when the Loan bears interest at the Fixed Rate as of the date of any such prepayment and (b) any conversion of the interest rate charged with respect to the Loan at the time the Loan bears interest at the Fixed Rate from the Fixed Rate to the Variable Rate, in each case, other than on the corresponding payment date, or fixed interest rate expiration date, the amount equal to the present value of any loss, cost or expense actually incurred by the Lender by reason of the liquidation or reemployment of deposits or other funds acquired by the Lender to fund or maintain the Loan.

"Business Day" shall mean any day that both the Lender and the depository institution the Lender utilizes for funds transfers hereunder are open for business.

"CAH" shall have the meaning assigned in the preamble hereto.

"Cash Equivalents" means: (A) cash; (B) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States or if not so backed, then having a rating of at least A+ from Standard & Poor's Rating Service and at least A1 from Moody's Investors Service, Inc., in each case maturing within two years from the date of acquisition thereof; (C) with the written consent of the Lender which is hereby given, until such time as such consent is revoked, commercial paper maturing no more than 270 days from the date issued and, at the time of acquisition, having a rating of at least A 1 from Standard & Poor's Rating Service or at least P 1 from Moody's Investors Service, Inc.; (D) certificates of deposit or bankers' acceptances maturing within one year from the date of issuance thereof issued by, or overnight reverse repurchase agreements from, any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and

surplus of not less than \$500,000,000; (E) time deposits maturing no more than 30 days from the date of creation thereof with commercial banks having membership in the Federal Deposit Insurance Corporation in amounts at any one such institution not exceeding the lesser of \$250,000 or the maximum amount of insurance applicable to the aggregate amount of the Loan Party's deposits at such institution; and (F) Investments in the Lender or other Investments satisfactory to the Lender.

"Certified" shall mean that the information, statement, schedule, report or other document required to be "Certified" shall contain a representation of a duly authorized officer of each Borrower that such information, statement, schedule, report or other document is true and correct and complete.

"CFC" shall mean any direct or indirect Subsidiary of any Borrower that is a "controlled foreign corporation" as defined in Section 957 of the Internal Revenue Code of 1986, as amended from time to time. For the avoidance of doubt, any Subsidiary formed under the laws of the United States Virgin Islands shall constitute a CFC.

"Change of Control" shall mean the occurrence of any of the following: (a) Parent Guarantor at any time ceases to own, directly or indirectly, 100% of the Equity Interests of Holdings or ceases to have the power to vote, or direct the voting of, any such Equity Interests, as applicable; (b) unless otherwise permitted hereunder, Holdings at any time ceases to own directly 100% of the Equity Interests of CAH or ceases to have the power to vote, or direct the voting of, any such Equity Interests; (c) a report on Schedule 13D shall be filed with the securities and exchange commission pursuant to Section 13(d) of the Act disclosing that any person other than the Parent Guarantor or any employee benefit plan sponsored by the Parent Guarantor is the beneficial owner (as the term is defined in Rule 13d-3 under the Act) directly or indirectly of 30% or more of the total voting power represented by Parent Guarantor's then outstanding voting securities (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire voting securities); (d) any person, other than Parent Guarantor or any employee benefit plan sponsored by Parent Guarantor, shall purchase shares pursuant to a tender offer or exchange offer to acquire any voting securities of Parent Guarantor (or securities convertible into such voting securities) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner directly or indirectly, of 30% or more of the total voting power represented by Parent Guarantor's then outstanding voting securities (all as calculated under clause (c) above); (e) the occurrence of (i) any consolidation or merger of Parent Guarantor in which Parent Guarantor is not the surviving corporation (other than a merger of Parent Guarantor in which holders of more than 51% of the outstanding common shares of Parent Guarantor immediately prior to the merger have the same proportionate ownership of common shares of the surviving corporation immediately after the merger as immediately before or a merger effected pursuant to Section 251(g) of the Delaware General Corporation Law), or pursuant to which common shares of Parent Guarantor will be converted into cash, securities or other property, or assets of Parent Guarantor, or (ii) unless otherwise permitted hereunder, any sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of either Borrower; or (f) the occurrence of a change in the composition of the board of directors of the Parent Guarantor at any time during any consecutive 24 month period such that "continuing directors" or individuals whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or

consents for the election or removal of one or more directors by any person or group cease for any reason to constitute at least a majority of the board of directors of Parent Guarantor (for purposes of this clause, "continuing directors" means those members of the board of directors of the Parent Guarantor who either were directors at the beginning of such consecutive 24 month period or were elected by or on the nomination or recommendation of at least a majority of the then-existing "continuing directors"). Notwithstanding the foregoing, no "Change of Control" shall have occurred pursuant to clause (c) or (d) of the immediately preceding sentence or shall be deemed to be continuing pursuant to clause (c) or (d) of the immediately preceding sentence during such time as Cornelius B. Prior, Jr., his spouse, his lineal descendants or the Prior Family Foundation, directly or in trust for their benefit, shall have voting control, directly or indirectly, of (1) 50% or more of the outstanding shares of Parent Guarantor entitled to vote, or (2) 35% or more of the outstanding shares entitled to vote at a time when no other shareholders described in clause (c) or (d) of the immediately preceding sentence owns in the aggregate 35% or more of the outstanding shares entitled to vote.

"Closing Date" shall mean the date on which all conditions to the Advance under Section 5 have been satisfied.

"Collateral" shall mean any and all property owned, leased or operated by a Loan Party that is covered by the Collateral Documents and any and all other property of any Loan Party, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of the Lender under the Collateral Documents.

"Collateral Documents" shall mean, collectively, the Security Agreement and any other agreements, instruments and documents executed in connection with this Agreement that are intended to create, perfect or evidence Liens to secure the Obligations, including, without limitation, all other security agreements, pledge agreements, mortgages, deeds of trust, powers of attorney, assignments and financing statements, now or hereafter executed by any Loan Party and delivered to the Lender.

"Commitment" shall mean the Lender's commitment to Advance the Loan hereunder on the Closing Date. The amount of the Commitment is \$60,000,000.

"Compliance Certificate" shall mean a certificate in the form attached hereto as Exhibit A.

"Credit Parties" shall mean, collectively, the Loan Parties and the Parent Guarantor.

"Default Rate" shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred fifty basis points.

"Disqualified Stock" shall mean any Equity Interest that, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (A) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and

payable), (B) is redeemable at the option of the holder thereof, in whole or in part, (C) provides for the scheduled payments of dividends or distributions in cash, or (D) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Stock, in each case, prior to the date that is 180 days after the Maturity Date.

"Equity Interests" shall mean, with respect to any Person, all of the shares, interests, rights, participations or other equivalents (however designated) of capital stock of (or other ownership or profit interests or units in) such Person and all of the warrants, options or other rights for the purchase, acquisition or exchange from such Person of any of the foregoing (including debt, intercompany notes or other securities that are treated as equity for U.S. federal income tax purposes or through convertible securities).

"Event of Default" shall mean any of the events described in Section 8 hereof.

"Fixed Charge Coverage Ratio" shall mean, as of any date of determination, the ratio derived by dividing (a) the sum of Annual Operating Cash Flow minus income and franchise taxes paid in cash, by (b) Fixed Charges, all calculated for the period of twelve consecutive calendar months ended on such date (or, if such date is not the last day of a calendar month, ended on the last day of the calendar month most recently ended prior to such date) and as measured on a consolidated basis for the Borrowers and their Subsidiaries.

"Fixed Charges" shall mean, for any period, without duplication, the sum of (a) cash interest expense; (b) scheduled amortization payments on Indebtedness actually made (including the principal component of all capital lease obligation payments); and (c) Restricted Payments paid in cash, in each case, as calculated on a consolidated basis for the Borrowers and their Subsidiaries.

"Fixed Rate" shall mean a per annum rate of interest that is, at the election of the Borrowers, (a) established by the Lender from time to time for loans similarly classified pursuant to the Lender's policies and procedures then in effect or (b) agreed to in writing by the Borrowers and the Lender pursuant to a "rate lock" or similar agreement.

"GAAP" shall mean generally accepted accounting principles in the United States applied on a consistent basis.

"Holdings" shall have the meaning assigned in the preamble hereto.

"IFRS" shall mean International Financial Standards issued by the International Accounting Standards Board (or the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or the SEC, as the case may be).

"Indebtedness" of any Person shall mean, without duplication, (a) all obligations of such Person for borrowed money or advances; (b) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or similar instruments; (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person; (d) all obligations of such Person issued or assumed as part of the deferred purchase price of property or services (in each case except for trade payables arising in the ordinary course of business and outstanding not

more than sixty (60) days after such obligation is due (unless thereafter contested in good faith)); (e) all Indebtedness secured by any Lien on property owned or acquired by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not the obligations secured thereby have been assumed, but only to the extent of the fair value of such property or asset secured by such Lien; (f) all capital lease obligations, purchase money obligations and synthetic lease obligations of such Person that are properly classified as a liability on the balance sheet of such Person in accordance with GAAP; (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Equity Interests of such Person, valued, in the case of a redeemable preferred equity interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (h) the net termination obligations of all hedging obligations of such Person calculated as of any date as if the agreement with respect to any such hedging obligation were terminated as of such date; (i) all obligations of such Person for the reimbursement of any obligor in respect of letters of credit, letters of guaranty, bankers' acceptances and similar credit transactions; and (j) all guaranty obligations of such Person in respect of Indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above.

"Investments" shall have the meaning set forth in Section 7.05 of this Agreement.

"Leases" shall mean any lease of property by any Loan Party at which location any Collateral with a fair market value in excess of \$1,000,000 is located.

"Lender" shall have the meaning assigned in the preamble hereto.

"Lien" shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set-off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code of any jurisdiction.

"Loan" shall mean the loan by the Lender to the Borrowers, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the Commitment.

"Loan Documents" shall mean this Agreement and the Other Agreements. "Loan Parties" shall mean, collectively, the Borrowers and the Subsidiary Guarantors.

"Material Adverse Effect" shall mean (A) a material adverse effect upon the business, results of operations, or financial condition of the Borrowers and their Subsidiaries, taken as a whole, or (B) the impairment of any Liens in favor of the Lender, of the ability of each Credit Party to perform its obligations under the Loan Documents or of the Lender to enforce any material provision of any Loan Document or collect any of the Obligations. In determining whether any individual event would reasonably be expected to have a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the

cumulative effect of such event and all other then-existing events would reasonably be expected to have a Material Adverse Effect.

"Maturity Date" shall mean July 1, 2026.

"Net Income" shall mean, for any period, the consolidated net income (or loss) of the Borrowers and their Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrowers or any of their Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary) in which the Borrowers or any of their Subsidiaries has an ownership interest, except to the extent that any such income is actually received by a Borrower or Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Document) or requirement of law applicable to such Subsidiary.

"Net Leverage Ratio" shall mean the ratio derived by dividing (a) the sum of (i) short term Indebtedness, the current portion of long term Indebtedness, long term Indebtedness and capital lease obligations (in each case without duplication), minus (ii) unrestricted cash and cash equivalents of the Borrowers and their Subsidiaries that are Loan Parties as of the date of measurement in an aggregate amount not to exceed \$50,000,000 as of such date, by (b) Annual Operating Cash Flow, all as calculated on a consolidated basis for the Borrowers and their Subsidiaries.

"Net Proceeds" shall mean, with respect to any event, (a) the cash proceeds received in respect of such event including, without limitation, (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, minus (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates) in connection with such event, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes paid (or reasonably estimated to be payable) and the amount of any reserves established to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event or the repatriation of funds in connection therewith (as determined reasonably and in good faith by a Financial Officer of the Borrower Representative).

"Net Worth" shall be calculated on a consolidated basis for the Borrowers and their Subsidiaries taken as a whole and arrived at by subtracting total liabilities from total assets.

"Note" shall mean the Note executed and delivered by the Borrowers on the Closing Date pursuant to Section 5.02(a) hereof, as amended, restated, supplemented or otherwise modified from time to time, and all renewals, replacements and extensions thereof.

"Obligations" shall include the full and punctual performance of all present and future duties, covenants and responsibilities due to the Lender by each Borrower under the Loan Documents, all present and future obligations of each Borrower to the Lender for the payment of money under the Loan Documents, extending to all principal amounts, interest, late charges and all other charges and sums, as well as all costs and expenses payable by each Borrower under the Loan Documents, and any and all other present and future monetary liabilities of each Borrower to the Lender under the Loan Documents, whether direct or indirect, contingent or noncontingent, matured or unmatured, accrued or not accrued, as well as all renewals, refinancings, consolidations, recastings and extensions of any of the foregoing with the Lender.

"Other Agreements" shall mean the Collateral Documents, the Note, each Subsidiary Guaranty, the Parent Guaranty and any other promissory notes, security agreements, assignments, subordination agreements, pledge or hypothecation agreements, mortgages, deeds of trust, leases, contracts, guaranties, instruments and documents now and hereafter existing between the Lender and the Borrowers, executed and/or delivered pursuant to this Agreement or guaranteeing, securing or in any other manner relating to any of the Obligations, including the instruments and documents referred to in Section 5.02 hereof, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"Parent Guarantor" shall mean ATN International, Inc., a Delaware corporation.

"Parent Guarantor Credit Agreement" shall mean that certain Fourth Amended and Restated Credit Agreement, dated as of December 19, 2014, among the Parent Guarantor, as borrower, certain Subsidiaries of Parent Guarantor, as guarantors, the lenders from time to time party thereto and CoBank, ACB, as administrative agent, as amended, restated, supplemented or otherwise modified from time to time.

"Parent Guaranty" shall mean that certain Guaranty, dated as of the date hereof, made by the Parent Guarantor in favor of the Lender, as amended, restated, supplemented or otherwise modified from time to time.

"Payment Date" shall mean the last day of March, June, September and December of each year prior to the Maturity Date, and the Maturity Date.

"Payment Notice" shall mean the notice furnished to the Borrowers at least quarterly indicating the precise amount of principal and/or interest due on the next ensuing Payment Date, such notice to be sent to the Borrowers at least ten (10) days before such Payment Date.

"Permitted Cure Securities" shall mean any Equity Interests of a Borrower other than Disqualified Stock.

"Permitted Liens" shall mean (a) Liens for taxes, assessments or governmental charges or levies which are not yet due and payable or are being contested in good faith

by appropriate proceedings diligently conducted and for which adequate reserves have been established in accordance with GAAP, (b) carriers', warehousemen's, materialmen's, landlord's, workmen's, suppliers', repairmen's, mechanics and other similar liens arising by operation of law and incurred in the ordinary course of business that do not secure Indebtedness for borrowed money, (c) easements, rights of way, restrictions and other similar charges or encumbrances affecting real property that do not secure Indebtedness and do not individually or in the aggregate materially adversely affect the value or marketability of such real property; (d) Liens consisting of pledges or deposits of cash under workers' compensation laws, unemployment insurance laws or similar legislation, including social security, or in connection with bids, tenders, contracts, statutory obligations, surety, stay, customs and appeal bonds, performance and return of money bonds or other similar obligations, (e) purchase money Liens and Liens in connection with capital lease obligations securing Indebtedness permitted hereby; provided that such Liens attach only to the property being financed; (f) Liens arising by virtue of any statutory or common law provisions relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts, (g) Liens on titled vehicles, (h) deposits and other Liens on insurance policies and the proceeds thereof made in the ordinary course of business to secure liability to insurance carriers, (i) any attachment or judgment Lien which, individually or when aggregated, does not constitute an Event of Default under Section 8.01(i); (j) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale or purchase of goods entered into by any Borrower or any of its Subsidiaries in the ordinary course of business; (k) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness or (ii) relating to purchase orders and other agreements entered into with customers of any Borrower or any Subsidiary in the ordinary course of business; (l) Liens in favor of the Lender or its Affiliates (including Liens securing the Obligations); (m) Liens existing on the assets of any Person that becomes a direct or indirect Subsidiary of a Borrower (or is a Subsidiary that survives a merger with such Person), or existing on assets acquired, pursuant to investments or acquisitions to the extent the Liens on such assets secure Indebtedness permitted hereby; provided that, such Liens attach at all times only to the same assets to which such Liens attached (and after-acquired property that is affixed or incorporated into the property covered by such Lien), and secure only the same Indebtedness or obligations that such Liens secured, immediately prior to such permitted acquisition or investment and any modification, replacement, refinancing, refunding, renewal or extension thereof; (n) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted hereunder to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to sell, transfer, lease or otherwise dispose of any property in a transaction permitted hereunder, in each case, solely to the extent such Investment or sale, disposition, transfer or lease, as the case may be, would have been permitted on the date of the creation of such Lien; (o) Liens solely on any cash earnest money deposits made by any Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement arising in connection with a transaction permitted hereunder; (p) customary restrictions in governance and similar documents relating to joint ventures, provided such restrictions relate solely to such joint venture or the Equity Interests of such joint venture; (q) survey exceptions, imperfections of title, Liens or other title matters affecting any real property that do not, individually or in the aggregate, adversely affect the continued use of the encumbered property for the purposes for which such property is currently being used; (r) Liens set forth on Schedule 2 and any extensions, renewals or refinancings thereof permitted hereunder; or (s) any Exception (as defined in the Acquisition Agreement) that

is neither (i) removed prior to the Closing Date as contemplated by Section 6.05(b) of the Acquisition Agreement, nor (ii) with respect to which a liquidated sum is reflected on the Flow of Funds (as defined in the Acquisition Agreement) or accounted for as a reduction to Purchase Price (as defined in the Acquisition Agreement), in each case, as contemplated by the proviso to Section 6.05(b) of the Acquisition Agreement.

"Person" shall include natural persons, corporations, associations, partnerships, joint ventures, trusts, governments and agencies and departments thereof, and every other entity of every kind.

"Purchase Price" shall mean the "Purchase Price" as defined in the Acquisition Agreement.

"Restricted Payments" shall have the meaning set forth in Section 7.03 of this Agreement.

"RT Park" shall mean the University of the Virgin Islands Research and Technology Park Corporation.

"SEC" shall mean the Securities and Exchange Commission of the United States of America.

"Security Agreement" shall mean the security agreement (including any and all supplements thereto), dated as of the date hereof, among the Loan Parties and the Lender for the benefit of the Lender, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Specified Subsidiaries" means, collectively, Caribbean Communication Corp., a U.S. Virgin Islands corporation, St. Croix Cable T.V., Inc., a U.S. Virgin Islands corporation, iCC T.V., Inc., a U.S. Virgin Islands corporation, Innovative Long Distance, Inc., a U.S. Virgin Islands corporation, Vitelcom Cellular, Inc., a U.S. Virgin Islands corporation, VI Powernet, LLC, a U.S. Virgin Islands limited liability company, and DTR Holdings, LLC, a U.S. Virgin Islands limited liability company.

"Subsidiary" at any time shall mean any entity which is at the time beneficially owned or controlled directly or indirectly by a Borrower, by one or more of such entities or by a Borrower and one or more of such entities.

"Subsidiary Guarantor" shall mean each Subsidiary of the Borrowers in existence on the date hereof not constituting a CFC, and each other Subsidiary that becomes a Subsidiary Guarantor and joins the Subsidiary Guaranty pursuant to Section 3(c). A complete list of all Subsidiary Guarantors as of the Closing Date is attached hereto as Schedule 3.

"Subsidiary Guaranty" shall mean the guaranty, dated as of the date hereof, made by the Subsidiary Guarantors in favor of the Lender, as amended, restated, supplemented or otherwise modified from time to time.

"Total Capitalization" shall mean, on any date of determination, the sum of Net Worth as of such date minus the aggregate amount of long-term Indebtedness of the Borrowers and their Subsidiaries existing as of such date.

“U.S.” and **“United States”** shall each mean the United States of America and, for the avoidance of doubt, shall not include the United States Virgin Islands.

“Variable Rate” shall mean the variable rate established by the Lender from time to time for loans similarly classified pursuant to the Lender's policies and procedures then in effect and disclosed to the Borrowers from time to time.

1.02 Accounting Terms; Utilization of GAAP for Purposes of Calculations Under Agreement. Except as otherwise expressly provided herein, financial statements and other information furnished to the Lender pursuant to this Agreement shall be prepared in accordance with GAAP as in effect at the time of such preparation. In the event of an Accounting Change that results in a change in any calculations required hereby of this Agreement that would not have resulted had such Accounting Change not occurred, the parties hereto agree to enter into negotiations in good faith in order to amend such provisions so as to equitably reflect such Accounting Change such that the criteria for evaluating compliance with such covenants shall be the same after such Accounting Change as if such Accounting Change had not been made; provided, that no change in GAAP that would affect a calculation that measures compliance with this Agreement shall be given effect until such provisions are amended to reflect such change in GAAP. Notwithstanding any change in GAAP to the contrary, all liabilities under or in respect of any lease (whether now outstanding or at any time entered into or incurred) that, under GAAP as in effect on the Closing Date, would be accrued as rental and lease expense and would not constitute a capital lease obligation, in each case, for purposes of the determination of “Indebtedness” hereunder, covenants and other calculations set forth herein and all defined terms as used herein, shall continue to constitute rental and lease expense and will not constitute a capital lease obligation.

Without limiting the foregoing, if at any time the SEC requires United States reporting companies to use IFRS in lieu of GAAP for reporting purposes, the Borrowers may notify the Lender that they have elected to so use IFRS in lieu of GAAP and, upon any such notice, references herein to GAAP shall thereafter be construed to mean IFRS as in effect from time to time; provided that, to the extent that such election would affect any financial ratio set forth in this Agreement, (i) the Borrowers shall provide to the Lender financial statements and other documents reasonably requested by the Lender setting forth a reconciliation with respect to such ratio or requirements made before and after giving effect to such election and (ii) the Lender and the Borrowers shall negotiate in good faith to amend such ratio to preserve the original intent in light of such change.

2. LOAN

2.1 Loan. The Lender agrees to make the Loan to the Borrowers on the Closing Date subject to all of the terms and conditions of Section 5 hereof.

2.2 Advance. The Lender agrees to make on the terms and conditions of this Agreement, a single advance in immediately available funds consisting of U.S. dollars (the **“Advance”**) on the Closing Date at the office of the Lender in Dulles, Virginia, or at such other place as the Lender may designate, in an amount not to exceed the Commitment. The Borrowers shall give the Lender at least one Business Day prior written notice of the date on which the Advance is to be made and the amount of the Advance, and such notice will include a certification of the final amount of the

Purchase Price under the Acquisition Agreement. The Lender shall not be required to make any Advance after the Closing Date. The obligation of the Borrowers to repay the Advance shall be evidenced by this Agreement and the Note.

2.3 Payment and Interest Rate.

(a) Payment. The Borrowers shall pay on each Payment Date all accrued and unpaid interest on the Loan as shown in the Payment Notice most recently delivered as of such Payment Date. If not sooner paid, any balance of the principal amount and interest accrued thereon and all other amounts due hereunder shall be due and payable on the Maturity Date.

At the Lender's option, all payments shall be applied first to any fees, costs, expenses or charges other than interest or principal then due, as hereinafter provided, then to interest accrued to the date of such payment, and then to the reduction of principal balance outstanding.

No provision of this Agreement or the Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

(b) Interest.

(i) Interest Rate. The Loan shall bear interest, at the election of the Borrowers, at either the Fixed Rate or the Variable Rate.

(ii) Conversion to Different Interest Program. Upon written notice (a "**Conversion Notice**") given by the Borrowers at least five (5) Business Days prior to the proposed conversion date specified in such notice (the "**Adjustment Date**"), the Borrowers may elect to convert all or any portion of the Loan (A) from the Variable Rate to the Fixed Rate or (B) from the Fixed Rate to the Variable Rate, provided that, with respect to any conversion under this clause (B), the Borrowers shall pay the Lender any applicable Breakage as a result of such conversion to the extent required under Section 2.04(b). Upon conversion of the interest charged with respect to any portion of the Loan pursuant to the terms hereof, interest on that portion of the outstanding principal balance of the Loan shall continue to accrue under the interest program to which it was converted from the applicable Adjustment Date until further converted or until the payment in full of the Obligations.

(iii) Computation of Interest. Interest shall be computed from the actual number of days elapsed on the basis of, (A) at any time that interest accrues at the Variable Rate, a year of 365 days and (B) at any time that interest accrues at the Fixed Rate, a 30-day month and a 360-day year.

2.4 Prepayment.

(a) Voluntary Prepayment. The Borrowers may at any time, prepay all or any part of the Loan without penalty or premium; provided, that in the event the Borrowers prepay all or any part of the Loan (regardless of the source of such prepayment and whether voluntary, mandatory, by acceleration or otherwise), the Borrowers shall pay

any applicable Breakage required under Section 2.04(b) hereof. All prepayments shall be accompanied by payment of accrued and unpaid interest through the date of the repayment. All prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, and (iii) third, the balance, if any, to the outstanding principal balance of the Loan.

(b) Breakage. If any portion of the Loan bears interest at the Fixed Rate, then the Borrowers may prepay the Loan, provided that the Borrowers pay together therewith any applicable Breakage.

(c) Mandatory Prepayment. The Borrowers shall make mandatory prepayments of one hundred percent of the Net Proceeds received by the Borrowers and their Subsidiaries from any of the following:

(i) asset sales of the Borrowers and their Subsidiaries occurring outside of the ordinary course of business and resulting in the receipt of greater than \$5,000,000 in proceeds in the aggregate during the term of this Agreement that are not reinvested within one year of receipt in plant, properties and equipment that become Collateral;

(ii) the receipt of casualty insurance and condemnation proceeds resulting in the receipt of greater than \$250,000 in Net Proceeds in the aggregate during the term of this Agreement that are not reinvested within one year of receipt in plant, property and equipment that becomes Collateral; and

(iii) the issuance or sale of Indebtedness not otherwise permitted hereby.

Any mandatory prepayment under this clause (c) shall be due and payable to the Lender no later than five (5) Business Days after any Loan Party shall have received, or become entitled to direct the distribution of, the proceeds from any transaction that would give rise to a mandatory prepayment hereunder. Mandatory prepayments shall be applied (i) first to any fees, costs, expenses or charges due hereunder other than interest or principal, (ii) second, to the payment of accrued and unpaid interest, (iii) third to the payment of principal on any portion of the Advance earning interest at the Variable Rate and (iv) fourth to the payment of principal on any portion of the Advance earning interest at the Fixed Rate. The Borrowers shall pay any applicable Breakage in connection with any mandatory prepayment of the principal portion of the Loan earning interest at the Fixed Rate.

2.5 Default Rate. If an Event of Default has occurred and is continuing, at the prior written election of the Lender, all Obligations shall bear interest at the Default Rate.

3. SECURITY

(a) As security for the payment and performance of all of the Obligations, each Loan Party shall grant a security interest in the Collateral in accordance with the terms of the Collateral Documents; provided, that the security interest granted to the Lender on the outstanding voting Equity Interests of CAH and each Subsidiary of that constitutes a CFC will be limited to 65% of such Equity Interests. If reasonably requested by the Lender at any time, the Borrowers shall make notations, reasonably

satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Collateral. Each Borrower agrees that, with respect to the portion of the Collateral, which is subject to Article 9 of the Uniform Commercial Code, the Lender shall have, but not be limited to, all the rights and remedies of a secured party under the Uniform Commercial Code. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default hereunder, on account of loss of or damage to, or to collect or enforce any of its rights against, the Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Collateral.

(b) Subject to the terms and conditions of the Loan Documents, with respect to any property acquired after the Closing Date by any Loan Party that is required to be subject to the Lien created by any of the Loan Documents but is not so subject, each Loan Party shall promptly (and in any event within 30 days after the acquisition thereof) (i) execute and deliver to the Lender such amendments or supplements to the relevant Loan Documents or such other documents as the Lender shall deem reasonably necessary or advisable to grant to the Lender a Lien on such property subject to no Liens other than Permitted Liens, and (ii) take all actions necessary to cause such Lien to be duly perfected to the extent required by such Loan Documents in accordance with all applicable law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Lender. Each Borrower and the other Loan Parties shall otherwise take such actions and execute and/or deliver to the Lender such documents as the Lender shall reasonably require to confirm the validity, perfection and priority of the Lien of the Loan Documents against such after-acquired properties.

(c) Subject to the terms and conditions of the Loan Documents, with respect to any person that is or becomes a Subsidiary of a Loan Party after the Closing Date, the Loan Parties shall promptly (and in any event within 30 days after such person becomes a Subsidiary) (i) deliver to the Lender the certificates, if any, representing all of the Equity Interests of such Subsidiary (or, if such Subsidiary is a CFC or such Subsidiary is a disregarded entity for U.S. federal income tax purposes and such Subsidiary holds Equity Interests in a CFC directly or indirectly through other disregarded entities, 65% of the outstanding voting Equity Interests of such Subsidiary), together with undated stock powers or other appropriate instruments of transfer, and all intercompany notes owing from such Subsidiary to any Loan Party together with instruments of transfer executed and delivered in blank by a duly authorized officer of such Loan Party and (ii) with respect to any such Subsidiary that is not a CFC, cause such new Subsidiary (A) to execute a joinder to the applicable Subsidiary Guaranty and the applicable Security Agreement (in form and substance reasonably satisfactory to the Lender) to cause such Subsidiary to become a Subsidiary Guarantor and to grant a Lien on substantially all of its assets in accordance with the terms of the applicable Collateral Documents to secure the Obligations, and (B) to take all actions necessary or advisable in the opinion of the Lender to cause the Lien created by the applicable Loan Document to be duly perfected to the extent required by such Loan Document in accordance with all applicable law, including the filing of financing statements (or equivalent registrations) in such jurisdictions as may be reasonably requested by the Lender.

(d) Each Loan Party shall promptly after the request of the Lender (but, in any event, no later than the date that is sixty (60) days following the acquisition of such real property) grant to the Lender a security interest in and mortgage on each parcel of real property owned in fee by such Loan Party as is acquired by such Loan Party after

the Closing Date in each case, to the extent that the fair market value of any such parcel is in excess of \$1,000,000. Such mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Lender and shall constitute valid and enforceable perfected first priority Liens subject only to Permitted Liens. Each Loan Party shall use its commercially reasonable efforts to promptly deliver to the Lender a customary landlord's waiver of lien, in form and substance reasonably satisfactory to the Lender, with respect to each Lease entered into by a Loan Party after the Closing Date. The mortgages or instruments related thereto shall be duly recorded or filed in such manner and in such places as are required by applicable law to establish, perfect, preserve and protect the Liens in favor of the Lender and all taxes, fees and other charges payable in connection therewith shall be paid in full by the Loan Parties. In each case subject to the terms and conditions of the Collateral Documents, each Loan Party shall otherwise take such actions and execute and/or deliver to the Lender such documents as the Lender shall require to confirm the validity, enforceability, perfection and priority of the Lien of any existing mortgage or new mortgage against such after-acquired real property (including a title policy and a survey (in form and substance reasonably satisfactory to the Lender) in respect of such mortgage).

(e) Notwithstanding anything to the contrary contained herein or in any other Loan Document, so long as no Event of Default exists and is continuing, the obligations under this Section 3 shall not extend to the creation or perfection of security interests with respect to any property or assets owned by any Subsidiary that is a CFC.

4. REPRESENTATIONS AND WARRANTIES

To induce the Lender to enter into this Agreement, each Borrower represents and warrants to the Lender as of the date of this Agreement that:

4.1 Good Standing. Each Credit Party is duly organized, validly existing and in good standing under the laws of the state of its organization, has the organizational power to own its property and to carry on its business in the manner currently conducted and currently proposed to be conducted, and except as would not reasonably be expected to have a Material Adverse Effect, is duly qualified to do business, and is in good standing in each jurisdiction in which the operation of its business makes such qualification necessary.

4.2 Authority. Each Credit Party has the organizational power and authority to enter into Loan Documents to which it is a party and to incur and perform its obligations thereunder, all of which have been duly authorized by all necessary and proper organizational and other action by such Credit Party, and no material consent or approval of any person, including, as applicable and without limitation, stockholders, members and partners of any Credit Party, and any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability of any Loan Document to which such Credit Party is a party.

4.3 Binding Agreement. This Agreement and the other Loan Documents have been duly and properly executed by the Credit Parties signatory thereto and constitute valid and binding obligations of the Credit Parties, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to

enforceability, to general principals of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.4 No Conflicting Agreements. The execution, delivery of and performance by each Credit Party of the Loan Documents to which it is a party will not: (a) violate any provision of applicable law, any applicable order, rule or regulation of any court or other agency of government, or the organizational documents of such Credit Party, or, except as set forth on Schedule 4.04 attached hereto, any indenture, contract, agreement, mortgage, deed of trust or other instrument to which such Credit Party is a party or by which it or any of its property is bound except, in each case, as would not reasonably be expected to have a Material Adverse Effect; or (b) result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of such Credit Party except as would not reasonably be expected to have a Material Adverse Effect.

4.5 Litigation. Except as set forth on Schedule 4.05 attached hereto, there are no outstanding judgments, claims, causes of action, suits or proceedings pending or, to the knowledge of each Loan Party, threatened against or affecting any Loan Party or its properties, before or by any federal, state, or local governmental department, agency or official, which would reasonably be expected to have a Material Adverse Effect, and no Loan Party is in default with respect to any outstanding judgment, order, writ, injunction, decree, rule or regulation of any court or federal, state, local or other governmental department, agency or official, domestic or foreign, which would reasonably be expected to have a Material Adverse Effect.

4.6 Holdings Status. Holdings does not hold any material properties other than the Equity Interests of CAH.

4.7 Taxes. Each Loan Party has paid or caused to be paid all federal, state and material local income taxes to the extent that such taxes have become due and owing, unless (i) such Loan Party is contesting in good faith any such tax by appropriate proceedings diligently pursued and for which adequate reserves have been set aside in accordance with GAAP or (ii) the failure to pay any such taxes would not reasonably be expected to have a Material Adverse Effect. Each Loan Party has filed or caused to be filed all federal, state and material local income tax returns which are required by applicable law to be filed by such Loan Party.

4.8 [Reserved].

4.9 Licenses and Permits. Each Loan Party has duly obtained all licenses, permits, certifications, concessions or other rights (collectively, "Permits") granted by any governmental authority necessary for the conduct of its business as presently conducted, except where the failure to obtain such Permits would not reasonably be expected to have a Material Adverse Effect, and each are valid and in full force and effect (except as may expire at the end of their stated terms).

4.10 [Reserved].

4.11 Certain Indebtedness. There is no Indebtedness of Holdings owing to any employee, officer, stockholder, member, partner or director of the board of Holdings

other than accrued salaries, commissions and the like, and any Indebtedness subordinated to the Obligations pursuant hereto on terms satisfactory to the Lender.

4.12 Legal Status. Schedule 1 hereto accurately sets forth for each Loan Party (a) such Loan Party's exact legal name, (b) such Loan Party's type and jurisdiction of organization, (c) such Loan Party's organizational identification number or accurately states that the such Loan Party has none, and (d) such Loan Party's place of business or, if more than one, its chief executive office as well as each Borrower's mailing address if different.

4.13 Required Approvals. No material license, consent, permit or approval of any governmental agency or authority is required to enable Holdings to enter into the Loan Documents to which it is a party or to perform any of its obligations provided for therein except as disclosed on Schedule 1 hereto, all of which Holdings has obtained prior to the date hereof, and except with respect to regulatory approvals which may be required in connection with the Lender's enforcement of certain remedies hereunder.

4.14 ERISA. None of the Loan Parties has incurred or reasonably expects to incur any material liability under Title IV of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereto ("ERISA"), other than contributions to such Loan Party's plans set forth on Schedule 4.14 attached hereto or premiums to the Pension Benefit Guaranty Corporation with respect to such plans in the ordinary course.

4.15 Equity Interests. All Equity Interests of Holdings are owned directly by Parent Guarantor and all Equity Interests of CAH are owned directly by Holdings. Holdings is the record and beneficial owner of, and has good and marketable title to, the Equity Interests pledged by (or purporting to be pledged by) it under the Security Agreement, free of any and all Liens, rights or claims of other persons, except the security interest created by the Collateral Documents and any Permitted Liens that arise by operation of applicable law and are not voluntarily granted, and there are no outstanding warrants, options or other rights (including derivatives) to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Equity Interests (or any economic or voting interests therein).

4.16. Investment Company Act. No Loan Party is an "investment company" or a company "controlled" by an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

4.17. Use of Proceeds. The Borrowers shall use the proceeds of the Advance to finance the Acquisition and pay related fees and expenses.

4.18. Material Misstatements. Holdings has disclosed to the Lender all agreements, instruments and corporate or other restrictions to which it is subject, and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. No reports, financial statements, certificates or other information furnished by or on behalf of Holdings to the Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being

recognized and agreed by the Lender that projections as to future events are not to be viewed as facts and that results during the period(s) covered by such projections may differ from the projected results and that such differences may be material and that the Borrowers make no representation that such projections will be realized).

4.19. Solvency. Both immediately before and immediately after the consummation of the Acquisition and the transactions contemplated hereby and thereby and immediately following the making of the Advance and after giving effect to the application of the proceeds of the Advance, (a) the fair value of the properties of the Credit Parties, on a consolidated basis, will exceed their debts and liabilities, subordinated, contingent or otherwise, (b) the present fair saleable value of the property of the Credit Parties, on a consolidated basis, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, (c) the Credit Parties, on a consolidated basis, do not intend to incur, and do not believe that they will incur, debts and liabilities beyond their ability to pay such debts and liabilities when they become due; and (d) the Credit Parties, on a consolidated basis, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed, contemplated or about to be conducted following the Closing Date.

4.20 Insurance. Each Loan Party has insurance in such amounts and covering such risks and liabilities as are customary for companies of a similar size engaged in similar businesses in similar locations. All insurance policies maintained by the Loan Parties are in full force and effect, all premiums due and payable with respect thereto have been duly paid, and no Loan Party has received written notice of cancellation or non-renewal of any such policies.

4.21. Anti-Terrorism Law; Foreign Corrupt Practices Act. No Credit Party and, to the actual knowledge of the Credit Parties, none of its Affiliates is in material violation of any applicable law relating to terrorism or money laundering ("**Anti-Terrorism Laws**"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "**Executive Order**"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (the "**Patriot Act**"). No Credit Party and to the actual knowledge of the Credit Parties, no Affiliate or broker or other agent of any Credit Party authorized to act on behalf of the Credit Parties acting or benefiting in any capacity in connection with the Advance, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Borrowers will not directly or indirectly use the proceeds of the Advance or otherwise make available such proceeds to any person, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC. Unless otherwise previously disclosed to the Lender, no Credit Party and, to the actual knowledge of the Credit Parties, no broker or other agent of any Credit Party acting in any capacity in connection with the Advance currently (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law. Unless otherwise previously

disclosed to the Lender, no Credit Party nor any director or officer, nor to the actual knowledge of the Credit Parties, any agent, employee or other person, in each case, authorized to act, directly or indirectly, on behalf of any Credit Party, has, in the course of its actions for, or on behalf of, any Credit Party, since September 30, 2015, directly or indirectly (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any material provision of the U.S. Foreign Corrupt Practices Act of 1977; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee. Notwithstanding anything to the contrary contained herein, no representation or warranty under this Section 4.21 is being made with respect to RT Park or any director, officer, agent, employee, broker or other Person authorized, directly or indirectly, to act on behalf of RT Park, with respect to any action taken by any such Person on behalf of RT Park.

5. CONDITIONS OF LENDING

The Lender shall have no obligation to make the Advance to the Borrowers hereunder unless each of the following conditions shall be satisfied as provided below:

5.1 [Reserved].

5.2 Documents. There shall have been delivered to the Lender, fully completed and duly executed (when applicable), the following, satisfactory to the Lender and its counsel:

- (a) This Agreement, the applicable Collateral Documents, the Note, the Subsidiary Guaranty, and the Parent Guaranty, in each case, in form and substance satisfactory to the Lender.
- (b) Certified copies of all such organizational documents and resolutions of each Credit Party authorizing the transactions herein contemplated and a certificate as to incumbency and specimen signature of each officer executing any Loan Document.
- (c) Written opinions of primary and local counsel to each Credit Party (it being understood that local counsel opinions shall be required in each jurisdiction where any Credit Party is organized) addressing such legal matters as the Lender or its counsel shall reasonably require, including, but not limited to, (i) the formation and good standing of each Credit Party, (ii) the perfected lien and security interest position of the Lender in the Collateral; (iii) the validity and enforceability of the Loan Documents; (iv) the execution, delivery and authorization of the Loan Documents; and (v) that execution, delivery and performance of the Loan Documents (including the Parent Guaranty) do not violate the Parent Guarantor Credit Agreement.

- (d) (i) The Security Agreement, mortgages covering the real property of the Loan Parties located in the United States, and all other Collateral Documents requested by the Lender that are necessary to create and perfect the security interests purported to be granted by the Loan Parties; (ii) filed financing statements in all jurisdictions necessary to provide the Lender a first priority, perfected security interest in all Collateral which may be perfected by the filing of financing statements; and (iii) stock powers and original stock certificates evidencing 100% of the Equity Interests in each Loan Party (other than Holdings and CAH) and 65% of the Equity Interests in CAH and each Subsidiary that is a CFC, in each case, subject to the ownership interests of RT Park.

5.3 [Reserved].

5.4 Government Approvals. Holdings shall have furnished to the Lender true and correct copies of all material certificates, authorizations and consents, including without limitation the consents referred to in Section 4.13 hereof, necessary for the execution, delivery or performance by Holdings of the Loan Documents to which it is a party or the Acquisition, including any regulatory or governmental approvals required to grant a security interest in the Collateral.

5.5 Representations, Warranties and Material Change. The representations and warranties contained in this Agreement shall be true and correct on the date of the making of the Advance hereunder; no Event of Default and no event which, with the lapse of time or the notice and lapse of time specified in Section 8 would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to the Advance on the books of the Borrowers; and there shall have occurred no material adverse change in the business or financial condition of the Parent Guarantor since December 31, 2014.

5.6 Indebtedness. Holdings shall have no Indebtedness for borrowed money or commitments with respect thereto other than the Obligations hereunder. Parent Guarantor shall be in compliance with the Total Net Leverage Ratio financial maintenance covenant contained in the Parent Guarantor Credit Agreement, calculated on a pro forma basis for the incurrence of the Loan on the Closing Date and based on the most recently available financial statements of Parent Guarantor.

5.7 Good Standing. The Credit Parties shall have furnished a certificate as to the good standing (or equivalent) of each Credit Party as of a recent date from such Credit Party's jurisdiction of organization.

5.8 Requisitions. The Borrowers will request the Advance in form and substance satisfactory to the Lender. Pursuant to the terms and conditions hereof, the Lender will wire the proceeds of the requested Advance to an account as directed by the Borrowers.

5.9 Insurance. The Lender shall have received a copy of, and a certificate as to coverage under, the insurance policies of the Loan Parties.

5.10 Acquisition. The Acquisition shall be consummated on the Closing Date in accordance with the terms of the Acquisition Agreement.

5.11. Capitalization. As of the Closing Date, the Borrowers shall have a ratio of zero cost common equity to Total Capitalization of no less than .30 to 1.00.

5.12 Parent Guaranty Permitted. The Lender shall have received evidence reasonably satisfactory to it that the Parent Guaranty is permitted by the Parent Guarantor Credit Agreement and that the Loan Parties are not required to guaranty or provide security for the credit facility evidenced by, the Parent Guarantor Credit Agreement.

6. AFFIRMATIVE COVENANTS

Each Loan Party covenants and agrees with the Lender that, until all of the Obligations have been paid in full, such Loan Party shall, and shall ensure that the Specified Subsidiaries shall:

6.1 Membership. Use its commercially reasonable efforts to remain or an Affiliate thereof shall use its commercially reasonable efforts to remain a member in good standing of the Lender.

6.02. Financial Books; Financial Reports and Other Information.

(a) At all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Loan parties, in accordance with GAAP.

(b) Furnish to the Lender not later than the earlier of (i) 10 days after the date that Parent Guarantor is required to file its quarterly report with the SEC as part of its periodic reporting (if Parent Guarantor is subject to such reporting requirements) and (ii) 55 days after the end of the first three fiscal quarters of each fiscal year of Parent Guarantor, (x) consolidated balance sheets of Parent Guarantor and its Subsidiaries as of the end of such fiscal quarter, along with consolidated statements of income and cash flows for such fiscal quarter and for the elapsed portion of the fiscal year (which requirement shall be deemed satisfied by the delivery of Parent Guarantor's quarterly report on Form 10-Q (or any successor form) for such fiscal quarter to the extent Parent Guarantor is subject to such reporting requirements), and (y) consolidating balance sheets of the Borrowers and their Subsidiaries, as of the end of such fiscal quarter, and the related consolidating statements of income and cash flows for such fiscal quarter. And in the case of such financial statements provided pursuant to clause (y), such financial statements shall be accompanied by a certificate of the chief financial officer of Parent Guarantor stating that such financial statements fairly present in all material respects the consolidating financial position of Holdings and its Subsidiaries as of the date and for the period specified in accordance with GAAP consistently applied.

(c) Furnish to the Lender not later than the earlier of (i) 10 days after the date that Parent Guarantor is required to file its annual report with the SEC as part of its periodic reporting (if Parent Guarantor is subject to such reporting requirements) and (ii) 100 days after the end of each fiscal year of Parent Guarantor, (x) a consolidated balance sheet of Parent Guarantor and its Subsidiaries as of the end of such fiscal year

and related consolidated statements of income and cash flows for such fiscal year (which requirement shall be deemed satisfied by the delivery of Parent guarantor's annual report on Form 10-K (or any successor form) for such fiscal year to the extent Parent Guarantor is subject to such reporting requirements), and accompanied by a report with respect to such financial statements from PricewaterhouseCoopers LLP or another firm of independent certified public accountants of recognized national standing selected by Parent Guarantor and reasonably acceptable to the Lender and such report shall be without any material qualification or exception as to the scope of such audit or any ongoing concern qualification and (y) consolidating balance sheets of Holdings and its Subsidiaries, as of the end of such fiscal year and the related statements of income and cash flows and stockholders' equity for such fiscal year and, in the case of the financial statements provided pursuant to this clause (y), such financial statements shall be accompanied by a certificate of the chief financial officer of Parent Guarantor stating that such financial statements fairly present in all material respects the consolidating financial position of the Borrowers and their Subsidiaries as of the date and for the period specified in accordance with GAAP consistently applied.

(d) Furnish to the Lender such other information, reports or statements concerning the operations, business affairs and/or financial condition of the Credit Parties as the Lender may reasonably request from time to time.

(e) Promptly upon becoming available, information, in form reasonably satisfactory to the Lender, and evidence of any and all changes or modification of material licenses, permits, certifications, approvals and the like necessary for the Borrowers to own or operate their business or a substantial part of their business.

(f) Promptly notify the Lender writing of (i) any Event of Default; (ii) any event (including the commencement of litigation) that could reasonably be expected to result in a Material Adverse Effect; and (iii) any casualty or condemnation event in respect of any assets with a fair market value of \$250,000 or more.

6.3 Lender's Right of Inspection. Permit the Lender, through its representatives, upon reasonable prior written notice and during normal business hours, in each case not more than one (1) time per fiscal year of the Borrowers (unless an Event of Default shall have occurred and shall be continuing) to have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in possession of any Borrower or any of its Subsidiaries and pertaining to any Borrower's and its Subsidiaries' property or business as the Lender may reasonably request, and permit representatives of the Lender to be present at Borrowers' place of business to receive copies of all communications and remittances relating to the Collateral, all in such manner as the Lender may reasonably require, in each case subject to restrictions with respect to confidentiality.

6.4 Financial Covenant. Maintain, commencing as of the last day of the Borrowers' fiscal year 2017 and as of the last day of each fiscal year of the Borrowers thereafter, a Net Leverage Ratio not greater than 3.5 to 1.0.

6.5 Annual Certificate. Together with the financial statements delivered pursuant to Section 6.02(c), deliver to the Lender, a Compliance Certificate, either (a)

signed by the Borrowers' Chief Executive Officer, or similar presiding officer, or (b) submitted electronically through means made available to the Borrowers by the Lender.

6.6 Use of Proceeds. Use the Advance made hereunder and evidenced by the Note only to pay the consideration owing in connection with the Acquisition and for the payment of the costs, expenses and fees incident to this Agreement or the Acquisition Agreement and for no other purpose whatsoever without the prior written consent of the Lender.

6.7 [Reserved].

6.8 Other Affirmative Covenants. During the term hereof, each Loan Party shall comply with the following covenants:

(a) Each Loan Party shall do or cause to be done all things necessary to preserve, renew and maintain its legal existence and all material rights and franchises, and permits material to its business.

(b) Each Loan Party shall do or cause to be done all things necessary to maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties used or useful in its business.

(c) Each Loan Party shall keep its property adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks as is customary with companies in the same or similar businesses operating in the same or similar locations, including casualty and condemnation insurance.

(d) Each Loan Party shall pay and discharge promptly when due all taxes, assessments and governmental charges before the same become delinquent; provided that such payment shall not be required so long as the amounts required to be paid are being contested in good faith by appropriate proceeding for which adequate reserves have been set aside in accordance with GAAP.

(e) Each Loan Party shall comply in all material respect with all laws applicable to its operations and properties.

(f) On or before the date that is 60 days after the date of this Agreement, the Borrowers shall deliver to the Lender endorsements to the insurance policies of the Loan Parties naming the Lender as lender's loss payable or mortgagee (as applicable) with respect to all property and casualty policies and as additional insured with respect to all liability policies, each in form and substance reasonably satisfactory to the Lender.

7. NEGATIVE COVENANTS.

Each Loan Party covenants and agrees with the Lender that, until all of the Obligations have been paid in full, such Loan Party will not, and will not allow any of the Specified Subsidiaries to:

7.1 Notice. Without giving written notice to the Lender ten (10) Business Days prior to the effective date of any change:

- (a) Change the location of such Loan Party's chief executive office.
- (b) Change the name of such Loan Party.

7.2 Consent. Without the prior written consent of the Lender:

- (a) Control. Permit a Change of Control to occur.
- (b) Additional Indebtedness. Borrow or allow any of its Subsidiaries to borrow money on a secured or unsecured basis from any other lender or incur any additional secured or unsecured Indebtedness; provided, however, the Borrowers and their Subsidiaries may incur (i) additional purchase money and capital lease secured Indebtedness in an aggregate amount not to exceed \$5,000,000 at any time outstanding, (ii) unsecured Indebtedness so long as on a pro forma basis immediately after giving effect to the incurrence of any such Indebtedness as if it was incurred on the last day of the most recently ended calendar month, the Borrowers shall be in compliance with the financial covenant in Section 6.04 as if such covenant applied as of the last day of the most recently ended calendar month, (iii) contingent obligations with respect to Indebtedness otherwise permitted hereunder; (iv) Indebtedness incurred in connection with any hedging or similar agreement; (v) unsecured Indebtedness among the Loan Parties; (vi) acquired Indebtedness in connection with investments or acquisitions so long as such Indebtedness existed at the time of any such investment or acquisition and was not created in anticipation thereof; (vii) Indebtedness with respect to cash management and similar arrangements in the ordinary course of business; (viii) Indebtedness arising from agreements of Borrower or providing for indemnification, adjustment of purchase price or similar obligations, in each case entered into in connection with the disposition of any business, assets or stock, provided that, such amount is not Indebtedness required to be reflected on the balance sheet of Borrower in accordance with GAAP (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this proviso); (ix) Indebtedness representing deferred compensation to officers or employees of Borrower incurred in the ordinary course of business; (x) Indebtedness incurred in the ordinary course of business for the financing of insurance premiums; (xi) Indebtedness set forth on Schedule 7.02(b) hereto; and (xii) Indebtedness which represents extensions, renewals, refinancing or replacements (such Indebtedness being so extended, renewed, refinanced or replaced being referred to herein as the "Refinance Indebtedness") of any of the Indebtedness described above in this clause (b) (such Indebtedness being referred to herein as the

“Original Indebtedness”); provided that (A) such Refinance Indebtedness does not increase the principal amount or interest rate of the Original Indebtedness (in each case, other than with respect to any accrued or accruing interest payable in kind and not in cash or any fees or original issue discount paid or payable in connection with such Indebtedness), (B) any Liens securing such Refinance Indebtedness are not extended to any additional property of any Loan Party, (C) no Loan Party that is not originally obligated with respect to repayment of such Original Indebtedness is required to become obligated with respect to such Refinance Indebtedness, (D) such Refinance Indebtedness does not result in a shortening of the average weighted maturity of such Original Indebtedness, (E) except to the extent otherwise permitted hereunder, the terms of such Refinance Indebtedness are not materially less favorable to the obligor thereunder than the original terms of such Original Indebtedness and (F) if such Original Indebtedness was subordinated in right of payment to the Obligations, then the terms and conditions of such Refinance Indebtedness must include subordination terms and conditions that are at least as favorable to the Lender as those that were applicable to such Original Indebtedness.

- (c) Organizational Changes. Change its type of organization or jurisdiction of organization.
- (d) Liens. Create, incur, assume or permit to exist, directly or indirectly, any Lien on any property now owned or hereafter acquired by any Loan Party or any of its Subsidiaries, except for Permitted Liens.

7.3 Dividends and Other Cash Distributions. In any one calendar year, without the prior written consent of the Lender: (a) declare or pay any dividends or make any other distributions to its stockholders, members or partners with respect to its capital stock, membership interests or partnership interests; (b) purchase, redeem or retire any of its capital stock, membership interests or partnership interests; (c) make any cash principal or cash interest payments on account of any subordinated or junior lien debt, or (d) pay any management fees or if already paying a management fee that has been disclosed and agreed to by the Lender prior to closing, pay an increase in such management fees (collectively, “**Restricted Payments**”), unless, on a pro forma basis immediately after giving effect to such Restricted Payment as if it was made on the last day of the most recently ended calendar month, (i) the Fixed Charge Coverage Ratio shall not be less than 1.00 to 1.00 as of the last day of the most recently ended calendar month and (ii) the Borrowers shall be in compliance with the financial covenant in Section 6.04 as if such covenant applied as of the last day of the most recently ended calendar month. In no event may Holdings make any Restricted Payment when any Event of Default shall have occurred and be continuing at the time of any such Restricted Payment or would occur immediately after giving effect thereto as a result of such Restricted Payment. Notwithstanding the forgoing, (A) any direct or indirect wholly- owned Subsidiary of the Borrowers may make Restricted Payments to the Borrowers or another wholly-owned Subsidiary of the Borrowers that is a Loan Party, (B) any direct or

indirect Subsidiary of the Borrowers may make, declare, order or pay pro rata cash dividends or distributions and (iii) a Borrower or any direct or indirect Subsidiary of a Borrower may make dividends or distributions in the form of Equity Interests of such Person.

7.04. [Reserved].

7.5 Limitations on Loans, Investments and Other Obligations.

(a) (i) Purchase any stock, bonds, notes, debentures or other securities or obligations of or beneficial interest in, (ii) make any other investment in, (iii) make any loan to, or (iv) guarantee, assume, or otherwise become liable for any obligation of, any corporation, association, partnership, joint venture, trust, government or any agency or department thereof, or any other entity of any kind (collectively, "**Investments**") if the aggregate amount of all such Investments made during the term of this Agreement would exceed fifty percent (50%) of Net Worth as of the Closing Date, without the prior written consent of the Lender.

(b) The following shall not be included in the limitation on Investments: (i) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States government or any agency or instrumentality thereof; (ii) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or other security or obligation of institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of its two highest categories; (iii) investments incidental to loans made by the Lender; (iv) bonds, notes, debentures, commercial paper or any other security of National Rural Utilities Cooperative Finance Corporation; (v) any deposit that is fully insured by the federal government of the United States; (vi) Investments by a Loan Party in another Loan Party and (vii) Cash Equivalents; (viii) Investments set forth on Schedule 7.05 hereto and any extensions, renewals, reinvestments thereof, (viii) hedging and similar obligations to the extent explicitly permitted hereunder; (ix) loans and advances to officers, directors and employees of the Borrowers or any of their Subsidiaries (A) for reasonable and customary business-related travel, entertainment, relocation and analogous ordinary business purposes (including employee payroll advances) and (B) for purposes not described in the foregoing subclause (A), in an aggregate principal amount outstanding pursuant to this clause (B) not to exceed \$150,000; (x) Investments received in connection with the bankruptcy or reorganization of suppliers or customers and in settlement of delinquent obligations of, and other disputes with, customers arising in the ordinary course of business or upon foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment; (xi) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business; (xii) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangements with customers consistent with past practices; (xiii) guarantee obligations of any Loan Party of leases (other than Capital Leases) or of other obligations that do not constitute Indebtedness, in each case entered into in the ordinary course of business; (xiv) Investments held by a Person acquired, or Investments constituting part of the assets acquired (including, in each case, by way of merger or consolidation), after the Closing Date and otherwise in accordance with this

Section 7.05 to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation and (xv) advances of payroll payments to employees in the ordinary course of business.

7.6 Asset Sales. Effect any disposition of any property, except that the following shall be permitted: (a) dispositions of surplus, worn-out or obsolete property; (b) other dispositions of property for fair market value and 75% cash consideration; (c) leases or subleases of real or personal property in the ordinary course of business; (d) sales of inventory in the ordinary course of business; (e) any disposition by a Loan Party to another Loan Party; (f) sales or Leases of inventory to customers in the ordinary course of business; (g) fair market value sales of Cash Equivalents; (h) to the extent required by law; (i) dispositions of non-cash assets of any Person acquired pursuant to an Investment otherwise permitted hereby, provided that any such disposition occurs within eighteen (18) months following any such Investment; and (j) asset swaps of wireless assets in an aggregate amount not to exceed \$10,000,000 in any fiscal year of a Borrower.

7.7 Mergers and Consolidations. Wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation (or agree to do any of the foregoing at any time), except that the following shall be permitted: (a) any Loan Party may merge with any other Loan Party; provided that, if any Loan Party is a Borrower, at least one of the Borrowers shall be the surviving entity after giving effect to any such merger; (b) any Loan Party may dissolve, liquidate or wind up its affairs if such dissolution, liquidation or winding up is not disadvantageous to the Lender in any material respect and all assets of such Loan Party are distributed to another Loan Party; provided that, if such Loan Party is a Borrower, at least one of the Borrowers shall be the surviving entity after giving effect to any such merger; (c) any direct or indirect Subsidiary of a Borrower that is not a Loan Party may merge with any other direct or indirect Subsidiary of a Borrower; (d) any direct or indirect Subsidiary of a Borrower that is not a Loan Party may dissolve, liquidate or wind up its affairs if such dissolution, liquidation or winding up is not disadvantageous to the Lender in any material respect and all assets of such Subsidiary are distributed to another direct or indirect Subsidiary of a Borrower; and (e) any Investment permitted hereunder may be structured as a merger, consolidation or amalgamation.

7.8 Transactions with Affiliates. Enter into, directly or indirectly, any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of any Loan Party, other than (a) on terms and conditions at least as favorable to such Loan Party as would reasonably be obtained by such Loan Party at that time in a comparable arm's-length transaction with a Person other than an Affiliate; (b) as otherwise permitted hereunder; (c) transactions among the Loan Parties; (d) transactions among any direct or indirect Subsidiary of a Borrower that is not a Loan Party and any other direct or indirect Subsidiary of a Borrower that is not a Loan Party; and (e) payment of compensation to directors, officers and employees in the ordinary course of business for services actually rendered in their capacities as directors, officers and employees.

7.9 Modifications of Organizational Documents. Directly or indirectly amend or modify, or permit the amendment or modification of, any of such Loan Party's organizational documents or any agreement with respect to its Equity Interests, other

than those amendments, modifications or changes that could not reasonably be expected to be materially adverse to the interests of the Lender.

7.10 Burdensome Agreements. Directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance, restriction or condition on the ability of any Subsidiary Guarantor to (i) pay dividends or make any other distributions on its Equity Interests or any other interest or participation in its profits owned by any Loan Party, or pay any Indebtedness owed to any Loan Party, (ii) make loans or advances to any Loan Party, (iii) transfer any of its properties to any Loan Party or (iv) encumber assets of a Subsidiary Guarantor, except for such encumbrances, restrictions or conditions existing under or by reason of: (A) applicable legal requirements; (B) this Agreement and the other Loan Documents; (C) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Subsidiary; (D) customary provisions restricting assignment of any agreement entered into by a Subsidiary in the ordinary course of business; (E) customary restrictions and conditions contained in any agreement relating to the sale or other disposition of any property pending the consummation of such sale; provided that (i) such restrictions and conditions apply only to the property to be sold, and (ii) such sale or other disposition is permitted hereunder; (F) capital leases and purchase money obligations; (G) restrictions affecting non-wholly-owned direct or indirect Subsidiaries of any Borrower and (H) restrictions contained in any documents evidencing Indebtedness permitted hereunder

7.11 Business. Engage (directly or indirectly) in any businesses other than those businesses in which the Loan Parties are engaged on the date hereof and reasonable extensions thereof or such business related or incidental thereto.

7.12 Negative Pledge. Pledge or otherwise grant any Lien, nor will it allow any of its Subsidiaries to pledge or otherwise grant any Lien, on any Equity Interests owned by such Loan Party or such Subsidiary, as applicable, except any such pledge or Lien granted in favor of the Lender or any pledge or other grant of a Lien in the Equity Interests of any direct or indirect Subsidiary of Virgin Islands Telephone Corporation in order to secure the Indebtedness set forth on Schedule 7.02 hereto.

8. EVENTS OF DEFAULT

8.1 The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Agreement:

- (a) **Representations and Warranties.** Any representation or warranty made herein, in any of the other Loan Documents or in any statement, report, certificate, financial statement or other document furnished or to be furnished by any Credit Party in connection with this Agreement or the other Loan Documents shall be false or misleading in any material respect on the date made or deemed made.
- (b) **Payment.** Failure of the Loan Parties to (i) repay or prepay any outstanding principal amount of the Loan at the time required pursuant to this Agreement; or (ii) pay any interest or other Obligations not constituting principal, and in the case of this clause (ii), such failure continues for two (2) Business Days.

(c) **Other Covenants.**

- (i) **No Grace Period.** Failure of the Loan Parties to observe or perform any covenant or agreement contained in Sections 6.02, 6.03, 6.04, 6.05, or 6.06, or Article 7 of this Agreement.
- (ii) **Thirty Day Grace Period.** Failure of any Loan Party to observe or perform any covenant or agreement contained in this Agreement or any other Loan Document not otherwise covered by the other provisions of this Article 8, and such failure shall remain unremedied for thirty (30) calendar days after the earlier of (i) written notice thereof shall have been given to the Borrowers by the Lender or (ii) the date on which an officer of any Loan Party becomes aware of such failure.

(d) **[Reserved].**

- (e) **Other Obligations (Loan Parties).** (i) Default by any Loan Party in the payment when due of any portion of any Indebtedness (other than the Obligations), whether principal, interest, premium or otherwise, having an aggregate principal amount in excess of \$2,000,000, in each case, after giving effect to any applicable grace or cure periods, or (ii) failure by any Loan Party to comply with any agreement evidencing or governing any such Indebtedness if the effect of such failure is to permit the holders of such Indebtedness to accelerate such Indebtedness.
- (f) **Other Obligations (Parent Guarantor).** (i) Default by Parent Guarantor in the payment when due of Indebtedness (other than the Obligations), whether principal, interest, premium or otherwise with an aggregate principal amount in excess of 5% of total assets of the Parent Guarantor, in each case, after giving effect to any applicable grace or cure periods or (ii) failure by Parent Guarantor to comply with any agreement evidencing or governing any such Indebtedness if the effect of such failure is to permit the holders of such Indebtedness to accelerate such Indebtedness.
- (g) **Bankruptcy.** (i) A court shall enter a decree or order for relief with respect to any Credit Party in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) days, or (ii) any Credit Party shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking of possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors.

- (h) **Dissolution or Liquidation.** Unless otherwise permitted hereunder, the dissolution or liquidation of a Borrower or any Subsidiary Guarantor.
- (i) **Final Judgment.** A final non-appealable judgment in excess of \$2,000,000 (such amount not adequately covered by insurance as to which the insurance company has not denied coverage in writing) shall be entered against any Loan Party and shall remain unsatisfied or without a stay for a period of sixty (60) days.
- (j) **Loan Document Enforceability.** Any Loan Document or any material provisions thereof shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by or on behalf of (i) any Credit Party, (ii) any other Person to the extent that a judgment in favor of such Person with respect to such proceeding would reasonably be expected to have a Material Adverse Effect, or (iii) by any governmental authority, in each case, seeking to establish the invalidity or unenforceability thereof (exclusive of questions of interpretation of any provision thereof), or any Credit Party (directly or indirectly) shall repudiate, revoke, terminate or rescind (or purport to do any of the foregoing) or deny any portion of its liability or obligation for the Obligations.
- (k) **Liens.** Any security interest and Lien purported to be created by any Loan Document shall cease to be in full force and effect, or shall cease to give the Lender, the Liens, rights, powers and privileges purported to be created and granted under such Loan Documents, or shall be asserted by or on behalf of any Loan Party not to be, a valid, enforceable, perfected, first priority security interest in or Lien on the Collateral covered thereby, in each case, other than Permitted Liens.

8.2 Right to Cure. In the event that the Borrowers fail to comply with Section 6.04 with respect to any fiscal year of the Borrowers, until the 20th day after the date the Borrowers are required pursuant to Section 6.05 to deliver the Compliance Certificate with respect to such fiscal year, a Borrower shall have the right to issue Permitted Cure Securities for cash or otherwise receive cash contributions to the capital of such Borrower, and apply the amount of the proceeds thereof to increase Annual Operating Cash Flow with respect to such fiscal year (the "**Cure Right**"); provided that, (a) such proceeds are actually received by such Borrower no later than 20 days after the date on which financial statements are required to be delivered with respect to such fiscal year hereunder, (b) such proceeds do not exceed the aggregate amount necessary to cure (by addition to Annual Operating Cash Flow) such Event of Default under Section 6.04 for such period and (c) the Cure Right shall not be exercised more than six times during the term of the Loan. If, after giving effect to the foregoing pro forma adjustment (but not, for the avoidance of doubt, giving pro forma effect to any repayment of Indebtedness in connection therewith), the Borrowers are in compliance with Section 6.04, the Borrowers shall be deemed to have satisfied the requirements of such Section as of the relevant date of determination with the same effect as though there had been no failure to comply on such date, and the applicable breach or default of Section 6.04 that had occurred shall be deemed cured for all purposes of this Agreement and any other Loan Document. The parties hereby acknowledge that this Section shall not result in any adjustment to any amounts other than the amount of the Annual Operating Cash

Flow referred to in the immediately preceding sentence and shall be disregarded for purposes of the calculation of Annual Operating Cash Flow for all other purposes.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies of the Lender. Upon the occurrence of an Event of Default, the Lender may exercise in any jurisdiction in which enforcement hereof is sought, the following rights and remedies, in addition to all rights and remedies available to the Lender under applicable law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently:

- (i) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.
- (ii) Institute any proceeding or proceedings to enforce the Obligations owed to, or any Liens in favor of, the Lender.
- (iii) Pursue all rights and remedies available to the Lender that are contemplated by the Loan Documents in the manner, upon the conditions, and with the effect provided in the Loan Documents, including but not limited to a suit for specific performance, injunctive relief or damages.
- (iv) Pursue any other rights and remedies available to the Lender at law or in equity.

9.2 Cumulative Nature of Remedies. Nothing herein shall limit the right of the Lender, subject to notice and right to cure provisions contained herein, to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default subject to compliance, if required, with the rules and regulations of the FCC and any state public service or utilities commission having jurisdiction. Each right, power and remedy of the Lender in this Agreement and/or the Other Agreements shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

9.3 Costs and Expenses. The Borrowers shall promptly reimburse the Lender upon request for any reasonable and documented costs and out-of-pocket expenses paid or incurred by the Lender (including, without limitation, reasonable and documented fees and expenses of outside attorneys, limited, in the case of any such costs and expenses reimbursed under clauses (d) and (e) of this Section 9.03, to one outside counsel) for all actions the Lender takes to (a) enforce the payment of any Obligation, to effect collection of any of the Collateral, or in preparation for such enforcement or collection, (b) institute, maintain, preserve, enforce and foreclose on the Lender's security interest in or Lien on any of the Collateral, whether through judicial proceedings or otherwise, (c) restructure any of the Obligations, (d) review, approve or grant any consents or waivers hereunder, and (e) prepare, negotiate, execute, deliver, review, amend or modify the Loan Documents, or any other agreements, documents and instruments deemed necessary or appropriate by the Lender in connection with any of

the foregoing, in each case, after the Closing Date. All such expenses identified in this Section 9.03 shall be Obligations and shall be secured by the Collateral and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate in accordance with Section 2.05 hereof; provided, however, that such interest rate shall not be in excess of the maximum rate permitted by law.

9.4 Late Payment Charges. If payment of any principal and/or interest due under the terms of the Note is not received at the office of the Lender in Dulles, Virginia, or as the Lender may otherwise designate to the Borrowers, within such time period as the Lender may prescribe from time to time in its policies in connection with any late payment charges (such unpaid amount of principal and/or interest being herein called the "delinquent amount" and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Borrowers will pay to the Lender, in addition to all other amounts due under the terms of the Loan Documents, any late-payment charge as may be fixed by the Lender from time to time, on the delinquent amount for the late-payment period.

9.5 Lender's Setoff. The Lender shall have the right, in addition to all other rights and remedies available to it, to setoff and to recover against any or all of the Obligations due to the Lender, any monies now and hereafter owing to any Credit Party by the Lender. The Credit Parties waive all rights of setoff, deduction, recoupment and counterclaim.

10. MISCELLANEOUS

10.1 Performance for the Borrowers. Each Borrower agrees and hereby authorizes that the Lender may during the existence of an Event of Default, in its sole discretion, but the Lender shall not be obligated to, advance funds on behalf of such Borrower without prior notice to such Borrower, in order to insure each Loan Party's compliance with any material covenant, warranty, representation or agreement of each Loan Party made in or pursuant to this Agreement or any of the Other Agreements, to preserve or protect any right or interest of the Lender in the Collateral or under or pursuant to this Agreement or any of the Other Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Collateral or other property or assets of the Loan Parties; provided, however, that the making of any such advance by the Lender shall not constitute a waiver by the Lender of any Event of Default with respect to which such advance is made nor relieve the Borrowers of any such Event of Default. The Borrowers shall pay to the Lender upon demand all such advances made by the Lender with interest thereon at the Default Rate. All such advances shall be deemed to be included in the Obligations and secured by the security interest granted the Lender under the Collateral Documents to the extent permitted by law.

10.2 [Reserved].

10.3 Waivers by Loan Parties. Each Loan Party hereby waives, to the extent the same may be waived under applicable law: (a) in the event the Lender seeks to repossess any or all of the Collateral by judicial proceedings, any bond(s) or demand(s) for possession which otherwise may be necessary or required; (b) presentment, demand for payment, protest and notice of non-payment and all exemptions; and (c) substitution, impairment, exchange or release of any collateral security for any of the Obligations.

Each Loan Party agrees that the Lender may exercise any or all of its rights and/or remedies hereunder and under the Other Agreements without resorting to and without regard to security or sources of liability with respect to any of the Obligations.

10.4 Waivers by the Lender. Neither any failure nor any delay on the part of the Lender in exercising any right, power or remedy hereunder or under any of the Other Agreements shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

10.5 Lender's Records. Every statement of account or reconciliation rendered by the Lender to the Borrowers with respect to any of the Obligations shall be presumed conclusively to be correct and shall constitute an account stated between the Lender and the Borrowers unless, within ten (10) Business Days after such statement or reconciliation shall have been mailed, postage prepaid, to the Borrowers, the Lender shall receive written notice of specific objection thereto.

10.6 Modifications. No modification or waiver of any provision of this Agreement, the Note or any of the Other Agreements, and no consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon any Credit Party in any case shall entitle such Credit Party to any other or further notice or demand in the same, similar or other circumstances.

10.7 Notices. All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to the other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

The Lender:

Rural Telephone Finance Cooperative
20701 Cooperative Way
Dulles, VA 20166
Attention: Senior Vice President and
Administrative Officer
Fax: 703-467-5170

The Borrowers:

The address set forth
in Schedule 1 hereto

10.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH CREDIT PARTY AND THE LENDER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN NEW YORK, NEW YORK AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH CREDIT PARTY AND THE LENDER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH CREDIT PARTY AND THE LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.9 Non-Business Day Payments. If any payment to be made by the Borrowers hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

10.10 Survival; Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the Other Agreements shall survive the execution of this Agreement and the execution and delivery to the Lender of the Note, and shall continue in full force and effect until all of the Obligations have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include, and this Agreement shall be binding upon and inure to the benefit of, the successors and permitted assigns of such party. All covenants, agreements, representations and warranties by or on behalf of the Borrowers which are contained in this Agreement and the Other Agreements shall inure to the benefit of the successors and assigns of the Lender.

10.11 Assignment. The Lender may assign its rights and obligations under this Agreement and the Other Agreements with the consent of the Borrowers (unless an Event of Default shall have occurred and be continuing, in which case no such consent will be required), such consent not to be unreasonably withheld or delayed; provided that, notwithstanding anything to the contrary contained herein, the Lender may not assign any of its rights or obligations under this Agreement or any Other Agreement prior to the fifteen (15) month anniversary of the Closing Date. For the avoidance of doubt, nothing herein, including the provisions of this Section 10.11, shall restrict the Lender's right to pledge or collaterally assign its rights hereunder and under each Other Agreement to its lenders and the consent of the Borrowers shall not be required for any

such pledge or collateral assignment. No Borrower may assign any of its rights or obligations under this Agreement or the Other Agreements without the prior written consent of the Lender.

10.12 Severability. If any term, provision or condition, or any part thereof, of this Agreement or any of the Other Agreements shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note, and the Other Agreements shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

10.13 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

10.14 Headings/Use of Terms. The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement. The use of any gender or the neuter herein shall also refer to the other gender or the neuter and the use of the plural shall also refer to the singular, and vice versa.

10.15 Further Assurances. Subject to the terms and conditions of the Loan Documents, each Borrower will, upon demand of the Lender, make, execute, acknowledge and deliver all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements and/or any other instruments and conveyances as may be reasonably requested by the Lender to effectuate the intention of this Agreement and to provide for the securing and payment of the principal of and interest on the Note according to the terms thereof.

10.16 Merger and Integration. This Agreement, the attached exhibits and the matters incorporated by reference contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made by any party hereto, or by any employee, officer, agent or attorney of any party hereto, which is not contained herein, shall be valid or binding.

10.17 Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement and is incorporated herein by reference.

10.18 Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in

connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or participant in, or any prospective assignee or participant in, any of its rights and obligations under this Agreement; (g) on a confidential basis to (i) any rating agency and (ii) its auditors; (g) with the consent of any Borrower; or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.18, or (y) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than any Credit Party. For purposes of this Section 10.18, "Information" means all information received from any Borrower or any of its Subsidiaries relating to any Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by any Borrower or any of its Subsidiaries; provided that, in the case of information received from any Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.18 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. "Related Parties" means with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, counsel and advisors of such Person and of such Person's Affiliates.

10.19 ACKNOWLEDGEMENT; WAIVERS. NOTWITHSTANDING ANY BORROWER'S MEMBERSHIP IN THE LENDER, AND AS A MATERIAL PART OF THE CONSIDERATION FOR THE LENDER MAKING THE LOAN, EACH BORROWER ACKNOWLEDGES THAT, NOTWITHSTANDING ANYTHING SET FORTH IN THE LENDER'S BYLAWS, OR ANY OTHER RELEVANT DOCUMENT, AT ANY TIME (A) NO AMOUNTS OF NET SAVINGS SHALL BE CREDITED TO ANY BORROWER ON THE BOOKS OF THE LENDER, (B) THE BORROWERS SHALL NOT RECEIVE, AND THE LENDER SHALL NOT BE OBLIGATED TO PROVIDE, NOTICES OF ALLOCATION OF PATRONAGE UNDER SECTION 1388 OF THE INTERNAL REVENUE CODE, AND (C) THE BORROWERS SHALL NOT BE ENTITLED TO, AND SHALL NOT RECEIVE, PAYMENT FROM THE LENDER OF ANY PATRONAGE DISTRIBUTIONS. AFTER REVIEW OF THE LENDER'S BYLAWS BY BORROWERS' COUNSEL, EACH BORROWER HEREBY KNOWINGLY AND INTENTIONALLY WAIVES THE PROVISIONS OF SAID BYLAWS THAT APPLY TO THE TRACKING, CREDITING, ALLOCATION AND PAYMENT OF PATRONAGE DISTRIBUTIONS.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this Agreement as of the date first above written.

ATN VI HOLDINGS, LLC, as a Borrower

By: /s/ Michael T. Prior
Name: Michael T. Prior
Title: President

Immediately upon consummation of the Acquisition:

CARIBBEAN ASSET HOLDINGS LLC, as a
Borrower

By: /s/ Barry C. Fougere
Name: Barry C. Fougere
Title: President

- Signature Page to Loan Agreement -

RURAL TELEPHONE FINANCE COOPERATIVE,
as the Lender

By: /s/ Don Samonte

Name: Don Samonte

Title: Assistant Secretary-Treasurer

**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 ATN International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(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.

ATN International, Inc.

Date: August 9, 2016

/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 ATN International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(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.

ATN International, Inc.

Date: August 9, 2016

By: /s/ Justin D. Benincasa
Justin D. Benincasa
Chief Financial 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 ATN International, Inc. (the "Company") for the period ended June 30, 2016 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.

ATN International, Inc.

Date: August 9, 2016

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 ATN International, Inc. (the "Company") for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Justin D. Benincasa, Chief Financial 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.

ATN International, Inc.

Date: August 9, 2016

By: /s/ Justin D. Benincasa

Justin D. Benincasa
Chief Financial Officer
