UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_______to_______

Commission file number 001-33449

TOWERSTREAM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**20-8259086**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
88 Silva Lane	**02842**
Middletown, Rhode Island	(Zip Code)
(Address of principal executive offices)	

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐(Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $108,303,532.

As of March 14, 2016, there were 66,810,149 shares of common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the close of the fiscal year ended December 31, 2015 are incorporated by reference into Part III of this Report.

TOWERSTREAM CORPORATION AND SUBSIDIARIES

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PART I

Forward-Looking Statements

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

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

Factors that might affect our forward-looking statements include, among other things:

- overall economic and business conditions;
- the demand for our services;
- competitive factors in the industries in which we compete;
- emergence of new technologies which compete with our service offerings;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- the outcome of litigation and governmental proceedings;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including availability of funding sources;
- potential impairment of our indefinite-lived intangible assets and/or our long-lived assets; and
- changes in government regulations related to the broadband and Internet protocol industries.

Item 1. Business.

Towerstream Corporation ("Towerstream", "we", "us", "our" or the "Company") is primarily a provider of fixed wireless services to businesses in twelve major urban markets across the U.S. The Company was incorporated in December 1999.

Fixed Wireless Services

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

Beginning in the first half of 2014, the Company has shifted its sales and marketing strategy to focus on its On-Net platform. Traditionally, the Company has connected, or "lit", individual customers in a building with bandwidth for internet connectivity. Under its On-Net platform, the Company is able to connect, or "light", the entire building at once and at a cost similar to what was traditionally required for one high bandwidth customer requiring point-to-point equipment. This can be accomplished, in part, because the capabilities of the equipment have improved even as the cost has decreased. As a result, Towerstream is able to leverage the initial installation cost to serve the entire building tenant base. In place of a wireless install for every single customer, Towerstream now only has to install the wireless portion of the install once. Subsequent customers are connected by simply running a wire to the common space in the building where the wireless service terminates. Towerstream also benefits by not having to incur additional antenna rental costs at its Points-of-Presence ("PoP"). Instead of having multiple antennas on both the customer building and the PoP, there generally needs to be only one antenna on each location.

Currently Towerstream is offering 20M, 50M, 100M up to 1000M bandwidth denominations. This unique portfolio of bandwidth services is able to go up and down existing markets from small business to fortune 500 companies.

Shared Wireless Infrastructure Services

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. As further described in Note 18 to the Company's consolidated financial statements, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the "Buyer"). The Asset Purchase Agreement provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide bandwidth to the Buyer at the locations governed by the leases. The agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days' notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in these consolidated financial statements. Assets associated with the New York City network have been presented as Assets Held for Sale.

Our Networks

The foundation of our networks consist of Points of Presence (or "PoPs" or "Company Locations") which are generally located on very tall buildings in each urban market. We enter into long term lease agreements with the owners of these buildings which provide us with the right to install communications equipment on the rooftop. We deploy this equipment in order to connect customers to the Internet or to pass small cell signals to carriers and other service providers. Each PoP is "linked" to one or more other PoPs to enhance redundancy and ensure that there is no single point of failure in the network. One or more of our PoPs are located in buildings where national Internet service providers such as Cogent or Level 3 are located, and we enter into IP transit or peering arrangements with these organizations in order to connect to the Internet. We refer to the core connectivity of all of our PoPs as a "Wireless Ring in the Sky." Each PoP has a coverage area averaging approximately six miles although the distance can be affected by numerous factors, most significantly, how clear the line of sight is between the PoP and a customer location. Our Points of Presence are utilized by both our Fixed Wireless and Shared Wireless Infrastructure segments.

We install additional equipment at other locations for each of our business segments. We install equipment on the rooftops of the buildings in which our fixed wireless segment customers operate and refer to these as "Customer Locations". This equipment includes receivers and antennas, and a wireless connection is established between the Customer Location to one or more of our PoPs. We also install equipment, including access points, receivers and antennas, on the street level rooftops leased by our Shared Wireless segment. This equipment enables us to operate our Wi-Fi network which we own and control, as well as equipment to backhaul data traffic off of the rooftop to our core network. We expect that customers that want to utilize our street level rooftops to deploy small cell technologies will bring their own equipment and connect it to our network.

Our network does not depend on traditional copper wire or fiber connections which are the backbone of many of our competitors' networks. We believe this provides us with an advantage because we may not be significantly affected by events such as natural disasters and power outages. Conversely, our competitors are at greater risk as copper and fiber connections are typically installed at or below ground level and more susceptible to network service issues during disasters and outages.

Markets

We launched our fixed wireless business in April 2001 in the Boston and Providence markets. In June 2003, we launched service in New York City and followed that with our entry into the Chicago, Los Angeles, San Francisco, Miami and Dallas-Fort Worth markets at various times through April 2008. Philadelphia was our last market launch in November 2009. We entered the Seattle, Las Vegas-Reno, and Houston markets through acquisitions of service providers based in those markets. We also expanded our market coverage and presence in Boston, Providence, and Los Angeles through acquisitions. Our acquisitions include (i) Sparkplug Chicago, Inc., operating in Chicago, Illinois, (ii) Pipeline Wireless, LLC, operating in Boston, Massachusetts and Providence, Rhode Island, (iii) One Velocity, Inc., operating in Las Vegas and Reno, Nevada (iv) Color Broadband Communications, Inc. ("Color Broadband"), operating in Los Angeles, California, and (v) Delos Internet, operating in Houston, Texas which we completed in February 2013.

We determine which geographic markets to enter by assessing criteria in four broad categories. First, we evaluate our ability to deploy our service in a given market after taking into consideration our spectrum position, the availability of towers and zoning constraints. Second, we assess the market by evaluating the number of competitors, existing price points, demographic characteristics and distribution channels. Third, we evaluate the economic potential of the market, focusing on our forecasts of revenue opportunities and capital requirements. Finally, we look at market clustering opportunities and other cost efficiencies that might be realized. Based on this approach, as of December 31, 2015, we offered wireless broadband connectivity in 12 markets, of which 10 are in the top 20 metropolitan areas in the United States based on the number of small to medium businesses in each market. These 10 markets cover approximately 60% of small and medium businesses (5 to 249 employees) in the United States.

We believe there are market opportunities beyond the 12 markets in which we are currently offering our services. Our long-term plan is to expand nationally into other top metropolitan markets in the United States. We believe that acquisitions represent a more cost effective manner to expand into new markets rather than to build our own infrastructure. Since 2010, we have completed five acquisitions, of which two were in new markets and three expanded our presence in existing markets. We have paid for these acquisitions through a combination of cash and equity, and believe that future acquisitions will be paid in a similar manner. Our decision to expand into new markets will depend upon many factors including the timing and frequency of acquisitions, national and local economic conditions, and the opportunity to leverage existing customer relationships in new markets.

Sales and Marketing

We employ an inside direct sales force model to sell our services to business customers. As of December 31, 2015, we employed 43 direct sales people. We generally compensate these employees on a salary plus commission basis. Approximately 44% of our sales personnel had been with the Company for more than two years as of December 31, 2015, as compared to 66% and 56% as of December 31, 2014 and 2013, respectively. This tenure metric can fluctuate from period to period, especially because the size of the direct sales force is relatively small. The Company believes that a tenure metric between 60% to 75% constitutes an experienced sales force.

In March 2015, we opened a second sales center in Boca Raton, Florida where a number of telecommunications and call center companies are based. As of December 31, 2015 we employed a total of 20 direct sales people in our Boca Raton facility which accounts for approximately 47% of our total sales personnel. All of these employees have been with the Company for less than a year as of December 31, 2015. We believe that being able to recruit talented professionals from a second geographic area will enable us to maintain a sales force of 40 to 50 experienced and productive account executives. A larger sales force should have a positive effect on new customer additions. We generally expect that new account executives will need approximately nine months of training and on-the-job experience before their sales pipelines become robust and they begin generating new sales levels comparable to existing account executives.

We continued to spend significantly on Internet based marketing initiatives designed to capture customer demand rather than trying to create customer demand. Most companies secure their bandwidth service under contracts ranging in length from one to three years. As a result, customer buying decisions generally occur when their existing contracts are close to expiring. We believe that many buyers of information technology services search the Internet to learn about industry trends and developments, as well as competitive service offerings. Spending on Internet based marketing initiatives totaled $758,750, $953,459, and $1,030,916 during the years ended December 31, 2015, 2014, and 2013, respectively.

Sales through indirect channels comprised 34.1% of our total revenues for the year ended December 31, 2015 compared with 22.7% for the year ended December 31, 2014 and 19.6% for the year ended December 31, 2013. Our channel program provides for recurring monthly residual payments ranging from 8% to 20%.

Competition

The market for broadband services is highly competitive, and includes companies that offer a variety of services using a number of different technology platforms including cable networks, digital subscriber lines ("DSL"), third-generation cellular, satellite, wireless Internet service and other emerging technologies. We compete with these companies on the basis of the portability, ease of use, speed of installation and price. Competitors to our wireless broadband services include:

Incumbent Local Exchange Carriers and Competitive Local Exchange Carriers

We face competition from traditional wireline operators in terms of price, performance, discounted rates for bundles of services, breadth of service, reliability, network security, and ease of access and use. In particular, we face competition from Verizon Communications Inc. and AT&T Inc. which are referred to as "incumbent local exchange carriers," or ("ILECS"), as well as "competitive local exchange carriers," or ("CLECS"), such as TelePacific Communications, MegaPath Networks, and EarthLink, Inc.

Cable Modem and DSL Services

We compete with companies that provide Internet connectivity through cable modems or DSL. Principal competitors include cable companies, such as Comcast Corporation, Time Warner Cable, Charter, Cox Communications and incumbent telephone companies, such as AT&T Inc. or Verizon Communications Inc. Both the cable and telephone companies deploy their services over wired networks initially designed for voice and one-way data transmission that have subsequently been upgraded to provide for additional two-way voice, video and broadband services.

Cellular and CMRS Services

Cellular and other Commercial Mobile Radio Service (“CMRS”) carriers are seeking to expand their capacity to provide data and voice services that are superior to ours. These providers have substantially broader geographic coverage than we have and, for the foreseeable future, than we expect to have. If one or more of these providers can deploy technologies that compete effectively with our services, the mobility and coverage offered by these carriers will provide even greater competition than we currently face. Moreover, more advanced cellular and CMRS technologies, such as fourth generation Long Term Evolution (“LTE”) mobile technologies, currently offer broadband service with packet data transfer speeds of up to 2,000,000 bits per second for fixed applications, and slower speeds for mobile applications. We expect that LTE technology will be improved to increase connectivity speeds to make it more suitable for a range of advanced applications.

Wireless Broadband Service Providers

We also face competition from other wireless broadband service providers that use licensed and unlicensed spectrum. In connection with our merger and acquisition activities, we have determined that most of our current and planned markets already have one or more locally based companies providing wireless broadband Internet services. In addition, many local governments, universities and other related entities are providing or subsidizing Wi-Fi networks over unlicensed spectrum, in some cases at no cost to the user. There exist numerous small urban and rural wireless operations offering local services that could compete with us in our present or planned geographic markets.

Satellite

Satellite providers, such as WildBlue Communications, Inc. and Hughes Network Systems, LLC, offer broadband data services that address a niche market, mainly less densely populated areas that are unserved or underserved by competing service providers. Although satellite offers service to a large geographic area, latency caused by the time it takes for the signal to travel to and from the satellite may challenge a satellite provider’s ability to provide some services, such as Voice over Internet Protocol (“VoIP”), which reduces the size of the addressable market.

Other

We believe other emerging technologies may also seek to enter the broadband services market. For example, we are aware that several power generation and distribution companies are seeking to develop or have already offered commercial broadband Internet services over existing electric power lines.

Competitive Strengths

Even though we face substantial existing and prospective competition, we believe that we have a number of competitive advantages that will allow us to retain existing customers and attract new customers over time.

Reliability

Our network was designed specifically to support wireless broadband services. The networks of cellular, cable and DSL companies rely on infrastructure that was originally designed for non-broadband purposes. We also connect our customers to our Wireless Ring in the Sky which has no single point of failure. This ring is fed by multiple national Internet providers located at opposite ends of our service cities and connected to our national ring which is fed by multiple leading carriers. We believe that we are the only wireless broadband provider that offers true separate egress for true redundancy. With DSL and cable offerings, the wireline connection can be terminated by one backhoe swipe or switch failure. Our Wireless Ring in the Sky is not likely to be affected by backhoe or other below-ground accidents or severe weather. As a result, our network has historically experienced reliability rates of approximately 99%.

Flexibility

Our wireless infrastructure and service delivery enables us to respond quickly to changes in a customer’s broadband requirements. We offer bandwidth options ranging from 0.5 megabits per second up to 1.5 gigabit per second. We can usually adjust a customer’s bandwidth remotely and without having to visit the customer location to modify or install new equipment. Changes can often be made on a same day basis.

Timeliness

In many cases, we can install a new customer and begin delivering Internet connectivity within 3 to 5 business days after receiving a customer’s order. Many of the larger telecommunications companies can take 30 to 60 days to complete an installation. The timeliness of service delivery has become more important as businesses conduct more of their business operations through the Internet.

Value

We own our entire network which enables us to price our services lower than most of our competitors. Specifically, we are able to offer competitive prices because we do not have to buy a local loop charge from the telephone company.

Efficient Economic Model

Our economic model is characterized by low fixed capital and operating expenditures relative to other wireless and wireline broadband service providers. We own our entire network which eliminates costs involved with using leased lines owned by telephone or cable companies. Our network is modular. Coverage is directly related to various factors including the height of the facility we are on and the frequencies we utilize. The average area covered by a PoP is a six mile radius.

Prime Real Estate Locations

We have secured long term lease agreements for prime real estate locations in the twelve markets in which we have built our fixed wireless network. These locations are some of the tallest buildings in each city which facilitates our ability to deliver Internet connectivity to customer locations where line of sight is not available to our competitors.

Corporate History

We were organized in the State of Nevada in June 2005. In January 2007, we merged with and into a wholly-owned Delaware subsidiary for the sole purpose of changing our state of incorporation to Delaware. In January 2007, a wholly-owned subsidiary of ours merged with and into a private company, Towerstream Corporation, with Towerstream Corporation being the surviving company. Upon closing of the merger, we discontinued our former business and succeeded to the business of Towerstream Corporation as our sole line of business. At the same time, we also changed our name to Towerstream Corporation and our subsidiary, Towerstream Corporation, changed its name to Towerstream I, Inc.

Regulatory Matters

The Communications Act of 1934, as amended (the “Communications Act”), and the regulations and policies of the Federal Communications Commission (“FCC”) impact significant aspects of our wireless Internet service business which is also subject to other regulation by federal, state and local authorities under applicable laws and regulations.

Spectrum Regulation

We provide wireless broadband Internet access services using both licensed and unlicensed fixed point-to-point systems. The FCC has jurisdiction over the management and licensing of the electromagnetic spectrum for all commercial users. The FCC routinely reviews its spectrum policies and may change its position on spectrum use and allocations from time to time. We believe that the FCC is committed to allocating spectrum to support wireless broadband deployment throughout the United States and will continue to modify its regulations to foster such deployment, which will help us implement our existing and future business plans.

Broadband Internet Service Regulation

Our wireless broadband network can be used to provide Internet access service and Virtual Private Networks (“VPNs”). In 2002, the FCC ruled that Internet services are interstate information services that are not subject to regulation as a telecommunications service under federal law or to state or local utility regulation. Our broadband Internet services, therefore, have traditionally not been subject to many of the regulatory requirements imposed on wireless and wireline telecommunications service providers. For example, we have not been required to contribute a percentage of gross revenues from our Internet access services to the universal service funds used to support local telephone service and advanced telecommunications services for schools, libraries and rural health care facilities. Our wireless broadband Internet services are, however, subject to a number of federal regulatory requirements, including but not limited to, the Communications Assistance for Law Enforcement Act (“CALEA”) requirement that high-speed Internet service providers implement certain network capabilities to assist law enforcement in conducting surveillance of persons suspected of criminal activity.

On February 26, 2015, the FCC adopted an Open Internet order in which fixed and mobile broadband services is reclassified as a telecommunications services governed by Title II of the Communications Act. This reclassification includes forbearance from applying many sections of the Communications Act and the FCC’s rules to broadband service providers. The Open Internet order also adopted rules prohibiting broadband service providers from: (1) blocking access to legal content, applications, services or non-harmful devices; (2) impairing or degrading lawful Internet traffic on the basis, content, applications or services; or (3) favoring certain Internet traffic over other traffic in exchange for consideration.

In addition, Internet service providers are subject to a wide range of other federal regulations and statutes including, for example, regulations and policies relating to consumer protection, consumer privacy, and copyright protections. States and local government authorities may also regulate limited aspects of our business by, for example, imposing consumer protection and consumer privacy regulations, zoning requirements, and requiring installation permits.

Zoning and Permitting Issues

States and local governments have the right to regulate the siting and permitting of Towerstream's antennas and equipment used to provide broadband service over Wi-Fi and small cell technologies. State and local regulation over the siting of wireless facilities can be time-consuming, require burdensome documentation, and involve per site fees, which may have a limiting effect on Towerstream's broadband business that depends on placing and operating wireless antennas and related equipment. In October 2014, the FCC adopted an order addressing the delays and burdens that wireless broadband providers may experience due to state and local siting and permitting regulations, and, among other decisions, clarified that if a state or local government fails to act on eligible modification requests within a prescribed time frame, the request will ultimately be “deemed granted” by the Commission. This decision and the other rules adopted in the October order may ultimately facilitate Towerstream's deployment and modification of Wi-Fi and small cell antennas and equipment, which may be beneficial to its broadband business.

Other

FAA Interference Issue

In August 2013, the FCC released a Notice of Apparent Liability for Forfeiture ("NAL") alleging that Towerstream caused harmful interference to doppler weather radar systems in New York and Florida, and proposing a fine for the alleged rule violations. In November 2013, after consultation with regulatory counsel, Towerstream filed a response denying the FCC's allegations. This matter remains outstanding with the FCC.

License KA306 in DeSoto, Texas

In May 2007, Towerstream acquired a license to operate an Earth Station in DeSoto, Texas. The license provided the Earth Station with the right to communicate with the Intelsat satellites in certain frequency bands. The Earth Station license also provided interference protection from any terrestrial-based 3650 MHz band operator within a 150km protection zone surrounding the Earth Station. The original license rights, or authorization, was referred to as Call Sign KA306, or KA306.

The FCC is currently considering major changes in the 3.5 GHz band including a reduction to the protection zone. These regulatory changes would make future operation of both the earth station and 3650 MHz band licenses in the DeSoto area uncertain and potentially costly. As a result, the Company has determined to relinquish any rights to KA306. An impairment charge of $534,555 was recognized in the fourth quarter of 2015 to write off the carrying value of the license.

We are subject to extensive regulation that could limit or restrict our activities. If we fail to comply with these regulations, we may be subject to penalties, both monetary and non-monetary, which may adversely affect our financial condition and results of operations, including regulation by the FCC, which risks are more fully described under the heading “Risk Factors.”

Rights Plan

In November 2010, we adopted a rights plan (the “Rights Plan”) and declared a dividend distribution of one preferred share purchase right for each outstanding share of common stock as of the record date on November 14, 2010. Each right, when exercisable, entitles the registered holder to purchase one-hundredth (1/100th) of a share of Series A Preferred Stock, par value $0.001 per shares of the Company at a purchase price of $18.00 per one-hundredth (1/100th) of a share of the Series A Preferred Stock, subject to certain adjustments. The rights will generally separate from the common stock and become exercisable if any person or group acquires or announces a tender offer to acquire 15% or more of our outstanding common stock without the consent of our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors. In addition, we are governed by provisions of Delaware law that may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us.

The provisions in our charter, bylaws, Rights Plan and under Delaware law related to the foregoing could discourage takeover attempts that our stockholders would otherwise favor, or otherwise reduce the price that investors might be willing to pay for our common stock in the future.

Employees

As of December 31, 2015, we had 154 employees, of whom 153 were full-time employees and one was a part-time employee. As of March 4, 2016, we had 131 employees, of whom 129 were full-time employees and 2 were part-time employees. We believe our employee relations are good. Three employees are considered members of executive management.

Our Corporate Information

Our principal executive offices are located at 88 Silva Lane, Middletown, Rhode Island, 02842. Our telephone number is (401) 848-5848. The Company's website address is *http://www.towerstream.com*. Information contained on the Company's website is not incorporated into this Annual Report on Form 10-K. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the Securities and Exchange Commission ("SEC") website at *http://www.sec.gov* as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. These reports are also available on the Company's website.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. Prospective investors should carefully consider the risks described below and other information contained in this annual report, including our financial statements and related notes before purchasing shares of our common stock. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operations may be materially adversely affected. In that case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Relating to Fixed Wireless Services

We may be unable to successfully execute any of our current or future business strategies.

In order to pursue business strategies, we will need to continue to build our infrastructure and strengthen our operational capabilities. Our ability to do these successfully could be affected by any one or more of the following factors:

- the ability of our equipment, our equipment suppliers or our service providers to perform as we expect;
- the ability of our services to achieve market acceptance;
- our ability to manage third party relationships effectively;
- our ability to identify suitable locations and then negotiate acceptable agreements with building owners so that we can establish POPs on their rooftop;
- our ability to work effectively with new customers to secure approval from their landlord to install our equipment;
- our ability to effectively manage the growth and expansion of our business operations without incurring excessive costs, high employee turnover or damage to customer relationships;
- our ability to attract and retain qualified personnel, especially individuals experienced in network operations and engineering;
- equipment failure or interruption of service which could adversely affect our reputation and our relations with our customers;
- our ability to accurately predict and respond to the rapid technological changes in our industry; and
- our ability to raise additional capital to fund our growth and to support our operations until we reach profitability.

Our failure to adequately address any one or more of the above factors could have a significant adverse impact on our ability to execute our business strategy and the long term viability of our business.

We depend on the continued availability of leases and licenses for our communications equipment.

We have constructed proprietary networks in each of the markets we serve by installing antennae on rooftops, cellular towers and other structures pursuant to lease or license agreements to send and receive wireless signals necessary for the operation of our network. We typically seek initial five year terms for our leases with three to five year renewal options. Such renewal options are generally exercisable at our discretion before the expiration of the current term. If these leases are terminated or if the owners of these structures are unwilling to continue to enter into leases or licenses with us in the future, we would be forced to seek alternative arrangements with other providers. If we are unable to continue to obtain or renew such leases on satisfactory terms, our business would be harmed.

We may not be able to attract and retain customers if we do not maintain and enhance our brand.

We believe that our brand is critical part to our success. Maintaining and enhancing our brand may require us to make substantial investments with no assurance that these investments will be successful. If we fail to promote and maintain the "Towerstream" brand, or if we incur significant expenses in this effort, our business, prospects, operating results and financial condition may be harmed. We anticipate that maintaining and enhancing our brand will become increasingly important, difficult and expensive.

We may pursue acquisitions that we believe complement our existing operations but which involve risks that could adversely affect our business.

Acquisitions involve risks that could adversely affect our business including the diversion of management time and focus from operations and difficulties integrating the operations and personnel of acquired companies. In addition, any future acquisition could result in significant costs, the incurrence of additional debt to fund the acquisition, and the assumption of contingent or undisclosed liabilities, all of which could materially adversely affect our business, financial condition and results of operations.

In connection with any future acquisition, we generally will seek to minimize the impact of contingent and undisclosed liabilities by obtaining indemnities and warranties from the seller. However, these indemnities and warranties, if obtained, may not fully cover the liabilities due to their limited scope, amount or duration, as well as the financial limitations of the indemnitor or warrantor.

We may continue to consider strategic acquisitions, some of which may be larger than those previously completed and which could be material transactions. Integrating acquisitions is often costly and may require significant attention from management. Delays or other operational or financial problems that interfere with our operations may result. If we fail to implement proper overall business controls for companies or assets we acquire or fail to successfully integrate these acquired companies or assets in our processes, our financial condition and results of operations could be adversely affected. In addition, it is possible that we may incur significant expenses in the evaluation and pursuit of potential acquisitions that may not be successfully completed.

We have a history of operating losses and expect to continue incurring losses for the foreseeable future.

Our fixed wireless segment was launched in 2000 and has incurred losses in each year of operation. We cannot anticipate when, if ever, our operations will become profitable. We expect to incur significant net losses as we develop our network, expand our markets, undertake acquisitions, acquire spectrum and pursue our business strategy. We intend to invest significantly in our business before we expect cash flow from operations to be adequate to cover our operating expenses. If we are unable to execute our business strategy and grow our business, either as a result of the risks identified in this section or for any other reason, our business, prospects, financial condition and results of operations will be adversely affected.

Cash and cash equivalents represent one of our largest assets and we may be at risk of being uninsured for a large portion of such assets.

As of December 31, 2015, we had approximately $15,100,000 in cash and cash equivalents with two large financial banking institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. If the institution at which we have placed our funds were to become insolvent or fail, we could be at risk for losing a substantial portion of our cash deposits, or incur significant time delays in obtaining access to such funds. In light of the limited amount of federal insurance for deposits, even if we were to spread our cash assets among several institutions, we would remain at risk for the amount not covered by insurance.

Our growth may be slowed if we do not have sufficient capital.

The continued growth and operation of our business may require additional funding for working capital, debt service, the enhancement and upgrade of our network, the build-out of infrastructure to expand our coverage, possible acquisitions and possible bids to acquire spectrum licenses. We may be unable to secure such funding when needed in adequate amounts or on acceptable terms, if at all. To execute our business strategy, we may issue additional equity securities in public or private offerings, potentially at a price lower than the market price at the time of such issuance. Similarly, we may seek debt financing and may be forced to incur significant interest expense. If we cannot secure sufficient funding, we may be forced to forego strategic opportunities or delay, scale back or eliminate network deployments, operations, acquisitions, spectrum bids and other investments.

Many of our competitors are better established and have significantly greater resources which may make it difficult for us to attract and retain customers.

The market for broadband and related services is highly competitive, and we compete with several other companies within each of our markets. Many of our competitors are well established with larger and better developed networks and support systems, longer relationships with customers and suppliers, greater name recognition and greater financial, technical and marketing resources than we have. Our competitors may subsidize competing services with revenue from other sources and, thus, may offer their products and services at prices lower than ours. Our competitors may also reduce the prices of their services significantly or may offer broadband connectivity packaged with other products or services. We may not be able to reduce our prices or otherwise combine our services with other products or services which may make it more difficult to attract and retain customers. In addition, businesses which are presently focused on providing services to residential customers may expand their target base and begin offering service to business customers.

We expect existing and prospective competitors to adopt technologies or business plans similar to ours, or seek other means to develop competitive services, particularly if our services prove to be attractive in our target markets. This competition may make it difficult to attract new customers and retain existing customers.

We may experience difficulties constructing, upgrading and maintaining our network which could increase customer turnover and reduce our revenues.

Our success depends on developing and providing products and services that provide customers with high quality Internet connectivity. If the number of customers using our network increases, we will require more infrastructure and network resources to maintain the quality of our services. Consequently, we may be required to make substantial investments to improve our facilities and equipment, and to upgrade our technology and network infrastructure. If we do not complete these improvements successfully, or if we experience inefficiencies, operational failures or unforeseen costs during implementation then the quality of our products and services could decline.

We may experience quality deficiencies, cost overruns and delays in implementing network improvements and completing maintenance and upgrade projects. Portions of these projects may not be within our control or the control of our contractors. Our network requires the receipt of permits and approvals from numerous governmental bodies including municipalities and zoning boards. Such bodies often limit the expansion of transmission towers and other construction necessary for our business. Failure to receive approvals in a timely fashion can delay system rollouts and raise the cost of completing projects. In addition, we are typically required to obtain rights from land, building or tower owners to install antennae and other equipment to provide service to our customers. We may not be able to obtain, on terms acceptable to us, or at all, the rights necessary to construct our network and expand our services.

We also face challenges in managing and operating our network. These challenges include operating, maintaining and upgrading network and customer premise equipment to accommodate increased traffic or technological advances, and managing the sales, advertising, customer support, billing and collection functions of our business while providing reliable network service at expected speeds and quality. Our failure in any of these areas could adversely affect customer satisfaction, increase customer turnover or churn, increase our costs and decrease our revenues.

We may be unable to operate in certain markets if we are unable to obtain and maintain rights to use licensed spectrum.

We provide our services in some markets by using spectrum obtained through licenses or long-term leases. Obtaining licensed spectrum can be a long and difficult process that can be costly and require substantial management resources. Securing licensed spectrum may subject us to increased operational costs, greater regulatory scrutiny and arbitrary government decision making.

Licensed spectrum, whether owned or leased, poses additional risks, including:

- inability to satisfy build-out or service deployment requirements upon which spectrum licenses or leases may be conditioned;
- increases in spectrum acquisition costs or complexity;
- competitive bids, pre-bid qualifications and post-bid requirements for spectrum acquisitions, in which we may not be successful leading to, among other things, increased competition;

- adverse changes to regulations governing spectrum rights;
- the risk that acquired or leased spectrum will not be commercially usable or free of damaging interference from licensed or unlicensed operators in the licensed or adjacent bands;
- contractual disputes with, or the bankruptcy or other reorganization of, the license holders which could adversely affect control over the spectrum;
- failure of the FCC or other regulators to renew spectrum licenses as they expire; and
- invalidation of authorization to use all or a significant portion of our spectrum.

We utilize unlicensed spectrum in all of our markets which is subject to intense competition, low barriers of entry and slowdowns due to multiple users.

We presently utilize unlicensed spectrum in all of our markets to provide our service offerings. Unlicensed or "free" spectrum is available to multiple users and may suffer bandwidth limitations, interference and slowdowns if the number of users exceeds traffic capacity. The availability of unlicensed spectrum is not unlimited and others do not need to obtain permits or licenses to utilize the same unlicensed spectrum that we currently utilize or may utilize in the future. The inherent limitations of unlicensed spectrum could potentially threaten our ability to reliably deliver our services. Moreover, the prevalence of unlicensed spectrum creates low barriers of entry in our industry which naturally creates the potential for increased competition.

Interruption or failure of our information technology and communications systems could impair our ability to provide services which could damage our reputation.

Our services depend on the continuing operation of our information technology and communications systems. We have experienced service interruptions in the past and may experience service interruptions or system failures in the future. Any unscheduled service interruption adversely affects our ability to operate our business and could result in an immediate loss of revenues and adversely impact our operating results. If we experience frequent or persistent system or network failures, our reputation could be permanently harmed. We may need to make significant capital expenditures to increase the reliability of our systems, however, these capital expenditures may not achieve the results we expect.

Excessive customer churn may adversely affect our financial performance by slowing customer growth, increasing costs and reducing revenues.

The successful implementation of our business plan depends upon controlling customer churn. Customer churn is a measure of customers who cancel their services agreement. Customer churn could increase as a result of:

- interruptions to the delivery of services to customers over our network;
- the availability of competing technology such as cable modems, DSL, third-generation cellular, satellite, wireless Internet service and other emerging technologies, some of which may be less expensive or technologically superior to those offered by us;
- changes in promotions and new marketing or sales initiatives;
- new competitors entering the markets in which we offer service; and
- a reduction in the quality of our customer service billing errors.

An increase in customer churn can lead to slower customer growth, increased costs and a reduction in revenues.

If our business strategy is unsuccessful, we will not be profitable and our stockholders could lose their investment.

There is no prior history of other companies that have successfully pursued our strategy of delivering fixed wireless bandwidth services to businesses. Many fixed wireless companies have failed and there is no guarantee that our strategy will be successful or profitable. If our strategy is unsuccessful, the value of our company may decrease and our stockholders could lose their entire investment.

We may not be able to effectively control and manage our growth which would negatively impact our operations.

If our business and markets continue to grow and develop, it will be necessary for us to finance and manage expansion in an orderly fashion. In addition, we may face challenges in managing expanding product and service offerings, and in integrating acquired businesses. Such events would increase demands on our existing management, workforce and facilities. Failure to satisfy increased demands could interrupt or adversely affect our operations and cause backlogs and administrative inefficiencies.

The success of our business depends on the contributions of key personnel and our ability to attract, train and retain highly qualified personnel.

We are highly dependent on the continued services of our key personnel across all facets of operations. We do not have an employment agreement with any of these individuals. We cannot guarantee that any of these persons will stay with us for any definite period. Loss of the services of any of these individuals could adversely impact our operations. We do not maintain policies of "key man" insurance on our executives.

In addition, we must be able to attract, train, motivate and retain highly skilled and experienced technical employees in order to successfully introduce our services in new markets and grow our business in existing markets. Qualified technical employees often are in great demand and may be unavailable in the time frame required to satisfy our business requirements. We may not be able to attract and retain sufficient numbers of highly skilled technical employees in the future. The loss of technical personnel or our inability to hire or retain sufficient technical personnel at competitive rates of compensation could impair our ability to grow our business and retain our existing customer base.

We could encounter difficulties integrating acquisitions which could result in substantial costs, delays or other operational or financial difficulties.

Since 2010, we have completed five acquisitions. We may seek to acquire other fixed wireless businesses, including those operating in our current business markets or those operating in other geographic markets. We cannot accurately predict the timing, size and success of our acquisition efforts and the associated capital commitments that might be required. We expect to encounter competition for acquisitions which may limit the number of potential acquisition opportunities and may lead to higher acquisition prices. We may not be able to identify, acquire or profitably manage additional businesses or successfully integrate acquired businesses, if any, without substantial costs, delays or other operational or financial difficulties.

In addition, such acquisitions involve a number of other risks, including:

- failure of the acquired businesses to achieve expected results;
- integration difficulties could increase customer churn and negatively affect our reputation;
- diversion of management’s attention and resources to acquisitions;
- failure to retain key personnel of the acquired businesses;
- disappointing quality or functionality of acquired equipment and personnel; and
- risks associated with unanticipated events, liabilities or contingencies.

The inability to successfully integrate and manage acquired companies could result in the incurrence of substantial costs to address the problems and issues encountered.

Our inability to finance acquisitions could impair the growth and expansion of our business.

The extent to which we will be able or willing to use shares of our common stock to consummate acquisitions will depend on (i) the market value of our securities which will vary, (ii) liquidity which can fluctuate, and (iii) the willingness of potential sellers to accept shares of our common stock as full or partial payment. Using shares of our common stock for acquisitions may result in significant dilution to existing stockholders. To the extent that we are unable to use common stock to make future acquisitions, our ability to grow through acquisitions may be limited by the extent to which we are able to raise capital through debt or equity financings. We may not be able to obtain the necessary capital to finance any acquisitions. If we are unable to obtain additional capital on acceptable terms, we may be required to reduce the scope of expansion or redirect resources committed to internal purposes. Our inability to use shares of our common stock to make future acquisitions may hinder our ability to actively pursue our acquisition program.

We rely on a limited number of third party suppliers that manufacture network equipment, and install and maintain our network sites.

We depend on a limited number of third party suppliers to produce and deliver products required for our networks. If these companies fail to perform or experience delays, shortages or increased demand for their products or services, we may face a shortage of components, increased costs, and may be required to suspend our network deployment and our service introduction. We also depend on a limited number of third parties to install and maintain our network facilities. We do not maintain any long term supply contracts with these manufacturers. If a manufacturer or other provider does not satisfy our requirements, or if we lose a manufacturer or any other significant provider, we may have insufficient network equipment for delivery to customers and for installation or maintenance of our infrastructure. Such developments could force us to suspend the deployment of our network and the installation of new customers thus impairing future growth.

Customers may perceive that our network is not secure if our data security controls are breached which may adversely affect our ability to attract and retain customers and expose us to liability.

Network security and the authentication of a customer's credentials are designed to protect unauthorized access to data on our network. Because techniques used to obtain unauthorized access to or to sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Consequently, unauthorized parties may overcome our encryption and security systems, and obtain access to data on our network. In addition, because we operate and control our network and our customers' Internet connectivity, unauthorized access or sabotage of our network could result in damage to our network and to the computers or other devices used by our customers. An actual or perceived breach of network security, regardless of whether the breach is our fault, could harm public perception of the effectiveness of our security controls, adversely affect our ability to attract and retain customers, expose us to significant liability and adversely affect our business prospects.

The delivery of our services could infringe on the intellectual property rights of others which may result in costly litigation, substantial damages and prohibit us from selling our services.

Third parties may assert infringement or other intellectual property claims against us. We may have to pay substantial damages, including for past infringement if it is ultimately determined that our services infringe a third party's proprietary rights. Further, we may be prohibited from selling or providing some of our services before we obtain additional licenses, which, if available at all, may require us to pay substantial royalties or licensing fees. Even if claims are determined to be without merit, defending a lawsuit takes significant time, may be expensive and may divert management's attention from our other business concerns. Any public announcements related to litigation or interference proceedings initiated or threatened against us could cause our business to be harmed and our stock price to decline.

Risks Related to Discontinued Operations

We may incur additional charges in connection with our decision to exit the Shared Wireless infrastructure business, and any additional costs would adversely impact our cash flows.

During the fourth quarter of 2015, we determined to exit the Shared Wireless infrastructure business and curtailed activity in our smaller markets. In connection with the foregoing, we recognized charges in the fourth quarter of 2015 aggregating approximately $5,359,000, consisting of approximately $3,284,000 of estimated cost to settle our lease obligations, $1,618,000 to write-off network assets which could not be redeployed into the fixed wireless network and writing off $456,000 of deferred acquisition costs and security deposits which are not expected to be recovered. We believe that we have recognized principally all of the costs required to exit this business but can provide no assurance that additional costs will not be incurred.

We may encounter difficulties or may not be able to sell Assets Held for Sale at December 31, 2015 which could adversely impact future profitability.

The Shared Wireless Infrastructure business' largest network was in New York City where it had a lease access agreement with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. In March 2016, the Company completed a sale and transfer of certain assets to a major cable company customer. The Company is presently continuing efforts to sell the remainder of the network in New York City. We cannot guarantee that any agreements for the sale of these assets will be on terms favorable to us or that we will be able to sell such assets. If we are not able to sell these assets on favorable terms, if at all, our profitability could be adversely impacted and our stock price could decline.

Risks Relating to the Wireless Industry

An economic or industry slowdown may materially and adversely affect our business.

Slowdowns in the economy or in the wireless or broadband industry may impact demand for our services. Customers may reduce the amount of bandwidth that they purchase from us during economic downturns which will directly affect our revenues and operating results. An economic or industry slowdown may cause other businesses or industries to delay or abandon implementation of new systems and technologies, including wireless broadband services. Further, political uncertainties, including acts of terrorism and other unforeseen events, may impose additional risks upon and adversely affect the wireless or broadband industry generally, and our business, specifically.

We operate in an evolving industry which makes it difficult to forecast our future prospects as our services may become obsolete and we may not be able to develop competitive products or services on a timely basis or at all.

The broadband and wireless services industries are characterized by rapid technological change, competitive pricing, frequent new service introductions, and evolving industry standards and regulatory requirements. We believe that our success depends on our ability to anticipate and adapt to these challenges, and to offer competitive services on a timely basis. We face a number of difficulties and uncertainties such as:

- competition from service providers using more efficient, less expensive technologies including products not yet invented or developed;
- responding successfully to advances in competing technologies in a timely and cost-effective manner;
- migration toward standards-based technology which may require substantial capital expenditures; and
- existing, proposed or undeveloped technologies that may render our wireless broadband services less profitable or obsolete.

As the services offered by us and our competitors develop, businesses and consumers may not accept our services as a commercially viable alternative to other means of delivering wireless broadband services. As a result, our services may become obsolete and we may be unable to develop competitive products or services on a timely basis, or at all.

We are subject to extensive regulation that could limit or restrict our activities.

Our business activities, including the acquisition, lease, maintenance and use of spectrum licenses, are extensively regulated by federal, state and local governmental authorities. A number of federal, state and local privacy, security, and consumer laws also apply to our business. These regulations and their application are subject to continuous change as new legislation, regulations or amendments to existing regulations are periodically implemented by governmental or regulatory authorities, including as a result of judicial interpretations of such laws and regulations. Current regulations directly affect the breadth of services we are able to offer and may impact the rates, terms and conditions of our services. Regulation of companies that offer competing services such as cable and DSL providers, and telecommunications carriers also affects our business. If we fail to comply with these regulations, we may be subject to penalties, both monetary and nonmonetary, which may adversely affect our financial condition and results of operations.

On February 26, 2015, the FCC adopted an Open Internet order in which fixed and mobile broadband services is reclassified as telecommunications services governed by Title II of the Communications Act. This reclassification includes forbearance from applying many sections of the Communications Act and the FCC's rules to broadband service providers. As part of the Title II reclassification, the FCC could adopt new regulations requiring broadband service providers to register and pay Universal Service Fund ("USF") fees as well as submit to a significant amount of other common carrier regulations.

The Open Internet order also adopted rules prohibiting broadband service providers from: (1) blocking access to legal content, applications, services or non-harmful devices; (2) impairing or degrading lawful Internet traffic on the basis, content, applications or services; or (3) favoring certain Internet traffic over other traffic in exchange for consideration. Depending on how the Open Internet rules are implemented, the Open Internet order could limit our ability to manage customers' use of our networks, thereby limiting our ability to prevent or address customers' excessive bandwidth demands. To maintain the quality of our network and user experience, we may manage the bandwidth used by our customers' applications, in part by restricting the types of applications that may be used over our network. The FCC Open Internet regulations may constrain our ability to employ bandwidth management practices. Excessive use of bandwidth-intensive applications would likely reduce the quality of our services for all customers. Such decline in the quality of our services could harm our business.

The breach of a license or applicable law, even if accidentally, can result in the revocation, suspension, cancellation or reduction in the term of a license or the imposition of fines. In addition, regulatory authorities may grant new licenses to third parties, resulting in greater competition in territories where we already have rights to licensed spectrum. In order to promote competition, licenses may also require that third parties be granted access to our bandwidth, frequency capacity, facilities or services. We may not be able to obtain or retain any required license, and we may not be able to renew a license on favorable terms, or at all.

Wireless broadband services may become subject to greater state or federal regulation in the future. The scope of the regulations that may apply to companies like us and the impact of such regulations on our competitive position are presently unknown and could be detrimental to our business and prospects.

Risks Related to Our Indebtedness

Our cash flows and capital resources may be insufficient to make required payments on our indebtedness and future indebtedness.

In October 2014, we entered into a loan agreement which provided us with a five-year $35 million term loan. The loan bears interest payable in cash at a rate equal to the greater of (i) the sum of the one month LIBOR rate on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind ("PIK"), or deferred, interest that accrues at 4% per annum. We paid $2,906,695 of interest and accrued $1,453,347 of PIK interest for the year ended December 31, 2015.

Our indebtedness could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our debt obligations;
- make us more vulnerable to general adverse economic and industry conditions;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on our long-term debt is variable;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less debt and greater financial resources.

In addition, our ability to make scheduled payments or refinance our obligations depends on our successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control. These factors include, among others:

- economic and demand factors affecting our industry;
- pricing pressures;
- increased operating costs;
- competitive conditions; and
- other operating difficulties.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Our obligations pursuant to our long-term debt agreement are secured by a security interest in all of our assets, exclusive of capital stock of the Company, certain capital leases, certain contracts and certain assets secured by purchase money security interests. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all.

Our long-term debt agreement contains various covenants limiting the discretion of our management in operating our business.

Our long-term debt agreement contains, subject to certain carve-outs, various restrictive covenants that limit our management's discretion in operating our business. In particular, these instruments limit our ability to, among other things:

- incur additional debt;
- grant liens on assets;
- issue capital stock with certain features;
- sell or acquire assets outside the ordinary course of business; and
- make fundamental business changes.

If we fail to comply with the restrictions in our long-term debt agreement, a default may allow the lender under the relevant instruments to accelerate the related debt and to exercise their remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the lender may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds. The long-term debt agreement governing our indebtedness also contains various covenants that may limit our ability to pay dividends.

Risks Relating to Our Organization

Our certificate of incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to such holders (i) the preferred right to our assets upon liquidation, (ii) the right to receive dividend payments before dividends are distributed to the holders of common stock and (iii) the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing common stockholders.

Any of the actions described in the preceding paragraph could significantly adversely affect the investment made by holders of our common stock. Holders of common stock could potentially not receive dividends that they might otherwise have received. In addition, holders of our common stock could receive less proceeds in connection with any future sale of the Company, whether in liquidation or on any other basis.

We are subject to extensive financial reporting and related requirements for which our accounting and other management systems and resources may not be adequately prepared.

We are subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. In order to maintain compliance with these requirements, we may need to (i) upgrade our systems, (ii) implement additional financial and management controls, reporting systems and procedures, (iii) implement an internal audit function, and (iv) hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective manner, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a negative impact on our ability to manage our business and on our stock price.

We may be at risk to accurately report financial results or detect fraud if we fail to maintain an effective system of internal controls.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report that contains an assessment by management on the Company’s internal control over financial reporting in their annual and quarterly reports on Form 10-K and 10-Q. While we are consistently working on improvements and conducting rigorous reviews of our internal controls over financial reporting, our independent auditors may interpret Section 404 requirements and apply related rules and regulations differently. If our independent auditors are not satisfied with our internal control over financial reporting or with the level at which it is documented, operated or reviewed, they may decline to accept management’s assessment and not provide an attestation report on our internal control over financial reporting. Additionally, if we are not able to meet all the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities such as the SEC.

We cannot assure you that significant deficiencies or material weaknesses in our disclosure controls and internal control over financial reporting will not be identified in the future. Also, future changes in our accounting, financial reporting, and regulatory environment may create new areas of risk exposure. Failure to modify our existing control environment accordingly may impair our controls over financial reporting and cause our investors to lose confidence in the reliability of our financial reporting which may adversely affect our stock price.

Risks Relating to Our Common Stock

We may fail to regain compliance for continued listing on the NASDAQ Capital Market and a delisting of our stock could make it more difficult for investors to sell their shares

Our common stock was approved for listing on the NASDAQ Capital Market in May of 2007 where it continues to be listed. The listing Rules (the "Rules") of NASDAQ require the company to meet certain requirements. These continued listing standards include specifically enumerated criteria, such as:

- a $1.00 minimum closing bid price;
- stockholders' equity of $2.5 million;
- 500,000 shares of publicly-held common stock with a market value of at least $1 million;
- 300 round-lot stockholders; and
- compliance with NASDAQ's corporate governance requirements, as well as additional or more stringent criteria that may be applied in the exercise of NASDAQ's discretionary authority.

On November 24, 2015, NASDAQ informed the Company that it had failed to maintain a minimum bid price of $1 per share for more than 30 consecutive business days. The Company can regain compliance if, at any time during the 180 day period ending May 23, 2016, the closing bid price of the common stock is at least $1 for a minimum of ten consecutive business days. It is unknown at this time if we will be able to regain compliance with the minimum bid price requirement within the time allowed in order to continue our common stock listing on the Nasdaq Capital Market. Continued listing during this period is also contingent on our continued compliance with all listing requirements other than for the minimum bid price. While we hope to regain compliance in the ordinary course of business, we may consider a reverse stock split, if necessary to continue our listing, and have committed to NASDAQ to do so if necessary. However, even if we do effect such a reverse stock split, our stockholders may bring actions against us in connection with that reverse stock split that could divert management resources, cause us to incur significant expenses or cause our common stock to be further diluted.

The Company reported stockholders' equity at December 31, 2015 of $2,545,687, above the $2.5 million listing standard required by NASDAQ but it is likely that our stockholders' equity will be below $2.5 million at March 31, 2016.

If we fail to comply with NASDAQ's continued listing standards, we may be delisted and our common stock will trade, if at all, only on the over-the-counter market, such as the OTC Bulletin Board or OTCQX market, and then only if one or more registered broker-dealer market makers comply with quotation requirements. In addition, delisting of our common stock could depress our stock price, substantially limit liquidity of our common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all.

Finally, delisting of our common stock would likely result in our common stock becoming a "penny stock" under the Securities Exchange Act. The principal result or effect of being designated a "penny stock" is that securities broker-dealers cannot recommend the shares but must trade it on an unsolicited basis. Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. A broker-dealer must also provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer and sales person in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for shares that become subject to those penny stock rules. Under such circumstances, shareholders may find it more difficult to sell, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers such as financial institutions, hedge funds and other similar investors.

We could fail in future financing efforts or be delisted from The NASDAQ Capital Market if we fail to receive stockholder approval when needed.

We are required under the NASDAQ rules to obtain stockholder approval for any issuance of additional equity securities that would comprise more than 20% of the total shares of our common stock outstanding before the issuance of such securities sold at a discount to the greater of book or market value in an offering that is not deemed to be a "public offering" by NASDAQ. Funding of our operations and potential acquisitions of assets may require issuance of additional equity securities that would comprise more than 20% of the total shares of our common stock outstanding, but we might not be successful in obtaining the required stockholder approval for such an issuance. If we are unable to obtain financing due to stockholder approval difficulties, such failure may have a material adverse effect on our ability to continue operations.

Our common stock may be affected by limited trading volume and price fluctuations which could adversely impact the value of our common stock.

While there has been relatively active trading in our common stock over the past twelve months, there can be no assurance that an active trading market in our common stock will be maintained. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our common stock will be stable or appreciate over time.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on an investment in our common stock is expected to be limited to an increase in the value of the common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition, and other business and economic factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be considered less valuable because a return on a shareholder's investment will only occur if our stock price appreciates.

We adopted a Rights Plan in 2010 which may discourage third parties from attempting to acquire control of our company and have an adverse effect on the price of our common stock.

In November 2010, we adopted a rights plan (the "Rights Plan") and declared a dividend distribution of one preferred share purchase right for each outstanding share of common stock as of the record date on November 14, 2010. Each right, when exercisable, entitles the registered holder to purchase one-hundredth (1/100th) of a share of Series A Preferred Stock, par value $0.001 per shares of the Company at a purchase price of $18.00 per one-hundredth (1/100th) of a share of the Series A Preferred Stock, subject to certain adjustments. The rights will generally separate from the common stock and become exercisable if any person or group acquires or announces a tender offer to acquire 15% or more of our outstanding common stock without the consent of our board of directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our board of directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our board of directors. In addition, we are governed by provisions of Delaware law that may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us.

The provisions in our charter, bylaws, Rights Plan and under Delaware law related to the foregoing could discourage takeover attempts that our stockholders would otherwise favor, or otherwise reduce the price that investors might be willing to pay for our common stock in the future.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We do not own any real property.

Our executive offices are located at 88 Silva Lane in Middletown, Rhode Island, where we lease approximately 29,000 square feet of space. The majority of our employees work at this location including our finance and administrative, engineering, information technology, customer care and retention, and sales and marketing personnel. Rent payments totaled approximately $371,036 in 2015 and escalate by 3% annually reaching $416,970 for 2019. Our lease expires on December 31, 2019 with an option to renew for an additional five year term through December 31, 2024.

In December 2014, the Company entered into a new lease agreement in Florida which includes 3,542 square feet for office space for a second sales center. The lease commenced in February 2015 for 38 months with an option to renew for an additional 60 month period. Rent payments totaled approximately $40,731 in 2015 and escalate by 3% annually.

Item 3. Legal Proceedings.

There are no significant legal proceedings pending, and we are not aware of any material proceeding contemplated by a governmental authority, to which we are a party or any of our property is subject.

Item 4. Mine Safety Disclosures.

Not applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock was quoted on the OTC Bulletin Board from January 12, 2007 through May 30, 2007 under the symbol TWER.OB. Since May 31, 2007, our common stock has been listed on the NASDAQ Capital Market under the symbol TWER. Prior to January 12, 2007, there was no active market for our common stock. The following table sets forth the high and low sales prices as reported on the NASDAQ Capital Market. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

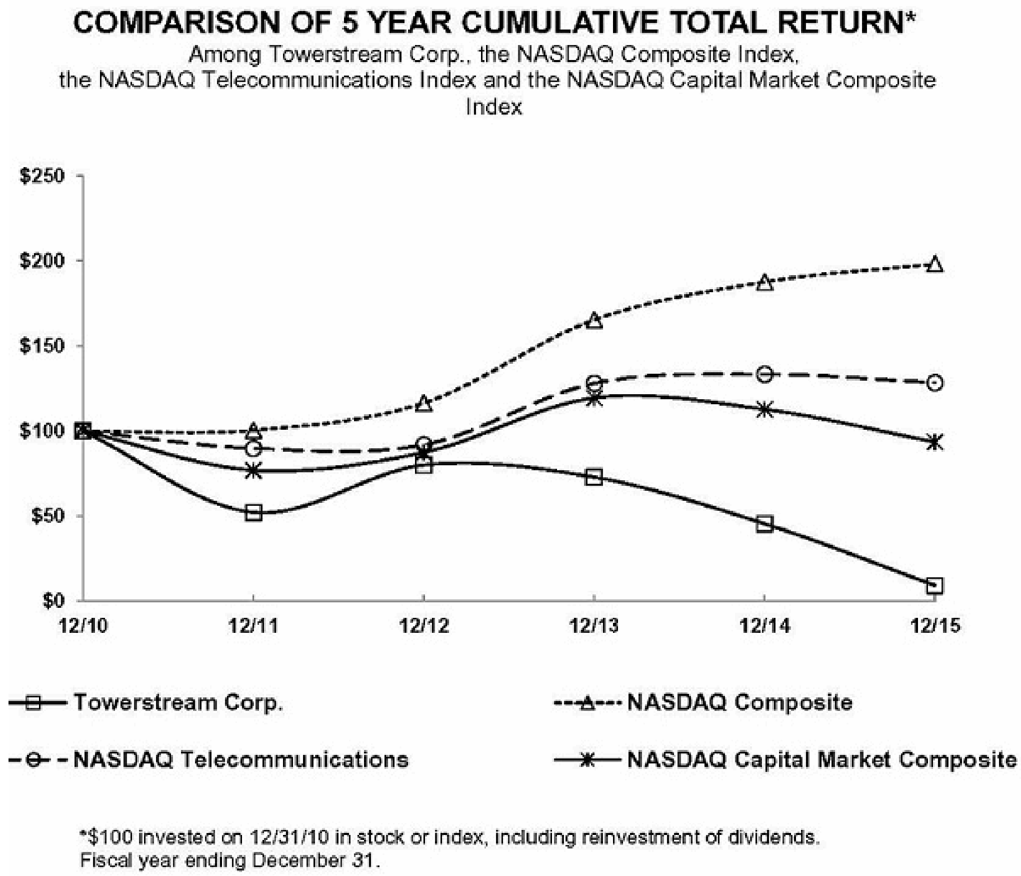
FISCAL YEAR 2015	HIGH	LOW
First Quarter	$ 2.55	$ 1.62
Second Quarter	$ 2.29	$ 1.72
Third Quarter	$ 2.15	$ 1.02
Fourth Quarter	$ 1.10	$ .28

FISCAL YEAR 2014	HIGH	LOW
First Quarter	$ 3.36	$ 2.30
Second Quarter	$ 2.49	$ 1.45
Third Quarter	$ 2.06	$ 1.28
Fourth Quarter	$ 1.95	$ 1.06

The last reported sales price of our common stock on the NASDAQ Capital Market on December 31, 2015 was $0.38 and on March 14, 2016, the last reported sales price was $0.20. According to the records of our transfer agent, as of March 14, 2016, there were approximately 40 holders of record of our common stock.

Performance Graph

On May 31, 2007, our shares of common stock began trading on the NASDAQ Capital Market. The chart below compares the annual percentage change in the cumulative total return on our common stock with the NASDAQ Capital Market Composite Index and the NASDAQ Telecom Index. The chart shows the value as of December 31, 2015, of $100 invested on May 31, 2007, the day our common stock was first publicly traded on the NASDAQ Capital Market, in our common stock, the NASDAQ Capital Market Composite Index and the NASDAQ Telecom Index. The stock price performance below is not necessarily indicative of future performance.



	12/10	12/11	12/12	12/13	12/14	12/15
Towerstream Corp.	100.00	52.22	80.05	72.91	45.57	9.36
NASDAQ Composite	100.00	100.52	116.55	165.43	187.63	198.29
NASDAQ Telecommunications	100.00	89.84	91.94	128.06	133.36	128.46
NASDAQ Capital Market Composite	100.00	77.02	87.44	119.44	112.75	93.62

Dividend Policy

We have never declared or paid cash dividends on our common stock, and we do not intend to pay any cash dividends on our common stock in the foreseeable future. Rather, we expect to retain future earnings (if any) to fund the operation and expansion of our business and for general corporate purposes.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2015, securities issued and securities available for future issuance under our 2008 Non-Employee Directors Compensation Plan, our 2007 Equity Compensation Plan and our 2007 Incentive Stock Plan were as follows:

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	4,340,042	$ 2.61	2,945,150
Equity compensation plans not approved by security holders	-	$ -	-
Total	4,340,042	$ 2.61	2,945,150

Recent Sales of Unregistered Securities.

There were no unregistered securities sold by us during the year ended December 31, 2015 that were not otherwise disclosed by us during the year in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Recent Repurchases of Securities.

None.

Item 6. Selected Financial Data

The annual financial information set forth below has been derived from our audited consolidated financial statements. The information should be read in connection with, and is qualified in its entirety by reference to, Management's Discussion and Analysis, the consolidated financial statements and notes included elsewhere in this report and in our SEC filings.

	Years Ended December 31,				
	2011	2012	2013	2014	2015
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenues	$ 26,494,737	$ 32,279,430	$ 31,892,584	$ 29,936,181	$ 27,905,023
Operating Expenses					
Cost of revenues	7,472,849	15,376,136	9,874,066	10,299,906	10,603,845
Depreciation and amortization	9,138,318	13,634,294	11,842,794	9,681,631	9,643,583
Customer support services	4,274,387	5,712,463	4,113,459	4,127,294	4,425,764
Sales and marketing	5,362,103	6,134,020	5,477,922	5,341,178	5,864,267
General and administrative	9,411,608	12,168,183	10,364,431	9,767,404	9,957,538
Total Operating Expenses	35,659,265	53,025,096	41,672,672	39,217,413	40,494,997
Operating Loss	(9,164,528)	(20,745,666)	(9,780,088)	(9,281,232)	(12,589,974)
Other Income/(Expense)					
Interest Income (expense), net	35,486	(63,714)	(217,741)	(1,672,846)	(6,652,786)
Gain (loss) on business acquisitions	2,231,534	(40,079)	1,004,099	-	-
Other expenses, net	(9,581)	(13,860)	-	-	-
Total Other Income/ (Expense)	2,257,439	(117,653)	786,358	(1,672,846)	(6,652,786)
Loss before income taxes	(6,907,089)	(20,863,319)	(8,993,730)	(10,954,078)	(19,242,760)
(Provision) benefit for income taxes	(118,018)	(126,256)	(78,531)	(78,532)	37,562
Loss from continuing operations	(7,025,107)	(20,989,575)	(9,072,261)	(11,032,610)	(19,205,198)
Loss from discontinued operations	-	-	(15,703,028)	(16,559,140)	(21,277,604)
Net Loss	$ (7,025,107)	$ (20,989,575)	$ (24,775,289)	$ (27,591,750)	$ (40,482,802)
Loss per share – basic and diluted					
Continuing	$ (0.15)	$ (0.39)	$ (0.14)	$ (0.16)	$ (0.28)
Discontinued	-	-	(0.24)	(0.25)	(0.32)
Net loss per share – basic and diluted	$ (0.15)	$ (0.39)	$ (0.38)	$ (0.41)	$ (0.60)
Weighted average common shares outstanding – basic and diluted	47,505,861	54,434,173	65,181,310	66,803,767	67,931,666
CONSOLIDATED BALANCE SHEETS DATA (at December 31,):					
Cash and cash equivalents	$ 44,672,587	$ 15,152,226	$ 28,181,531	$ 38,027,509	$ 15,116,531
Property, plant and equipment, net	27,531,273	41,982,210	25,682,211	23,146,977	21,235,384
Assets held for sale	-	-	7,784,980	7,875,241	5,315,107
Current assets of discontinued operations	-	-	747,594	1,336,139	1,248,569
Total assets	83,636,896	67,109,714	74,917,467	82,321,838	48,721,260
Working capital	40,231,504	10,087,917	23,697,158	42,942,393	13,506,611
Stockholder's equity	77,144,910	57,803,908	66,093,941	41,962,027	2,545,687
OTHER FINANCIAL DATA:					
Capital expenditures					
Cash	$ 13,620,180	$ 20,722,510	$ 7,143,376	$ 7,306,942	$ 6,727,288
Accrued expenses	658,144	1,240,774	867,311	524,280	178,134
Capital leases	769,882	2,915,580	80,894	339,652	810,026
Other	-	18,679	-	-	-
Net cash provided by (used in) operating activities	702,518	(8,078,493)	(9,484,438)	(13,413,128)	(15,253,754)
Net cash used in investing activities	(18,218,729)	(21,343,128)	(7,562,464)	(7,036,756)	(6,683,405)
Net cash provided by (used in) financing activities	$ 39,015,446	$ (98,740)	$ 30,076,207	$ 30,295,862	$ (973,819)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Segment Information

Upon its formation in 2013, the Company determined that the Shared Wireless Infrastructure business represented a separate business segment which was reported as the "Shared Wireless Infrastructure" or "Shared Wireless" segment. The Company's existing business which provides fixed wireless services to businesses was reported as the "Fixed Wireless" business segment. The Company also established a Corporate Group so that centralized operating activities which supported both business segments could be reported separately.

During the fourth quarter of 2015, the Company determined to exit the Shared Wireless infrastructure business. As a result, the operating results of the Shared Wireless business are reported as discontinued operations in these financial statements. The operating results of the Fixed Wireless segment are also referred to as Continuing Operations. Costs associated with the Corporate Group are included in continuing operations.

Overview – Fixed Wireless

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

In February 2013, we completed the acquisition of certain customer relationships, network infrastructure and related assets of Delos Internet ("Delos"), which is based in Houston, Texas. The aggregate consideration for the acquisition included (i) approximately $0.2 million in cash, (ii) 385,124 shares of our common stock with a fair value of approximately $1.0 million, and (iii) approximately $0.2 million in assumed liabilities. The acquisition of Delos was a business combination accounted for under the acquisition method. In June 2013, we finalized the purchase price of Delos. The final purchase price of $1,341,918 was $83,183, or 6%, lower than the initially reported purchase price of $1,425,101. The purchase price adjustment resulted in a decrease in the number of shares of common stock issued to Delos of 48,549 from 433,673 to 385,124 shares. We recognized a gain on business acquisition of approximately $1.0 million.

Characteristics of our Revenues and Expenses

Our Fixed Wireless segment offers broadband services under agreements for periods normally ranging between one to three years. Pursuant to these agreements, we bill customers on a monthly basis, in advance, for each month of service. Payments received in advance of services performed are recorded as deferred revenues and recognized as revenue ratably over the service period. Our Shared Wireless Infrastructure segment offers to rent space, channels, and ports on our street level rooftops at a fixed monthly rent.

Costs of revenues consists of expenses that are directly related to providing services to our customers, including Core Network expenses (tower and street level rooftop rent and utilities, bandwidth costs, maintenance and other) and Customer Network expenses (customer maintenance, non-installation fees and other customer specific expenses). We collectively refer to Core Network and Customer Network as our "Network," and Core Network costs and Customer Network costs as "Network Costs." When we first enter a new market, or expand in an existing market, we are required to incur up-front costs in order to be able to provide services to commercial customers. We refer to these activities as establishing a "Network Presence." For the Fixed Wireless segment, these costs include constructing Points-of-Presence ("PoPs") in buildings in which we have a lease agreement ("Company Locations") where we install a substantial amount of equipment in order to connect numerous customers to the Internet. For the Shared Wireless Infrastructure segment, these costs include installing numerous access points, backhaul, and other equipment on street level rooftops that we refer to as "Hotzones." The costs to build PoPs and construct Hotzones are capitalized and expensed over a five year period. In addition, we also enter into tower and roof rental agreements, secure bandwidth and incur other Network Costs. Once we have established a Network Presence in a new market or expanded our Network Presence in an existing market, we are capable of servicing a significant number of customers through that Network Presence. The variable cost to add new customers is relatively modest, especially compared to the upfront cost of establishing or expanding our Network Presence. However, we may experience variability in gross margins during periods in which we are expanding our Network Presence in a market.

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

Customer support services include salaries and related payroll costs associated with our customer support services, customer care, and installation and operations staff.

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

Market Information

As of December 31, 2015, we operated in twelve metropolitan markets consisting of New York, Boston, Los Angeles, Chicago, San Francisco, Miami, Seattle, Dallas-Fort Worth, Houston, Philadelphia, Las Vegas-Reno and Providence-Newport. Although we provide services in multiple markets, these operations have been aggregated into one reportable segment based on the similar economic characteristics among all markets, including the nature of the services provided and the type of customers purchasing such services. The markets were launched at different times, and as a result, may have different operating metrics based on their size and stage of maturation. We incur significant up-front costs in order to establish a Network Presence in a new market. These costs include building PoPs and Network Costs. Other material costs include hiring and training sales and marketing personnel who will be dedicated to securing customers in that market. Once we have established a Network Presence in a new market, we are capable of servicing a significant number of customers. The rate of customer additions varies from market to market, and we are unable to predict how many customers will be added in a market during any specific period. We believe that providing operating information regarding each of our markets provides useful information to shareholders in understanding the leveraging potential of our business model and the operating performance of our mature markets. Set forth below is a summary of our operating performance on a per-market basis, and a description of how each category is determined.

Revenues: Revenues are allocated based on which market each customer is located in. Intercompany transactions have been eliminated in the tables below.

Costs of Revenues: Includes Core Network costs and Customer Network costs that can be allocated to a specific market.

Operating Costs: Represents costs that can be specifically allocated to a market which include direct sales personnel, certain direct marketing expenses, certain customer support and installation payroll expenses and third party commissions.

Adjusted Market EBITDA: Represents a market's income (loss) before interest, taxes, depreciation, amortization, stock-based compensation, and other income (expense). We believe this metric provides useful information regarding the operating cash flow being generated in a market.

Corporate: Includes corporate overhead and centralized activities which support our overall operations. Corporate overhead includes administrative personnel, including executive management, and other support functions such as information technology and facilities. Centralized operations include network operations, customer care, and the management of network assets.

We exited the Nashville market effective March 31, 2014.

Year Ended December 31, 2015

Market	Revenues	Cost of Revenues	Gross Margin	Operating Costs	Adjusted Market EBITDA
Los Angeles	$ 7,994,736	$ 2,218,654	$ 5,776,082	$ 2,019,305	$ 3,756,777
New York	7,814,182	2,836,635	4,977,547	1,377,608	3,599,939
Boston	4,748,326	1,594,884	3,153,442	791,873	2,361,569
Chicago	2,442,022	1,233,989	1,208,033	601,164	606,869
San Francisco	1,032,721	467,406	565,315	209,984	355,331
Houston	748,941	305,657	443,284	193,752	249,532
Miami	1,190,563	503,794	686,769	565,788	120,981
Las Vegas-Reno	707,964	485,852	222,112	203,544	18,568
Seattle	242,588	177,287	65,301	60,891	4,410
Providence-Newport	210,145	200,102	10,043	10,134	(91)
Philadelphia	108,157	111,722	(3,565)	45,749	(49,314)
Dallas-Fort Worth	664,678	412,635	252,043	378,375	(126,332)
Total	$ 27,905,023	$ 10,548,617	$ 17,356,406	$ 6,458,167	$ 10,898,239

Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure	
Adjusted market EBITDA	$ 10,898,239
Non-market specific	
Other expenses	(1,074,373)
Depreciation and amortization	(8,773,218)
Loss from discontinued operations	(21,277,604)
Corporate	(13,640,622)
Other income (expense)	(6,652,786)
Provision for income taxes	37,562
Net loss	$ (40,482,802)

Year Ended December 31, 2014

Market	Revenues	Cost of Revenues	Gross Margin	Operating Costs	Adjusted Market EBITDA
Los Angeles	$ 8,019,832	$ 2,259,611	$ 5,760,221	$ 1,932,611	$ 3,827,610
New York	7,810,019	2,616,041	5,193,978	1,328,111	3,865,867
Boston	5,663,256	1,598,896	4,064,360	823,425	3,240,935
Chicago	2,902,942	1,184,641	1,718,301	528,099	1,190,202
Miami	1,428,933	451,577	977,356	288,380	688,976
Las Vegas-Reno	988,565	491,875	496,690	136,356	360,334
Houston	697,467	265,819	431,648	104,549	327,099
San Francisco	1,103,604	480,409	623,195	304,406	318,789
Dallas-Fort Worth	637,831	390,615	247,216	151,347	95,869
Seattle	301,679	191,019	110,660	38,077	72,583
Providence-Newport	258,992	208,882	50,110	14,007	36,103
Nashville	1,903	12,642	(10,739)	2,331	(13,070)
Philadelphia	121,158	99,602	21,556	55,696	(34,140)
Total	$ 29,936,181	$ 10,251,629	$ 19,684,552	$ 5,707,395	$ 13,977,157

Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure	
Adjusted market EBITDA	$ 13,977,157
Non-market specific	
Other expenses	(1,141,850)
Depreciation and amortization	(8,697,630)
Loss from discontinued operations	(16,559,140)
Corporate	(13,418,909)
Other income (expense)	(1,672,846)
Provision for income taxes	(78,532)
Net loss	$ (27,591,750)

Year Ended December 31, 2013

Market	Revenues	Cost of Revenues	Gross Margin	Operating Costs	Adjusted Market EBITDA
Los Angeles	$ 8,197,925	$ 2,146,194	$ 6,051,731	$ 1,675,298	$ 4,376,433
Boston	6,508,812	1,460,425	5,048,387	917,559	4,130,828
New York	7,715,840	2,392,852	5,322,988	1,345,250	3,977,738
Chicago	3,273,174	1,161,474	2,111,700	488,619	1,623,081
Miami	1,553,933	433,818	1,120,115	417,986	702,129
Las Vegas-Reno	1,148,540	529,974	618,566	189,991	428,575
San Francisco	1,248,608	477,437	771,171	366,195	404,976
Houston	554,606	215,085	339,521	100,443	239,078
Providence-Newport	441,115	201,570	239,545	59,805	179,740
Seattle	389,839	192,561	197,278	101,929	95,349
Dallas-Fort Worth	681,812	399,465	282,347	257,212	25,135
Philadelphia	157,342	82,607	74,735	88,162	(13,427)
Nashville	21,038	57,030	(35,992)	11,443	(47,435)
Total	$ 31,892,584	$ 9,750,492	$ 22,142,092	$ 6,019,892	$ 16,122,200

Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure	
Adjusted market EBITDA	$ 16,122,200
Non-market specific	
Other expenses	(958,432)
Depreciation and amortization	(11,062,809)
Loss on discontinued operations	(15,703,028)
Corporate	(13,881,047)
Other income (expense)	786,358
Provision for income taxes	(78,531)
Net loss	$ (24,775,289)

Overview - Shared Wireless Infrastructure

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. As further described in Note 18, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the "Buyer"). The Asset Purchase Agreement provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide bandwidth to the Buyer at the locations governed by the leases. The agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days' notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in these consolidated financial statements. Assets associated with the New York City network have been presented as Assets Held for Sale.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Continuing Operations – Fixed Wireless

Revenues. Revenues totaled $27,905,023 during the year ended December 31, 2015 compared to $29,936,181 during the year ended December 31, 2014 representing a decrease of $2,031,158, or 7%. The decrease principally related to a 7% decrease in the base of customers billed on a monthly recurring basis. In March 2015, we opened a second sales office in Florida and believe that our ability to recruit talent from an additional geographic area will increase the number of account executives and improve sales productivity levels.

Average revenue per user ("ARPU") totaled $764 as of December 31, 2015 compared to $772 as of December 31, 2014 representing a decrease of $8, or 1%. ARPU for new customers totaled $640 during the year ended December 31, 2015 compared to $639 during the year ended December 31, 2014 representing an increase of $1, or less than 1%. ARPU for new customers can fluctuate from period to period.

Customer churn, calculated as a percent of revenue lost on a monthly basis from customers terminating service or reducing their service level, totaled 1.88% during the year ended December 31, 2015 compared to 1.85% during the year ended December 31, 2014. Our goal is to maintain churn levels below industry averages of approximately 2.00%. Churn levels can fluctuate from period to period depending upon whether customers move to a location not serviced by the Company, go out of business, or a myriad of other reasons.

Cost of Revenues. Cost of revenues totaled $10,603,845 during the year ended December 31, 2015 compared to $10,299,906 during the year ended December 31, 2014 representing an increase of $303,939 or 3%. The increase primarily related to tower rents which increased by $428,863, or 5%. This increase was partially offset by lower customer network costs which decreased by $131,251 or 18%. Gross margin for continuing operations totaled 62% for the 2015 period compared to 66% for the 2014 period.

Depreciation and Amortization. Depreciation and amortization totaled $9,643,583 during the year ended December 31, 2015 compared to $9,681,631 during the year ended December 31, 2014 representing a decrease of $38,048 or less than 1%. Depreciation expense totaled $9,251,312 during the year ended December 31, 2015 compared to $8,792,662 during the year ended December 31, 2014 representing an increase of $458,650, or 5%. The base of depreciable assets as of December 31, 2015 increased approximately 10% compared to December 31, 2014, however, newly acquired assets will not have a full year of depreciation in the year of acquisition which lessens the impact of a higher base on depreciation expense. The increase in the depreciable base during the year ended December 31, 2015 primarily reflects continued investment in our network which totaled approximately $7.0 million.

Amortization expense totaled $392,272 during the year ended December 31, 2015 compared to $888,969 during the year ended December 31, 2014 representing a decrease of $496,697, or 56%. Amortization expense relates to customer related intangible assets recorded in connection with acquisitions and can fluctuate significantly from period to period depending upon the timing of acquisitions, the relative amounts of intangible assets recorded, and the amortization periods. The decrease related entirely to amortization associated with the Color Broadband acquisition which became fully amortized in April 2014.

Customer Support Services. Customer support services totaled $4,425,764 during the year ended December 31, 2015 compared to $4,127,294 during the year ended December 31, 2014 representing an increase of $298,470 or 7%. The increase was primarily related to higher payroll costs as average headcount totaled 71 during the 2015 period as compared to 69 during the 2014 period representing an increase of 2, or 3%.

Sales and Marketing. Sales and marketing expenses totaled $5,864,267 during the year ended December 31, 2015 compared to $5,341,178 during the year ended December 31, 2014 representing an increase of $523,089, or 10%. Compensation related costs, including sales commissions, totaled $4,034,985 during the 2015 period as compared to $3,619,262 during the 2014 period representing an increase of $415,723, or 11%. Average headcount totaled 57 during the 2015 period compared to 37 during the 2014 period representing an increase of 20, or 53%. The increase in headcount related to hires in our new sales office in South Florida which opened during the first quarter of 2015 resulting in higher compensation costs. Channel commissions totaled $603,529 during the 2015 period as compared to $440,281 during the 2014 period representing an increase of $163,248, or 37%. Sales through the channel comprised 34.1% of our total revenues in 2015 compared to 22.7% in 2014 which resulted in higher channel commissions. Advertising costs totaled $1,052,623 during the 2015 period as compared to $1,122,246 during the 2014 period representing a decrease of $69,623, or 6%.

General and Administrative. General and administrative expenses totaled $9,957,538 during the year ended December 31, 2015 compared to $9,767,404 during the year ended December 31, 2014 representing an increase of $190,134, or 2%. Payroll costs totaled $2,923,290 during the 2015 period as compared to $3,350,728 during the 2014 period representing a decrease of $427,438, or 13%. Information technology support costs decreased to $1,044,683 during the 2015 period compared to $1,363,271 during the 2014 period representing a decrease of $318,588, or 23%, as the Company internally absorbed certain functions that were previously provided by third parties. The Company recorded a charge of $534,555 in 2015 in connection with the carrying value of an FCC license that was not renewed due to an increased focus on the largest urban markets. Acquisition costs can vary from period to period based on activity levels and totaled $166,561 in 2015 compared to $22,919 in 2014 representing an increase of $143,642. Facilities costs, including office expense, totaled $1,070,492 in the 2015 period compared to $904,327 in the 2014 period representing an increase of $166,165, or 18%. The Company opened a new sales office in South Florida in the first quarter of 2015. Insurance expense totaled $545,705 in the 2015 period compared to $468,583 in the 2014 period, representing an increase of $77,122, or 16%, primarily related to higher workers' compensation premiums.

Interest Expense, Net. Interest expense, net totaled $6,652,786 during the year ended December 31, 2015 compared to $1,672,846 during the year ended December 31, 2014 representing an increase of $4,979,940, or greater than 100%. The increase related to a full year of interest expense on the $35 million secured term loan which closed in October 2014. Cash and non-cash interest expense in 2015 totaled $2,906,695 and $3,533,471, respectively. Non-cash interest expense included payment-in-kind interest, and the amortization of (i) debt issuance costs, and (ii) discounts associated with (a) original issuance pricing and (b) fair value of warrants issued in connection with the financing.

Loss from Continuing Operations. Loss from continuing operations totaled $19,205,198 during the year ended December 31, 2015 compared to $11,032,610 during the year ended December 31, 2014 representing an increase of $8,172,588, or 74%. Interest expense on our long term debt represented $4,979,940, or 61%, of the increased loss. Revenues decreased by $2,031,158 in 2015 which represented 25% of the increased loss. Higher operating expenses in 2015, which occurred across all functional categories, represented $1,277,584, or 16%, of the increased loss.

Discontinued Operations – Shared Wireless

Revenues. Revenues for the Shared Wireless segment totaled $3,370,181 during the year ended December 31, 2015 compared to $3,099,972 during the year ended December 31, 2014 representing an increase of $270,209 or 9%. The increase was primarily related to higher revenues generated through a large cable company customer contract.

Cost of Revenues. Cost of revenues totaled $17,751,033 during the year ended December 31, 2015 compared to $14,220,122 during the year ended December 31, 2014 representing an increase of $3,530,911 or 25%. The increase related solely to higher rooftop rental expense in the 2015 period.

Depreciation.. Depreciation totaled $4,032,219 during the year ended December 31, 2015 compared to $3,957,784 during the year ended December 31, 2014 representing an increase of $74,435 or 2%.

Customer Support Services. Customer support services totaled $710,368 during the year ended December 31, 2015 compared to $683,208 during the year ended December 31, 2014 representing an increase of $27,160 or 4%.

Sales and Marketing. Sales and marketing expenses totaled $145,954 during the year ended December 31, 2015 compared to $229,013 during the year ended December 31, 2014 representing a decrease of $83,059, or 36%. The decrease related to certain sales management personnel who were employed for all of 2014 but only part of 2015.

General and Administrative. General and administrative expenses totaled $2,008,211 during the year ended December 31, 2015 compared to $568,985 during the year ended December 31, 2014 representing an increase of $1,439,226, or greater than 100%. The Company recognized a loss of $1,618,540 on the disposal of property and equipment in connection with the termination of business activities in certain markets. These costs were partially offset by a decrease in network development payroll costs of $99,210 and the absence of bad debt charges as compared to $80,000 in the 2014 period.

Loss from Discontinued Operations. Loss from discontinued operations for the year ended December 31, 2015 totaled $21,277,604 compared to $16,559,140 for the year ended December 31, 2014 representing an increase of $4,718,464, or 28%. Cost of revenues represented $3,530,911, or 75%, of the increase related to higher rooftop rental expenses. A loss of on the disposal of property and equipment in 2015, in connection with the termination of business activities in certain markets, represented $1,618,540, or 34%, of the increase. Higher revenues in the 2015 period offset these increases by 6%.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Continuing Operations – Fixed Wireless

Revenues. Revenues totaled $29,936,181 during the year ended December 31, 2014 compared to $31,892,584 during the year ended December 31, 2013 representing a decrease of $1,956,403, or 6%. The decrease principally related to an 8% decrease in the base of customers billed on a monthly recurring basis. New customer additions were adversely impacted by a 14% decrease in the number of account executives which averaged 31 during the year ended December 31, 2014 compared to 36 during the year ended December 31, 2013. In March 2015, we opened a second sales office in Florida and believe that our ability to recruit talent from an additional geographic area will increase the number of account executives and improve sales productivity levels.

Average revenue per user ("ARPU") for the Fixed Wireless segment totaled $772 as of December 31, 2014 compared to $761 as of December 31, 2013 representing an increase of $11, or 1%. The increase in ARPU primarily related to customers upgrading to higher bandwidth service which generates higher monthly recurring revenue. ARPU for new customers totaled $639 during the year ended December 31, 2014 compared to $663 during the year ended December 31, 2013 representing a decrease of $24, or 4%.

Customer churn, calculated as a percent of revenue lost on a monthly basis from customers terminating service or reducing their service level, totaled 1.85% during the year ended December 31, 2014 compared to 1.86% during the year ended December 31, 2013. Our goal is to maintain churn levels between 1.40% and 1.70% which we believe is below industry averages of approximately 2.00%. Churn levels can fluctuate from period to period depending upon whether customers move to a location not serviced by the Company, go out of business, or a myriad of other reasons.

Cost of Revenues. Cost of revenues totaled $10,299,906 during the year ended December 31, 2014 compared to $9,874,066 during the year ended December 31, 2013 representing an increase of $425,840 or 4%. The increase related to higher tower rents which increased by $602,034, or 9% partially offset by customer maintenance costs which decreased by $103,490 and lower network lease expenses which decreased by $55,937.

Depreciation and Amortization. Depreciation and amortization totaled $9,681,631 during the year ended December 31, 2014 compared to $11,842,794 during the year ended December 31, 2013 representing a decrease of $2,161,163 or 18%. Depreciation expense totaled $8,792,662 during the year ended December 31, 2014 compared to $8,748,977 during the year ended December 31, 2013 representing an increase of $43,685, or less than 1%. The base of depreciable assets increased approximately 10% during 2014, however, newly acquired assets will not have a full year of depreciation in the year of acquisition which lessens the impact of a higher base on depreciation expense. The increase in the depreciable base during the year ended December 31, 2014 reflects continued growth in our network (approximately $5,871,000), and additions resulting from other expenditures (approximately $384,000).

Amortization expense totaled $888,969 during the year ended December 31, 2014 compared to $3,093,817 during the year ended December 31, 2013 representing a decrease of $2,204,848, or 71%. Amortization expense relates to customer related intangible assets recorded in connection with acquisitions and can fluctuate significantly from period to period depending upon the timing of acquisitions, the relative amounts of intangible assets recorded, and the amortization periods. The decrease was related to two acquisitions which had modest or no amortization in the 2014 period but full amortization in the 2013 period. We recognized zero and $819,093 of amortization expense in the 2014 and 2013 periods, respectively, related to intangible assets associated with One Velocity which became fully amortized in November 2013. In addition, we recognized $496,697 and $1,947,830 of amortization expense in the 2014 and 2013 periods, respectively, related to intangible assets associated with Color Broadband which became fully amortized in April 2014. These decreases were partially offset by higher amortization expense associated with the Delos acquisition which was completed in February 2013, and for which $392,272 was recorded in the 2014 period compared to $326,894 in the 2013 period.

Customer Support Services. Customer support services totaled $4,127,294 during the year ended December 31, 2014 compared to $4,113,459 during the year ended December 31, 2013 representing an increase of $13,745 or less than 1%. The decrease was primarily related to lower payroll costs as average headcount decreased 3% to 69 during 2014 as compared to 71 during 2013.

Sales and Marketing. Sales and marketing expenses totaled $5,341,178 during the year ended December 31, 2014 compared to $5,477,922 during the year ended December 31, 2013 representing a decrease of $136,744, or 2%. Compensation related costs, including sales commissions, totaled $3,815,222 during the 2014 period as compared to $4,170,511 during the 2013 period representing a decrease of $355,289, or 9%. Average headcount totaled 41 during the 2014 period compared to 48 during the 2013 period representing a decrease of 7, or 15%. Channel commissions totaled $440,281 during the 2014 period as compared to $385,049 during the 2013 period representing an increase of $55,232, or 14%. Advertising costs totaled $1,132,845 during the 2014 period as compared to $1,100,353 during the 2013 period representing an increase of $32,492, or 3%. Other costs, including travel, entertainment, dues, and subscriptions totaled $181,843 during the 2014 period as compared to $123,588 during the 2013 period representing an increase of $58,255, or 47%.

General and Administrative. General and administrative expenses totaled $9,767,404 during the year ended December 31, 2014 compared to $10,364,431 during the year ended December 31, 2013 representing a decrease of $597,027, or 6%. Payroll costs totaled $3,350,728 during 2014 compared to $3,599,967 during 2013 representing a decrease of $249,239, or 7%. Average headcount totaled 34 during the 2014 period compared to 37 during the 2013 period representing a decrease of 3, or 8%. Stock-based compensation totaled $960,490 during 2014 compared to $1,253,661 during 2013 representing a decrease of $293,171 or 23%. Stock-based compensation can fluctuate significantly from period to period depending on the timing, quantity and valuation of stock option grants. Facilities expense totaled $408,490 during the 2014 period compared to $654,613 during the 2013 period representing a decrease of $246,123, or 38%. Office expense totaled $495,837 during the 2014 period compared to $582,355 during the 2013 period representing a decrease of $86,518, or 15%. The Company consolidated its corporate offices from two buildings to one building which has lowered its facilities costs and office expenses. Insurance expense totaled $468,583 during the 2014 period compared to $278,899 during the 2013 period representing an increase of $189,684, or 68%. The increase primarily related to higher workers' compensation premiums. Bad debt expense totaled $322,000 during the 2014 period compared to $85,000 during the 2013 period representing an increase of $237,000, or greater than 100%. Approximately two thirds of the increase related to a temporary link customer and one third related to a shared wireless customer which had paid for fifteen months of service prior to ceasing operations.

Interest Expense, Net. Interest expense, net totaled $1,672,846 during the year ended December 31, 2014 compared to $217,741 during the year ended December 31, 2013 representing an increase of $1,455,105, or greater than 100%. The increase related to the $35 million secured term loan which closed in October 2014. Cash and non-cash interest expense in 2014 totaled $591,111 and $877,460, respectively. Non-cash interest expense included payment-in-kind interest, and the amortization of (i) debt issuance costs, and (ii) discounts associated with (a) original issuance pricing and (b) fair value of warrants issued in connection with the financing.

Gain on Business Acquisition. There was no gain on business acquisition during the year ended December 31, 2014 compared to $1,004,099 during the year ended December 31, 2013. The gain recognized in the 2013 period related to the acquisition of Delos in February 2013. We were able to acquire the customer relationships and wireless network of Delos at a discounted price as the challenging economic environment during this period made it difficult for smaller companies to raise capital to sustain their growth.

Loss from Continuing Operations. Loss from continuing operations totaled $11,032,610 for the year ended December 31, 2014 compared to $9,072,261 for the year ended December 31, 2013 representing an increase of $1,960,349, or 22%. Revenues decreased by $1,956,403 in 2014 which represented 100% of the increased loss. Operating expenses decreased by $2,455, 259 in 2014 but this benefit was offset by interest expense which increased by $1,455,105 in 2014 and the absence of gains on business acquisition which totaled $1,004,099 in 2013.

Discontinued Operations – Shared Wireless

Revenues. Revenues for the Shared Wireless segment totaled $3,099,972 during the year ended December 31, 2014 compared to $1,540,700 during the year ended December 31, 2013 representing an increase of $1,559,272 or greater than 100%. The increase was primarily related to a full year of revenues recognized in 2014 under a large cable company customer contract which commenced in July 2013.

Cost of Revenues. Cost of revenues totaled $14,220,122 during the year ended December 31, 2014 compared to $11,980,097 during the year ended December 31, 2013 representing an increase of $2,240,025 or 19%. Rents for street level rooftops for the Shared Wireless segment increased by approximately $2,282,000. The number of street level rooftops for the Shared Wireless segment were approximately 12% higher at December 31, 2014 compared to December 31, 2013.

Depreciation. Depreciation totaled $3,957,784 during the year ended December 31, 2014 compared to $3,508,647 during the year ended December 31, 2013 representing an increase of $449,137 or 13%. The base of depreciable assets increased approximately 10% during 2014.

Customer Support Services. Customer support services totaled $683,208 during the year ended December 31, 2014 compared to $784,780 during the year ended December 31, 2013 representing a decrease of $101,572 or 13%.

Sales and Marketing. Sales and marketing expenses totaled $229,013 during the year ended December 31, 2014 compared to $301,578 during the year ended December 31, 2013 representing a decrease of $72,565, or 24%.

General and Administrative. General and administrative expenses totaled $568,985 during the year ended December 31, 2014 compared to $668,626 during the year ended December 31, 2013 representing a decrease of $99,641, or 15%.

Loss from Discontinued Operations. Loss from discontinued operations totaled $16,559,140 for the year ended December 31, 2014 compared to $15,703,028 for the year ended December 31, 2013 representing an increase of $856,112, or 5%. Revenues increased by $1,559, 272 in 2015 but were offset by cost of revenues which increased by $2,240,025 in 2015. The net effect of these two items totaled $680,753 which represented 80% of the increased loss in 2015.

Liquidity and Capital Resources

We have historically met our liquidity and capital requirements primarily through the public sale and private placement of equity securities and debt financing. Changes in capital resources during the year ended December 31, 2015 and 2014 are described below. At February 28, 2016, we had cash and cash equivalents totaling approximately $11,411,000.

Net Cash Used In Operating Activities. Net cash used in operating activities for the year ended December 31, 2015 totaled $15,253,754 compared to $13,413,128 for the year ended December 31, 2014 representing an increase of $1,840,626, or 14%. Revenues generated from continuing operations decreased to $27,905,023 in 2015 from $29,936,181 in 2014, representing a decrease of $2,031,158 which adversely impacted cash flows available to support operating activities.

Net cash used in operating activities for the year ended December 31, 2014 totaled $13,413,128 compared to $9,484,438 for the year ended December 31, 2013 representing an increase of $3,928,690, or 41%. Revenues from continuing operations decreased to $29,936,181 in 2014 from $31,892,584 in 2013, representing a decrease of $1,956,403. Cost of revenues from discontinuing operations increased to $14,220,122 in 2014 from $11,980,097 in 2013, representing an increase of $2,240,025.

Net Cash Used in Investing Activities. Net cash used in investing activities for the year ended December 31, 2015 totaled $6,683,405 compared to $7,036,756 for the year ended December 31, 2014 representing a decrease of $353,351 or 5%. Cash capital expenditures from continuing operations increased to $6,487,040 in the 2015 period from $5,086,298 in the 2014 period representing an increase of $1,400,742, or 28%. Cash capital expenditures from discontinued operations decreased to $240,248 in 2015 from $2,220,644 in the 2014 period. Capital expenditures can fluctuate from period to period depending upon the number of customer additions and upgrades, network construction activity related to increasing capacity or coverage, and other related reasons. In addition, we received an incentive payment of $380,000 in the 2014 period from our landlord in connection with entering a new lease agreement for our corporate offices. These funds were used to pay for qualified leasehold improvements to the facility.

Net cash used in investing activities for the year ended December 31, 2014 totaled $7,036,756 compared to $7,562,464 for the year ended December 31, 2013 representing a decrease of $525,708 or 7%. Cash capital expenditures for continuing operations decreased from $5,878,483 in the 2013 period to $5,086,298 in the 2014 period representing a decrease of $792,185, or 13%. Cash capital expenditures for discontinued operations increased from $1,264,893 in the 2013 period to $2,220,644 in the 2014 period, representing an increase of $955,751, or 76%. Capital expenditures can fluctuate from period to period depending upon the number of customer additions and upgrades, network construction activity related to increasing capacity or coverage, and other related reasons. In addition, we received an incentive payment of $380,000 in the 2014 period from our landlord in connection with entering a new lease agreement for our corporate offices. These funds were used to pay for qualified leasehold improvements to the facility. Finally, we paid cash of $225,000 for the acquisition of Delos in the 2013 period. There were no acquisitions in the 2014 period.

Net Cash (Used In) Provided by Financing Activities. Net cash used in financing activities for the year ended December 31, 2015 totaled $973,819 compared to net cash provided by financing activities of $30,295,862 for the year ended December 31, 2014, representing a decrease of $31,269,681, or greater than 100%. We received net proceeds of $31,056,260 in the fourth quarter of 2014 in connection with a debt financing.

Net cash provided by financing activities for the year ended December 31, 2014 totaled $30,295,862 compared to $30,076,207 for the year ended December 31, 2013, representing an increase of $219,655, or 1%. We received net proceeds of $31,056,260 in the fourth quarter of 2014 in connection with a debt financing. We received net proceeds of $30,499,336 in the first quarter of 2013 in connection with the sale of 11,000,000 shares of our common stock at a public offering price of $3.00 per share.

Acquisition of Delos. In February 2013, we completed the acquisition of Delos which was based in Houston, Texas. The aggregate consideration for the acquisition included (i) approximately $225,000 in cash, (ii) 385,124 shares of common stock with a fair value of approximately $951,000 based on the market price of our common stock on the closing date, and (iii) approximately $166,000 in assumed liabilities. The acquisition of Delos was a business combination accounted for under the acquisition method.

Discontinued Operations. In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. On March 9, 2016, the Company completed a sale and transfer of certain assets to a major cable company (the "Buyer"). The Asset Purchase Agreement provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide internet bandwidth to the Buyer at the locations governed by the leases. The agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days' notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in the accompanying consolidated financial statements. The net effect of the Buyer (i) assuming certain rooftop leases, (ii) entering into a backhaul services agreement, and (iii) terminating the access agreement is projected to result in a net reduction in cash requirements of approximately $6 million annually.

Underwritten Offering. In the first quarter of 2013, we completed an underwritten offering of 11,000,000 shares of our common stock at a public offering price of $3.00 per share. The total gross proceeds were $33,000,000 and net proceeds were approximately $30,499,336, after underwriting discounts, commissions and offering expenses.

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

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

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

In connection with the Loan Agreement and pursuant to a Warrant and Registration Rights Agreement, we issued warrants (the "Warrants") to purchase 3.6 million shares of common stock of which two-thirds have an exercise price of $1.26 and one-third have an exercise price of $0.01, subject to standard anti-dilution provisions. The Warrants have a term of seven and a half years. We have agreed to include the shares of common stock underlying the Warrants in a registration statement that must be filed no later than December 31, 2016.

Capital Resources. At December 31, 2015, the Company had cash and cash equivalents of approximately $15.1 million and working capital of approximately $13.5 million. Based on (i) current projections for revenues for its continuing operations, (ii) operating costs to support its continuing operations including the effect of cost reduction measures that are being implemented, and (iii) capital expenditures to support the network infrastructure, the Company believes that its current cash balances are sufficient to maintain operations and fulfill working capital requirements for the next twelve months from the date of filing this annual report. The Company has historically financed operations through private and public placement of equity securities, as well as debt financings and capital leases. The Company's ability to fund its longer term cash requirements is subject to multiple risks, many of which are beyond its control. Should additional funding be required, the Company may need to raise additional capital through the sale of equity or debt securities. There can be no assurances that the Company would be successful in raising additional capital.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and other commitments as of December 31, 2015:

	Payments due by period						
	Total	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Operating leases	$47,735,336	$19,885,917	$15,252,943	$ 8,286,819	$ 3,199,264	$ 741,907	$ 368,486
Long-term debt	36,748,903	-	-	-	36,748,903	-	-
Capital leases	2,092,035	1,110,428	837,811	143,796	-	-	-
Total	$86,576,274	$20,996,345	$16,090,754	$ 8,430,615	$39,948,167	$ 741,907	$ 368,486

Operating Leases. We have entered into operating leases related to roof rights, cellular towers, office space, and equipment leases under various non-cancelable agreements expiring through April 2025. Certain of these operating leases include extensions, at our option, for additional terms ranging from

1 to 25 years. Amounts associated with the extension periods have not been included in the table above as it is not presently determinable which options, if any, we will elect to exercise.

Long-Term Debt. We have entered into a loan agreement with Melody Business Finance, LLC. The $35 million term loan becomes due in October 2019. We had $1,453,347 of accrued PIK interest as of December 31, 2015.

Capital Leases. We have entered into capital leases to acquire network, rooftop tower site and customer premise equipment expiring through June 2018.

Impact of Inflation, Changing Prices and Economic Conditions

Pricing for many technology products and services have historically decreased over time due to the effect of product and process improvements and enhancements. In addition, economic conditions can affect the buying patterns of customers. In 2015, our customer base continued to upgrade to higher bandwidth products as business conditions and the general economy continued to improve. Customers continued to place a premium on value and performance. Pricing of services continued to be a focus for prospective buyers with multi-point and midrange product pricing remaining steady while competition for high capacity links intensified. In part, pressure on high capacity links was due to decreased costs for equipment and some competitors willing to sacrifice margins. We believe that our customers will continue to upgrade their bandwidth service. The continued migration of many business activities and functions to the Internet, and growing use of cloud computing should also result in increased bandwidth requirements over the long term. Inflation has remained relatively modest and has not had a material impact on our business in recent years.

Critical Accounting Policies

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

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

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

Business Acquisitions. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred on the acquisition date. When we acquire a business, we assess the acquired assets and liabilities assumed for the appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. The excess of the total consideration transferred over the net identifiable assets acquired and liabilities assumed is recognized as goodwill. If the total consideration is lower than the fair value of the identifiable net assets acquired, the difference is recognized as a gain on business acquisition. Acquisition costs are expensed and included in general and administrative expenses in our consolidated statements of operations.

The highest level of judgment and estimation involved in accounting for business acquisitions relates to determining the fair value of the customer relationships and network assets acquired. In each of the five acquisitions completed over the past four years, the highest asset value has been allocated to the customer relationships acquired. Determining the fair value of customer relationships involves judgments and estimates regarding how long the customers will continue to contract services with us. During the course of completing five acquisitions, we have developed a database of historical experience from prior acquisitions to assist us in preparing future estimates of cash flows. Similarly, we have used our historical experience in building networks to prepare estimates regarding the fair value of the network assets that we acquire.

Goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of identifiable net assets acquired in an acquisition. Goodwill is not amortized but rather is reviewed annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. We initially perform a qualitative assessment of goodwill which considers macro-economic conditions, industry and market trends, and the current and projected financial performance of the reporting unit. No further analysis is required if it is determined that there is a less than 50 percent likelihood that the carrying value is greater than the fair value.

Asset Retirement Obligations. The Financial Accounting Standards Board ("FASB") guidance on asset retirement obligations addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated costs. This guidance requires the recognition of an asset retirement obligation and an associated asset retirement cost when there is a legal obligation associated with the retirement of tangible long-lived assets. Our network equipment is installed on both buildings in which we have a lease agreement ("Company Locations") and at customer locations. In both instances, the installation and removal of our equipment is not complicated and does not require structural changes to the building where the equipment is installed. Costs associated with the removal of our equipment at Company or customer locations are not material, and accordingly, we have determined that we do not presently have asset retirement obligations under the FASB's accounting guidance.

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

Recent Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The new standard was effective for us on January 1, 2015. During the fourth quarter of 2015, we determined to exit the shared wireless infrastructure business. We concluded that this represented a strategic shift in operations, and accordingly, have presented the operating results and cash flows for this business as a discontinued operation in our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," which requires an entity to recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for us on January 1, 2018. Early application is only permitted as of January 1, 2017. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In June 2014, the FASB issued ASU No. 2014-12 ("ASU 2014-12"), "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," which requires a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. ASU 2014-12 states that the performance target should not be reflected in estimating the grant date fair value of the award. ASU 2014-12 clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the periods for which the requisite service has already been rendered. The new standard is effective for us on January 1, 2016. We do not expect adoption of ASU 2014-12 to have a significant impact on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014–15 ("ASU 2014-15"), "Presentation of Financial Statements – Going Concern." ASU 2014-15 provides GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The new standard is effective for us on January 1, 2017. We do not expect the adoption of ASU 2014–15 to have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03 ("ASU 2015-03"), "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as an asset. ASU 2015-03 is effective for us on January 1, 2016. Once adopted, entities are required to apply the new guidance retrospectively to all prior periods presented. The retrospective application represents a change in accounting principle. Early adoption is permitted for financial statements that have not been previously issued. We are currently evaluating the effect that ASU 2015-03 will have on our consolidated financial statements and related disclosures.

In May 2015, the FASB issued ASU No. 2015-07 ("2015-07"), "Fair Value Measurement." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for us on January 1, 2016. Early adoption is permitted. We do not expect the adoption of ASU 2015–07 to have a significant impact on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16 ("ASU 2015-16"), "Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments". The update requires that the acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined (not retrospectively as with prior guidance). Additionally, the acquirer must record in the same period's financial statements the effect on earnings of changes in depreciation, amortization or other income effects as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the time of acquisition.

The acquiring entity is required to disclose, on the face of the financial statements or in the footnotes to the financial statements, the portion of the amount recorded in current period earnings, by financial statement line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for us on January 1, 2016. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB has issued an update to ASU No. 2015-17 (“ASU 2015-17”) “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” The update requires a company to classify all deferred tax assets and liabilities as noncurrent. The update of ASU 2015-17 is effective for us on January 1, 2018. We do not expect the adoption of the update of ASU 2015–17 to have a significant impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 (“ASU 2016-01”), “Financial Instruments – Overall (Subtopic 825-10)”. ASU 2016-01 updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The new guidance is effective for us on January 1, 2018. We do not expect the adoption of ASU 2016–01 to have a significant impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 (“ASU 2016-02), “Leases (Topic 842).” ASU 2016-02 requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. ASU 2016-02 is effective for us on January 1, 2019. Early adoption is permitted. We are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Rate Risk

Market risk is the potential loss arising from adverse changes in market rates and prices. Our primary market risk relates to interest rates. At December 31, 2015, all cash and cash equivalents are immediately available cash balances. A portion of our cash and cash equivalents are held in institutional money market funds.

Interest Rate Risk

Our interest rate risk exposure is to a decline in interest rates which would result in a decline in interest income. Due to our current market yields, a further decline in interest rates would not have a material impact on earnings.

Foreign Currency Exchange Rate Risk

We do not have any material foreign currency exchange rate risk.

Item 8. Financial Statements and Supplementary Data.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders of
Towerstream Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Towerstream Corporation and Subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, stockholders’ equity and cash flows for the years ended December 31, 2015, 2014 and 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Towerstream Corporation and Subsidiaries as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years ended December 31, 2015, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Towerstream Corporation and Subsidiaries’ internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and our report dated, March 18, 2016, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Marcum LLP
Marcum LLP
New York, NY
March 18, 2016

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2015	As of December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ 15,116,531	$ 38,027,509
Accounts receivable, net	308,551	587,078
Prepaid expenses and other current assets	474,029	314,129
Current assets of discontinued operations	1,248,569	1,336,139
Current assets held for sale	5,315,107	7,875,241
Total Current Assets	22,462,787	48,140,096
Property and equipment, net	21,235,384	23,146,977
Intangible assets, net	1,273,030	2,199,858
Goodwill	1,674,281	1,674,281
Other assets	2,075,778	2,989,208
Long-term assets of discontinued operations	-	4,171,418
Total Assets	$ 48,721,260	$ 82,321,838
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 877,134	$ 757,208
Accrued expenses	1,629,218	1,955,878
Deferred revenues	1,486,754	1,384,846
Current maturities of capital lease obligations	992,690	845,668
Current liabilities of discontinued operations	3,907,368	196,861
Other	63,012	57,242
Total Current Liabilities	8,956,176	5,197,703
Long-Term Liabilities		
Long-term debt, net of debt discount of $2,053,520 and $3,194,147, respectively	34,695,383	32,101,409
Capital lease obligations, net of current maturities	932,826	1,285,858
Other	1,591,188	1,774,841
Total Long-Term Liabilities	37,219,397	35,162,108
Total Liabilities	46,175,573	40,359,811
Commitments (Note 16)		
Stockholders' Equity		
Preferred stock, par value $0.001; 5,000,000 shares authorized; none issued	-	-
Common stock, par value $0.001; 200,000,000 and 95,000,000 shares authorized, respectively; 66,810,149 and 66,656,789 shares issued and outstanding, respectively	66,810	66,657
Additional paid-in-capital	158,697,608	157,631,299
Accumulated deficit	(156,218,731)	(115,735,929)
Total Stockholders' Equity	2,545,687	41,962,027
Total Liabilities and Stockholders' Equity	$ 48,721,260	$ 82,321,838

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2015	2014	2013
Revenues	$ 27,905,023	$ 29,936,181	$ 31,892,584
Operating Expenses			
Cost of revenues (exclusive of depreciation)	10,603,845	10,299,906	9,874,066
Depreciation and amortization	9,643,583	9,681,631	11,842,794
Customer support services	4,425,764	4,127,294	4,113,459
Sales and marketing	5,864,267	5,341,178	5,477,922
General and administrative	9,957,538	9,767,404	10,364,431
Total Operating Expenses	40,494,997	39,217,413	41,672,672
Operating Loss	(12,589,974)	(9,281,232)	(9,780,088)
Other Income/(Expense)			
Interest expense, net	(6,652,786)	(1,672,846)	(217,741)
Gain on business acquisition	-	-	1,004,099
Total Other Income/(Expense)	(6,652,786)	(1,672,846)	786,358
Loss before income taxes	(19,242,760)	(10,954,078)	(8,993,730)
(Provision) benefit for income taxes	37,562	(78,532)	(78,531)
Loss from continuing operations	(19,205,198)	(11,032,610)	(9,072,261)
Loss from discontinued operations	(21,277,604)	(16,559,140)	(15,703,028)
Net Loss	$ (40,482,802)	$ (27,591,750)	$ (24,775,289)
Loss per share – basic and diluted			
Continuing	$ (0.28)	$ (0.16)	$ (0.14)
Discontinued	(0.32)	(0.25)	(0.24)
Net loss per share – basic and diluted	$ (0.60)	$ (0.41)	$ (0.38)
Weighted average common shares outstanding – basic and diluted	67,931,666	66,803,767	65,181,310

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2015, 2014 and 2013

	Common Stock		Additional Paid-In-	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2012	$ 54,670,712	$ 54,671	$ 121,118,127	(63,368,890)	$ 57,803,908
Cashless exercise of options	37,770	38	(38)	-	-
Exercise of options	284,688	285	292,104	-	292,389
Issuance of common stock under employee stock purchase plan	31,267	31	80,687	-	80,718
Issuance of common stock upon vesting of restricted stock awards	15,000	15	(15)	-	-
Net proceeds from issuance of common stock	11,000,000	11,000	30,488,336	-	30,499,336
Issuance of common stock for business acquisition	385,124	385	950,871	-	951,256
Stock-based compensation for options	-	-	1,182,523	-	1,182,523
Stock-based compensation for restricted stock	-	-	59,100	-	59,100
Net loss	-	-	-	(24,775,289)	(24,775,289)
Balance at December 31, 2013	66,424,561	66,425	154,171,695	(88,144,179)	66,093,941
Cashless exercise of options	192,270	192	(192)	-	-
Issuance of common stock under employee stock purchase plan	24,958	25	46,903	-	46,928
Issuance of common stock upon vesting of restricted stock awards	15,000	15	(15)	-	-
Stock-based compensation for options	-	-	953,470	-	953,470
Fair value of options repurchased	-	-	(3,793)	-	(3,793)
Debt discount associated with warrants issued in connection with issuance of debt	-	-	2,463,231	-	2,463,231
Net loss	-	-	-	(27,591,750)	(27,591,750)
Balance at December 31, 2014	66,656,789	66,657	157,631,299	(115,735,929)	41,962,027
Cashless exercise of options	96,594	96	(96)	-	-
Issuance of common stock under employee stock purchase plan	56,766	57	49,700	-	49,757
Stock-based compensation for options	-	-	1,016,705	-	1,016,705
Net loss	-	-	-	(40,482,802)	(40,482,802)
Balance at December 31, 2015	66,810,149	$ 66,810	$ 158,697,608	$ (156,218,731)	$ 2,545,687

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Cash Flows from Operating Activities			
Net Loss	$ (40,482,802)	$ (27,591,750)	$ (24,775,289)
Loss from discontinued operations	21,277,604	16,559,140	15,703,028
Loss from continuing operations	(19,205,198)	(11,032,610)	(9,072,261)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:			
Provision (benefit) for income taxes	(37,562)	78,532	78,531
Provision for doubtful accounts	132,000	322,000	85,000
Depreciation for property, plant and equipment	9,251,311	8,792,662	8,748,977
Amortization for customer based intangibles	392,272	888,969	3,093,817
Amortization of debt issuance costs	939,498	262,820	-
Amortization of debt discount	1,140,627	319,084	-
Accrued interest	1,453,347	295,556	-
Stock-based compensation	1,024,246	960,490	1,253,661
Impairment of intangible assets	534,555	-	-
Gain on business acquisition	-	-	(1,004,099)
Loss on sale and disposition of property and equipment	-	-	120,644
Deferred rent	(139,430)	376,860	575,541
Changes in operating assets and liabilities:			
Accounts receivable	146,527	(514,043)	208,506
Prepaid expenses and other current assets	(159,901)	80,377	(513,247)
Other assets	(70,841)	4,144	1,935,801
Account payable	119,925	(278,408)	(157,359)
Accrued expenses	19,486	(598,586)	(1,913,078)
Deferred revenues	101,908	(11,934)	(120,659)
Total Adjustments	14,847,968	10,978,523	12,392,036
Net Cash (Used In) Provided By Continuing Operating Activities	(4,357,230)	(54,087)	3,319,775
Net Cash Used In Discontinued Operating Activities	(10,896,524)	(13,359,041)	(12,804,213)
Net Cash Used In Operating Activities	(15,253,754)	(13,413,128)	(9,484,438)
Cash Flows From Investing Activities			
Acquisitions of property and equipment	(6,487,040)	(5,086,298)	(5,878,483)
Lease incentive payment from landlord	10,626	380,000	-
Acquisition of a business, net of cash acquired	-	-	(222,942)
Proceeds from sale of property and equipment	-	-	18,365
(Payments) refund of security deposits	(7,950)	(44,618)	359,358
Deferred acquisition payments	(11,517)	(67,246)	(162,987)
Net Cash Used in Continuing Investing Activities	(6,495,881)	(4,818,162)	(5,886,689)
Net Cash Used In Discontinued Investing Activities	(187,524)	(2,218,594)	(1,675,775)
Net Cash Used In Investing Activities	(6,683,405)	(7,036,756)	(7,562,464)
Cash Flows From Financing Activities			
Payments on capital leases	(1,016,035)	(796,513)	(784,198)
Proceeds upon exercise of options	-	-	292,389
Issuance of common stock under employee stock purchase plan	42,216	39,908	68,680
Net proceeds from debt financing	-	31,056,260	-
Fair value of options repurchased	-	(3,793)	-
Net proceeds from sale of common stock	-	-	30,499,336
Net Cash (Used In) Provided By Continuing Financing Activities	(973,819)	30,295,862	30,076,207
Net Cash (Used In) Provided By Discontinued Financing Activites	-	-	-
Net Cash (Used In) Provided By Financing Activities	(973,819)	30,295,862	30,076,207
Net (Decrease) Increase In Cash and Cash Equivalents			
Continuing Operations	(11,826,930)	25,423,613	27,509,293
Discontinued Operations	(11,084,048)	(15,577,635)	(14,479,988)
Net (Decrease) Increase In Cash and Cash Equivalents	(22,910,978)	9,845,978	13,029,305
Cash and Cash Equivalents – Beginning of year	38,027,509	28,181,531	15,152,226
Cash and Cash Equivalents – Ending of year	$ 15,116,531	$ 38,027,509	$ 28,181,531
Supplemental Disclosures of Cash Flow Information			
Cash paid during the periods for:			
Interest	$ 3,163,976	$ 833,364	$ 220,634
Taxes	$ 24,028	$ 24,609	$ 21,619
Non-cash investing and financing activities:			

Fair value of common stock issued for an acquisition	$ -	$ -	$ 951,256
Acquisition of property and equipment:			
Under capital leases	$ 810,026	$ 339,652	$ 80,894
Included in accrued expenses	$ 178,134	$ 524,280	$ 867,311

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

Note 1. Organization and Nature of Business

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

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation (“Hetnets”), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its “Shared Wireless Infrastructure” or “Shared Wireless” business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or “NYC”), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. As further described in Note 18, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the “Buyer”). The Asset Purchase Agreement provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide bandwidth to the Buyer at the locations governed by the leases. The agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days’ notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in these consolidated financial statements. Assets associated with the New York City network have been presented as Assets Held for Sale.

Note 2. Liquidity and Management Plans

At December 31, 2015, the Company had cash and cash equivalents of approximately $15.1 million and working capital of approximately $13.5 million. Based on (i) current projections for revenues for its continuing operations, (ii) operating costs to support its continuing operations including the effect of cost reduction measures that are being implemented, and (iii) capital expenditures to support the network infrastructure, the Company believes that its current cash balances are sufficient to maintain operations and fulfill working capital requirements for the next twelve months from the date of filing this annual report. The Company has historically financed operations through private and public placement of equity securities, as well as debt financings and capital leases. The Company's ability to fund its longer term cash requirements is subject to multiple risks, many of which are beyond its control. Should additional funding be required, the Company may need to raise additional capital through the sale of equity or debt securities. There can be no assurances that the Company would be successful in raising additional capital.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. At times, the Company’s cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2015, the Company had cash and cash equivalent balances of approximately $14,596,000 in excess of the federally insured limit of $250,000.

Accounts Receivable. Accounts receivable are stated at cost less an allowance for doubtful accounts which reflects the Company's estimate of balances that will not be collected. The allowance is based on the history of past write-offs, the aging of balances, collections experience and current credit conditions. Additions include provisions for doubtful accounts and deductions include customer write-offs. Changes in the allowance for doubtful accounts were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Beginning	$ 59,273	$ 81,009	$ 190,109
Additions	132,000	322,000	85,000
Deductions	(98,410)	(343,736)	(194,100)
Ending	$ 92,863	$ 59,273	$ 81,009

Property and Equipment. Property and equipment are stated at cost and include equipment, installation costs and materials. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives or the term of the respective lease. Network, base station, shared wireless infrastructure and customer premise equipment are depreciated over estimated useful lives of 5 years; furniture, fixtures and other from 3 to 5 years and information technology from 3 to 5 years.

Expenditures for maintenance and repairs which do not extend the useful life of the assets are charged to expense as incurred. Gains or losses on disposals of property and equipment are reflected in general and administrative expenses in the Company's consolidated statements of operations.

FCC Licenses. Federal Communications Commission ("FCC") licenses are initially recorded at cost and are considered to be intangible assets with an indefinite life because the Company is able to maintain the license indefinitely as long as it complies with certain FCC requirements. The Company intends to and has demonstrated an ability to maintain compliance with such requirements. The Financial Accounting Standards Board's ("FASB") guidance on goodwill and other intangible assets states that an asset with an indefinite useful life is not amortized. However, as further described in the next paragraph, these assets are reviewed annually for impairment.

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

The FASB's guidance on asset retirement obligations addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated costs. This guidance requires the recognition of an asset retirement obligation and an associated asset retirement cost when there is a legal obligation associated with the retirement of tangible long-lived assets. The Company's network equipment is installed on both buildings in which the Company has a lease agreement ("Company Locations") and at customer locations. In both instances, the installation and removal of the Company's equipment is not complicated and does not require structural changes to the building where the equipment is installed. Costs associated with the removal of the Company's equipment at company or customer locations are not material, and accordingly, the Company has determined that it does not presently have asset retirement obligations under the FASB's accounting guidance.

Business Acquisitions. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred on the acquisition date. When the Company acquires a business, it assesses the acquired assets and liabilities assumed for the appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. The excess of the total consideration transferred over the net identifiable assets acquired and liabilities assumed is recognized as goodwill. If this consideration is lower than the fair value of the identifiable net assets acquired, the difference is recognized as a gain on business acquisition. Acquisition costs are expensed and included in general and administrative expenses in the Company's consolidated statements of operations.

The highest level of judgment and estimation involved in accounting for business acquisitions relates to determining the fair value of the customer relationships and network assets acquired. In each of the five acquisitions completed over the past four years, the highest asset value has been allocated to the customer relationships acquired. Determining the fair value of customer relationships involves judgments and estimates regarding how long the customers will continue to contract services with the Company. During the course of completing five acquisitions, the Company has developed a database of historical experience from prior acquisitions to assist in preparing future estimates of cash flows. Similarly, the Company has used its historical experience in building networks to prepare estimates regarding the fair value of the network assets that it acquires.

Goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of identifiable net assets acquired in an acquisition. Goodwill is not amortized but rather is reviewed annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The Company initially performs a qualitative assessment of goodwill which considers macro-economic conditions, industry and market trends, and the current and projected financial performance of the reporting unit. No further analysis is required if it is determined that there is a less than 50 percent likelihood that the carrying value is greater than the fair value. The Company completed a qualitative and quantitative assessment and determined that there was no impairment of goodwill as of December 31, 2015 and 2014, respectively.

Fair Value of Financial Instruments. The Company has categorized its financial assets and liabilities measured at fair value into a three-level hierarchy in accordance with the FASB's guidance. Fair value is defined as an exit price, the amount that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Financial assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial assets and liabilities that are rarely traded or not quoted have less price observability and are generally measured at fair value using valuation models that require more judgment. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be taken in the Company's income tax returns are recognized in the consolidated financial statements if such positions are more likely than not to be sustained upon examination.

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

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

Advertising Costs. The Company charges advertising costs to expense as incurred. Advertising costs for the years ended December 31, 2015, 2014 and 2013 were approximately $1,058,000, $1,133,000 and $1,100,000, respectively, and are included in sales and marketing expenses in the Company's consolidated statements of operations.

Stock-Based Compensation. The Company accounts for stock-based awards issued to employees in accordance with FASB guidance. Such awards primarily consist of options to purchase shares of common stock. The fair value of stock-based awards is determined on the grant date using a valuation model. The fair value is recognized as compensation expense, net of estimated forfeitures, on a straight line basis over the service period which is normally the vesting period.

Basic and Diluted Net Loss Per Share. Basic and diluted net loss per share has been calculated by dividing net loss by the weighted average number of common shares outstanding during the period. All potentially dilutive common shares have been excluded since their inclusion would be anti-dilutive.

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

	Years Ended December 31,		
	2015	**2014**	**2013**
Stock options	4,340,042	3,997,695	4,055,016
Warrants	2,850,000	2,850,000	450,000
Total	7,190,042	6,847,695	4,505,016

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

Segments. The Company determined that the Shared Wireless Infrastructure and Fixed Wireless businesses represented separate business segments. In addition, the Company established a Corporate Group so that centralized operating and administrative activities which supported both businesses could be reported separately. During the fourth quarter of 2015, the Company determined to exit the Shared Wireless Infrastructure business. As a result, its operating results for all periods presented are being reported as discontinued operations in these financial statements. The operating results of the Fixed Wireless business are being reported as continuing operations. Costs associated with the Corporate Group are included in continuing operations.

Recent Accounting Pronouncements. In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The new standard was effective for the Company on January 1, 2015. During the fourth quarter of 2015, the Company determined to exit the shared wireless infrastructure business. The Company concluded that this represented a strategic shift in operations, and accordingly, has presented the operating results and cash flows for this business as a discontinued operation in these consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," which requires an entity to recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. ASU 2014-09 will replace most existing revenue recognition guidance in Generally Accepted Accounting Principles ("GAAP") when it becomes effective. The new standard is effective for the Company on January 1, 2018. Early application is only permitted as of January 1, 2017. The Company is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In June 2014, the FASB issued ASU No. 2014-12 ("ASU 2014-12"), "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," which requires a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. ASU 2014-12 states that the performance target should not be reflected in estimating the grant date fair value of the award. ASU 2014-12 clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the periods for which the requisite service has already been rendered. The new standard is effective for the Company on January 1, 2016. The Company does not expect adoption of ASU 2014-12 to have a significant impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014–15 ("ASU 2014-15"), "Presentation of Financial Statements – Going Concern." ASU 2014-15 provides GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The new standard is effective for the Company on January 1, 2017. The Company does not expect the adoption of ASU 2014–15 to have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03 ("ASU 2015-03"), "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as an asset. ASU 2015-03 is effective for the Company on January 1, 2016. Once adopted, entities are required to apply the new guidance retrospectively to all prior periods presented. The retrospective application represents a change in accounting principle. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effect that ASU 2015-03 will have on its consolidated financial statements and related disclosures.

In May 2015, the FASB issued ASU No. 2015-07 ("2015-07"), "Fair Value Measurement." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for the Company on January 1, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2015–07 to have a significant impact on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16 ("ASU 2015-16"), "Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments". The update requires that the acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined (not retrospectively as with prior guidance). Additionally, the acquirer must record in the same period's financial statements the effect on earnings of changes in depreciation, amortization or other income effects as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the time of acquisition. The acquiring entity is required to disclose, on the face of the financial statements or in the footnotes to the financial statements, the portion of the amount recorded in current period earnings, by financial statement line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for the Company on January 1, 2016. The adoption of this standard is not expected to have a material impact on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16 ("ASU 2015-16"), "Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments". The update requires that the acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined (not retrospectively as with prior guidance). Additionally, the acquirer must record in the same period's financial statements the effect on earnings of changes in depreciation, amortization or other income effects as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the time of acquisition. The acquiring entity is required to disclose, on the face of the financial statements or in the footnotes to the financial statements, the portion of the amount recorded in current period earnings, by financial statement line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for the Company on January 1, 2016. The adoption of this standard is not expected to have a material impact on its consolidated financial statements.

In November 2015, the FASB has issued an update to ASU No. 2015-17 ("ASU 2015-17") "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." The update requires a company to classify all deferred tax assets and liabilities as noncurrent. The update of ASU 2015-17 is effective for the Company on January 1, 2018. The Company does not expect the adoption of the update of ASU 2015–17 to have a significant impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 ("ASU 2016-01"), "Financial Instruments – Overall (Subtopic 825-10)". ASU 2016-01 updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The new guidance is effective for us on January 1, 2018. The Company does not expect the adoption of ASU 2016–01 to have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 ("ASU 2016-02), "Leases (Topic 842)." ASU 2016-02 requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. ASU 2016-02 is effective for the Company on January 1, 2019. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements.

Note 4. Business Acquisitions

Delos Internet

In February 2013, the Company completed the acquisition of Delos Internet ("Delos"). The Company obtained full control of Delos and determined that the acquisition was a business combination to be accounted for under the acquisition method. The following table summarizes the consideration transferred and the amounts of identified assets acquired and liabilities assumed at the acquisition date. The number of shares issued was determined based on the closing price of the Company's common stock on the February 28, 2013 closing date which was $2.47.

	Original	Adjustments	Final
Fair value of consideration transferred:			
Cash	$ 225,000	$ -	$ 225,000
Common stock	1,071,172	(119,916)	951,256
Other liabilities assumed	-	36,733	36,733
Capital lease obligations assumed	128,929	-	128,929
Total consideration transferred	1,425,101	(83,183)	1,341,918
Fair value of identifiable assets acquired and liabilities assumed:			
Cash	2,058	-	2,058
Accounts receivable	80,524	1,286	79,238
Property and equipment	826,524	18,824	807,700
Security deposits	1,993	-	1,993
Accounts payable	(26,970)	2,566	(29,536)
Deferred revenue	(62,110)	(2,135)	(59,975)
Other liabilities	(89,930)	-	(89,930)
Total identifiable net tangible assets	732,089	20,541	711,548
Customer relationships	1,634,469	-	1,634,469
Total identifiable net assets	2,366,558	20,541	2,346,017
Gain on business acquisition	$ 941,457	$ 62,642	$ 1,004,099

The Company recognized a gain on business acquisition of $1,004,099 which is included in other income (expense) in the Company's consolidated statements of operations for the year ended December 31, 2013. The challenging economic environment during 2012 made it difficult for smaller companies like Delos to raise sufficient capital to sustain their growth. As a result, the Company was able to acquire the customer relationships and wireless network of Delos at a discounted price.

In May 2013, the Company finalized the purchase price of Delos which resulted in a reduction of approximately $21,000 of identifiable net assets and an increase in the gain on business acquisition of approximately $63,000. The purchase price adjustment resulted in a decrease in the number of shares of common stock issued to Delos of 48,549 from 433,673 to 385,124 shares.

The results of operations of Delos have been included in the Company's consolidated statements of operations since the completion of the acquisition in February 2013. Revenues generated from customers acquired from Delos totaled approximately $517,000 for the year ended December 31, 2013.

During the year ended December 31, 2013, the Company incurred approximately $99,000 of third-party costs in connection with the Delos acquisition. These expenses are included in the general and administrative expenses in the Company’s consolidated statements of operations.

Pro Forma Information

The following table reflects the unaudited pro forma results from continuing operations had the Delos acquisition taken place at the beginning of the 2013 period:

	Year Ended December 31, 2013
Revenues	$ 32,005,154
Amortization expense	3,159,196
Total operating expenses	41,844,651
Net loss	(9,131,670)
Basic net loss per share	$ (0.14)

The pro forma information presented above does not purport to present what actual results would have been had the Delos acquisition actually occurred at the beginning of 2013 nor does the information project results for any future period.

Note 5. Discontinued Operations and Assets Held for Sale

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"), to operate a new business designed to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets built a carrier-class network which offered a shared wireless infrastructure platform, primarily for (i) co-location of customer owned antenna and related equipment and (ii) Wi-Fi access and offloading. The Company referred to this as its "Shared Wireless Infrastructure" or "Shared Wireless" business. During the fourth quarter of 2015, the Company determined to exit this business and curtailed activities in its smaller markets, and recognized charges of $3,284,466 representing the estimated cost to settle lease obligations, $1,618,540 to write-off network assets which could not be redeployed into the fixed wireless network, $45,114 related to security deposits which are not expected to be recovered, and $410,991 related to the accelerated expensing of deferred acquisition costs. The remaining network, located in New York City (or "NYC"), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and continuing into the first quarter of 2016 to sell the New York City network. As further described in Note 18, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the "Buyer"). The Asset Purchase Agreement provided that the Buyer would assume certain rooftop leases in NYC and acquire ownership of the Wi-Fi access points and related equipment associated with operating the network. The Company retained ownership of all backhaul and related equipment and the parties entered into a backhaul services agreement under which the Company will provide internet bandwidth to the Buyer at the locations governed by the leases. The agreement is for a three year period with two, one year renewals and is cancellable by the Buyer on sixty days' notice. The operating results and cash flows for Hetnets have been presented as discontinued operating results in these consolidated financial statements. Assets associated with the New York City network have been presented as Assets Held for Sale.

Discontinued Operations

A more detailed presentation of loss from discontinued operations is set forth below. There has been no allocation of consolidated interest expense to discontinued operations. General and administrative expenses for 2015 includes $1,618,540 to write-off network assets which could not be deployed.

	Year Ended December 31,		
	2015	2014	2013
Revenues	$ 3,370,181	$ 3,099,972	$ 1,540,700
Operating expenses:			
Cost of revenues	17,751,033	14,220,122	11,980,097
Depreciation and amortization	4,032,219	3,957,784	3,508,647
Customer support services	710,368	683,208	784,780
Sales and marketing	145,954	229,013	301,578
General and administrative	2,008,211	568,985	668,626
Total operating expenses	24,647,785	19,659,112	17,243,728
Loss from discontinued operations	$ (21,277,604)	$ (16,559,140)	$ (15,703,028)

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

	As of December 31,	
	2015	2014
Assets:		
Accounts receivable, net	$ 715,993	$ 723,569
Prepaid expenses and other current assets	278,891	612,570
Deferred acquisitions costs	253,685	-
Total Current Assets	$ 1,248,569	$ 1,336,139
Long-Term Assets:		
Property and equipment	-	3,233,486
Deferred acquisitions costs	-	879,518
Security deposits	-	58,414
Total Long Term Assets	$ -	$ 4,171,418
Liabilities:		
Accounts payable	$ 556,800	$ 114,042
Accrued expenses	66,101	82,819
Accrued expenses - network	3,284,467	-
Total Current Liabilities	$ 3,907,368	$ 196,861

Assets Held for Sale

The components of the balance sheet accounts presented as Assets Held for Sale were as follows:

	As of December 31,	
	2015	2014
Security deposits	$ 356,108	$ 350,418
Wi-Fi and back-end equipment, net	4,958,999	7,524,823
Current assets held for sale	$ 5,315,107	$ 7,875,241

Note 6. Property and Equipment

Property and equipment is comprised of:

	As of December 31,	
	2015	2014
Network and base station equipment	$ 38,351,119	$ 35,836,469
Customer premise equipment	30,910,874	26,511,691
Information technology	4,810,865	4,628,555
Furniture, fixtures and other	1,713,722	1,669,340
Leasehold improvements	1,623,559	1,599,393
	77,410,139	70,245,448
Less: accumulated depreciation	56,174,755	47,098,471
Property and equipment, net	$ 21,235,384	$ 23,146,977

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

	As of December 31,	
	2015	2014
Network and base station equipment	$ 2,620,898	$ 2,234,180
Customer premise equipment	669,792	246,484
Information technology	1,860,028	1,860,028
	5,150,718	4,340,692
Less: accumulated depreciation	3,114,968	2,135,534
Property acquired through capital leases, net	$ 2,035,750	$ 2,205,158

Note 7. Intangible Assets

Intangible assets consist of the following:

	As of December 31, 2015	As of December 31, 2014
Goodwill	$ 1,674,281	$ 1,674,281
Customer relationships	$ 11,856,126	$ 11,856,127
Less: accumulated amortization of customer relationships	11,333,096	10,940,824
Customer relationships, net	523,030	915,303
FCC licenses	1,284,555	1,284,555
Impairment charge	(534,555)	-
FCC licenses, net	750,000	1,284,555
Intangible assets, net	$ 1,273,030	$ 2,199,858

Amortization expense for the years ended December 31, 2015, 2014 and 2013 was $392,272, $888,969 and $3,093,817, respectively. The customer contracts acquired in May 2011 for the One Velocity, Inc. acquisition were amortized over a 30 month period ending November 2013. The customer contracts acquired in the Color Broadband Communications acquisition were amortized over a 28 month period ending April 2014. The customer contracts acquired in the Delos acquisition are being amortized over a 50 month period ending April 2017. As of December 31, 2015, the remaining amortization period for the Delos acquisition was 16 months. Balances related to the Company's other acquisitions have been fully amortized. Future amortization expense is as follows:

Years Ending December 31,	
2016	392,272
2017	130,758
	$ 523,030

FCC licenses have an indefinite life but are subject to periodic renewal. The Company recognized an impairment charge of $534,555 in 2015 related to a spectrum license. The Company determined that changes being considered by the FCC would make commercial use of the spectrum uncertain and costly, and that the coverage area of the spectrum was not consistent with its focus on dense urban markets. The expense is included in general and administrative expenses in the statement of operations. Based on prices paid at recent spectrum auctions, the Company believes that the remaining spectrum has a fair value higher than the cost basis at which it is reported in these financial statements.

Note 8. Accrued Expenses

Accrued expenses consist of the following:

	As of December 31, 2015	As of December 31, 2014
Payroll and related	$ 551,448	$ 661,496
Professional services	427,932	256,534
Other	339,680	280,413
Property and equipment	176,614	506,883
Network	133,544	187,440
Marketing	-	63,112
Total	$ 1,629,218	$ 1,955,878

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

Note 9. Other Liabilities

Other liabilities consist of the following:

	As of December 31, 2015	As of December 31, 2014
Current		
Deferred rent	$ 63,012	$ 46,058
Deferred acquisition payments	-	11,184
Total	$ 63,012	$ 57,242
Long-Term		
Deferred rent	$ 1,227,414	$ 1,373,163
Deferred acquisition payments	-	341
Deferred taxes	363,774	401,337
Total	$ 1,591,188	$ 1,774,841

Deferred acquisition payments related to Delos totaled $11,525 at December 31, 2014 and bore interest at a rate of 7%.

Note 10. Long-Term Debt

In October 2014, the Company entered into a loan agreement (the "Loan Agreement") with Melody Business Finance, LLC (the "Lender") which provided the Company with a five-year $35 million term loan (the "Financing" or "Note"). The Note was issued at a 3% discount totaling $1,050,000 which is being amortized over the term of the Note. The Company recognized interest expense of $340,899 and $95,365 in connection with the amortization of this discount for the years ended December 31, 2015 and 2014, respectively. The unamortized balance totaled $613,736 and $954,635 at December 31, 2015 and 2014 respectively.

The loan bears interest payable in cash at a rate equal to the greater of (i) the sum of the one month Libor rate on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind (“PIK”), or deferred, interest that accrues at 4% per annum. The Company paid $2,906,695 of interest and accrued $1,453,347 of PIK interest for the year ended December 31, 2015. The Company paid $591,111 of interest and accrued $295,556 of PIK interest for the year ended December 31, 2014. PIK interest is included in Interest expense, net in the accompanying consolidated statements of operations.

In October 2019, the Company must repay the principal amount outstanding plus all accrued interest. The Company has the option of prepaying the loan (i) on or before October 16, 2016 (the “Second Anniversary”), but only in full, and (ii) at any time after the Second Anniversary, in the minimum principal amount of $5,000,000 or in full if the balance outstanding is less. All optional prepayments are subject to certain premiums. Mandatory prepayments are required upon the occurrence of certain events, including but not limited to the (i) sale, lease, conveyance or transfer of certain assets, (ii) issuance or incurrence of indebtedness other than certain permitted debt, (iii) issuance of capital stock redeemable for cash or convertible into debt securities and (iv) any change of control. As further set forth in a security agreement (the “Security Agreement”), repayment of the loan is secured by a first priority lien and security interest in all of the assets of the Company and its subsidiaries, excluding capital stock of the Company, and certain capital leases, contracts and assets secured by purchase money security interests.

The Loan Agreement also contains representations and warranties by the Company and the Lender, certain indemnification provisions in favor of the Lender and customary covenants (including limitations on other debt, liens, acquisitions, investments and dividends), and events of default (including payment defaults, breaches of covenants, a material impairment in the Lender’s security interest or in the collateral, and events relating to bankruptcy or insolvency). Upon the occurrence of an event of default, an additional 5% interest rate will be applied to the outstanding loan balances, and the Lender may terminate its lending commitment, declare all outstanding obligations immediately due and payable, and take such other actions as set forth in the Loan Agreement. As of December 31, 2015, the Company was in compliance with all of the debt covenants.

In connection with the Loan Agreement and pursuant to a Warrant and Registration Rights Agreement, the Company issued warrants (the “Warrants”) to purchase 3,600,000 shares of common stock of which two-thirds have an exercise price of $1.26 and one-third have an exercise price of $0.01, subject to customary adjustments under certain circumstances. The Warrants have a term of seven and a half years. The fair value of the warrants granted to the Lender of $2,463,231 was calculated using the Black-Scholes option pricing model and recorded as a debt discount. The debt discount is being amortized over the term of the Note using the effective interest rate. The Company recognized interest expense of $799,727 and $223,719 in connection with the amortization of this discount for the years ended December 31, 2015 and 2014, respectively. The unamortized balance totaled $1,439,785 and $2,239,512 at December 31, 2015 and 2014, respectively.

The warrant holders have piggyback registration rights requiring the inclusion of the shares of common stock issuable upon exercise of the Warrants (the “Warrant Shares”) in any registration statement filed by the Company. In addition, the Company has agreed to file a registration statement to register for resale all of the Warrant Shares and cause the registration statement to become effective by December 31, 2016 (the “Required Registration Statement”). If the Required Registration Statement is not declared effective by the required date, then the Company shall pay the holders liquidated damages in the aggregate amount of $5,000 per month, up to $50,000 in total, until both the Required Registration Statement has become effective and the Warrant Shares are listed.

The Company incurred costs, primarily professional services, of approximately $2,900,000 related to the Loan Agreement. These costs were recorded as other assets in the Company’s consolidated balance sheet and are being amortized over the term of the Loan Agreement using the effective interest rate. Amortization expense totaled $939,498 and $262,820 for the years ended December 31, 2015 and 2014, respectively. The unamortized balance totaled $1,691,421 and $2,630,919 at December 31, 2015 and 2014, respectively.

Note 11. Capital Stock

The Company is authorized to issue 200,000,000 shares of common stock at a par value of $0.001. The holders of common stock are entitled to one vote per share. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of legally available funds. Upon liquidation, dissolution or winding-up, the holders of the Company’s common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of the Company’s common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of the Company’s common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of the board of directors and issued in the future. At the Company’s annual meeting in August 2015, the shareholders approved an increase in the number of authorized shares of common stock from 95,000,000 to 200,000,000.

In November 2010, the Company adopted a shareholder rights plan (the “Rights Plan”). Under the Rights Plan, the Company issued one preferred share purchase right for each share of the Company's common stock held by shareholders of record as of the close of business on November 24, 2010. In general, the rights will become exercisable if a person or group acquires 15% or more of the Company’s common stock or announces a tender offer or exchange offer for 15% or more of the Company’s common stock. Each holder of a right will be allowed to purchase one one-hundredth of a share of a newly created series of the Company’s preferred shares at an exercise price of $18.00. The rights will expire on November 8, 2020. The Company may redeem the rights for $0.001 each at any time until the tenth business day following public announcement that a person or group has acquired 15% or more of its outstanding common stock.

Stock options were exercised by current or former employees as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Cash basis:			
Total options exercised	-	-	284,688
Total proceeds received	$ -	$ -	$ 292,389
Cashless basis:			
Total options exercised	426,530	340,906	135,471
Net issuance of common stock	96,594	192,270	37,770

Under a cashless exercise, the holder uses a portion of the shares that would otherwise be issuable upon exercise, rather than cash, as consideration for the exercise. The amount of net shares issuable in connection with a cashless exercise will vary based on the exercise price of the option or warrant compared to the current market price of the Company’s common stock on the date of exercise.

In February and March 2013, the Company completed an underwritten offering at $3.00 per share which resulted in gross proceeds of $33,000,000 and the issuance of 11,000,000 shares. The Company incurred costs of approximately $2,501,000 related to the offering.

In February 2013, the Company issued 433,673 shares of common stock to Delos as part of the consideration paid for the acquisition. The fair value of the common stock issued was $1,071,172. In May 2013, the Company reduced the number of shares of common stock issued to Delos by 48,549 as a result of an adjustment to the purchase price. The reduction of common stock had a fair value of $119,916.

Note 12. Stock Option Plans and Warrants

Stock Options Plans

The 2007 Equity Compensation Plan (the “2007 Plan”) became effective in January 2007 and provides for the issuance of options, restricted stock and other stock-based instruments to officers and employees, consultants and directors of the Company. The total number of shares of common stock issuable under the 2007 Plan is 2,403,922. A total of 2,136,849 stock options or common stock have been issued under the 2007 Plan as of December 31, 2015.

The 2007 Incentive Stock Plan became effective in May 2007 and provides for the issuance of up to 2,500,000 shares of common stock in the form of options or restricted stock (the “2007 Incentive Stock Plan”). Shareholders approved an increase in the number of authorized shares of common stock issuable under the 2007 Incentive Stock Plan from 2,500,000 to 5,000,000 in November 2012. A total of 2,949,423 stock options, common stock or restricted stock have been issued under the 2007 Incentive Stock Plan as of December 31, 2015.

Options granted under both the 2007 Plan and the 2007 Incentive Plan have terms up to ten years and are exercisable at a price per share not less than the fair value of the underlying common stock on the date of grant. The total number of shares of common stock that remain available for issuance as of December 31, 2015 under the 2007 Plan and the 2007 Incentive Stock Plan combined is 2,317,650 shares.

The 2008 Non-Employee Directors Compensation Plan (the "2008 Directors Plan") became effective in August 2008 and provides for the issuance of up to 1,000,000 shares of common stock in the form of options or restricted stock. In November 2013, shareholders approved an increase in the number of shares of common stock issuable under the 2008 Directors Plan to 2,000,000. A total of 1,372,500 stock options or common stock have been issued under the 2008 Directors Plan as of December 31, 2015. Options granted under the 2008 Directors Plan have terms of up to ten years and are exercisable at a price per share equal to the fair value of the underlying common stock on the date of grant. The total number of shares of common stock that remain available for issuance as of December 31, 2015 under the 2008 Directors Plan is 627,500 shares.

The Company uses the Black-Scholes model to value options granted to employees, directors and consultants. Compensation expense, including the effect of forfeitures, is recognized over the period of service, generally the vesting period. The Company bases its forfeiture rate on past experience with a higher forfeiture rate applied in the initial years of the vesting period and lower rates applied in the later years of the vesting period. Stock-based compensation for the amortization of stock options granted under the Company's stock option plans totaled $1,016,705, $953,470, and $1,182,523 for the years ended December 31, 2015, 2014, and 2013, respectively. Stock-based compensation is included in general and administrative expenses in the accompanying consolidated statements of operations.

The unamortized amount of stock options expense was $585,688 as of December 31, 2015 which will be recognized over a weighted-average period of 0.8 year.

The fair values of stock option grants were calculated on the dates of grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	Years Ended December 31,		
	2015	**2014**	**2013**
Risk-free interest rate	1.5% - 1.7%	1.1% - 1.8%	0.8% - 1.9%
Expected volatility	58% - 77%	47% - 60%	65% - 68%
Expected life (in years)	4.1 - 4.2	4.1 - 5.3	5.0 - 6.5
Expected dividend yield	0%	0%	0%

The risk-free interest rate was based on rates established by the Federal Reserve. The Company's expected volatility was based upon the historical volatility for its common stock. The expected life of the Company's options was determined using the simplified method as a result of limited historical data regarding the Company's activity. Beginning in the fourth quarter of 2014, the Company began utilizing its historical data regarding the Company's activity as it relates to the expected life of stock options. The dividend yield is based upon the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future. The Company reviews its forfeiture rate annually to update its assumption for recent experience. Forfeiture rates used in 2015 ranged from 3% to 10%.

During the first quarter of 2011, the Company issued 90,000 shares of restricted stock to two executives. The fair value of $354,600 was based on the closing market price of the Company's common stock on the date of grant. The restricted stock vested over a three year period, of which 60,000 shares were vested and 30,000 shares of restricted stock were forfeited due to the resignation of an executive in November 2012. Stock-based compensation for restricted stock totaled $59,100 for the year ended December 31, 2013 and was also the period in which the restricted stock was fully vested.

Option transactions under the stock option plans during the years ended December 31, 2015, 2014 and 2013 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as of January 1, 2013	3,916,045	$ 2.85
Granted during 2013	950,000	2.40
Exercised	(420,159)	1.23
Forfeited /expired	(390,870)	5.07
Outstanding as of December 31, 2013	4,055,016	2.70
Granted during 2014	737,073	1.42
Exercised	(340,906)	0.74
Forfeited /expired	(453,488)	1.78
Outstanding as of December 31, 2014	3,997,695	2.73
Granted during 2015	878,751	1.46
Exercised	(426,530)	1.58
Forfeited /expired	(109,874)	1.94
Outstanding as of December 31, 2015	4,340,042	$ 2.61
Exercisable as of December 31, 2015	3,372,743	$ 2.68

Grants under the stock option plans were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Annual grants to outside directors	200,000	200,000	200,000
Executive grants	231,251	172,073	125,000
Employee grants	447,500	315,000	625,000
Non-employee grants	-	50,000	-
Total	878,751	737,073	950,000

All options granted during the reporting period had a ten year term and were issued at an exercise price equal to the fair value on the date of grant. Director grants vest over a one year period from the date of issuance. Executive grants vesting periods range from vesting immediately upon issuance to vesting monthly or quarterly over a one or two year period from the date of issuance. Employee grants range from vesting immediately upon issuance to vesting over a one to three year period from the date of issuance. Non-employee grants vesting periods range from vesting immediately upon issuance to vesting over one year from the date of issuance.

Forfeited or expired options under the stock option plans were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Employee terminations	82,374	185,208	390,870
Expired	27,500	254,030	-
Repurchased	-	14,250	-
Total	109,874	453,488	390,870

The weighted-average fair values of the options granted during 2015, 2014, and 2013 were $0.68, $0.67, and $1.44, respectively. Outstanding options of 4,340,042 as of December 31, 2015 had exercise prices that ranged from $0.46 to $5.25 and had a weighted-average remaining contractual life of 6.8 years. Exercisable options of 3,372,743 as of December 31, 2015 had exercise prices that ranged from $0.68 to $5.25 and had a weighted-average remaining contractual life of 6.3 years.

As of December 31, 2015, there was no aggregate intrinsic value associated with the outstanding and exercisable options. The closing price of the Company's common stock at December 31, 2015, was $0.38 per share. The Company calculates the intrinsic value of stock options and warrants as the difference between the closing price of the Company's common stock at the end of the reporting period and the exercise price of the stock options and warrants.

Stock Warrants

Warrant transactions during the years ended December 31, 2015, 2014 and 2013 were as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as of December 31, 2013	450,000	$ 5.00
Granted during 2014	3,600,000	$ 0.84
Outstanding as of December 31, 2014 and 2015	4,050,000	$ 1.31

In October 2014, the Company issued 3,600,000 warrants to purchase shares of common stock under the Company's Financing of which 1,200,000 warrants had an exercise price of $0.01 per share and 2,400,000 warrants had an exercise price of $1.26 per share.

As of December 31, 2015, all warrants were exercisable and had a weighted average remaining contractual life of 5.7 years.

The aggregate intrinsic value associated with the warrants outstanding and exercisable as of December 31, 2015 was $444,000. The closing price of the Company's common stock at December 31, 2015 was $0.38 per share.

Note 13. Employee Benefit Programs

The Company has established a 401(k) retirement plan ("401(k) plan") which covers all eligible employees who have attained the age of twenty-one and have completed 30 days of employment with the Company. The Company can elect to match up to a certain amount of employees' contributions to the 401(k) plan. No employer contributions were made during the years ended December 31, 2015, 2014 and 2013.

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP Plan"), participants can purchase shares of the Company's stock at a 15% discount. A maximum of 200,000 shares of common stock can be issued under the ESPP Plan of which 168,346 shares have been issued to date and 31,654 shares are available for future issuance. During the years ended December 31, 2015, 2014, and 2013, a total of 56,766, 24,958, and 31,267 shares were issued under the ESPP Plan with a fair value of $49,757, $46,928 and $80,718 respectively. The Company recognized $7,541, $7,020, and $12,038 of stock-based compensation related to the 15% discount for the years ended December 31, 2015, 2014, and 2013 respectively.

Note 14. Income Taxes

The provision for income taxes consists of the following:

	Years Ended December 31,		
	2015	2014	2013
Current			
Federal	$ -	$ -	$ -
State	-	-	-
Total current	-	-	-
Deferred			
Federal	(6,521,134)	(3,694,966)	(2,994,771)
State	(1,150,789)	(652,053)	(528,489)
Change in valuation allowance	7,634,360	4,425,551	3,601,792
Total deferred	(37,562)	78,532	78,531
Provision for income taxes	$ (37,562)	$ 78,532	$ 78,531

The provision for income taxes using the U.S. Federal statutory tax rate as compared to the Company's effective tax rate is summarized as follows:

	Years Ended December 31,		
	2015	2014	2013
U.S. Federal statutory rate	(34.0)%	(34.0)%	(34.0)%
State taxes	(6.0)%	(6.0)%	(6.0)%
Permanent differences	0.1%	0.1%	0.3%
Valuation allowance	39.8%	40.2%	40.0%
Effective tax rate	(0.1)%	0.3%	0.3%

The Company files income tax returns for Towerstream Corporation and its subsidiaries in the U.S. federal and various state principle jurisdictions. As of December 31, 2015, the tax returns for Towerstream Corporation for the years 2012 through 2015 remain open to examination by the Internal Revenue Service and various state authorities.

The Company's deferred tax assets (liabilities) consisted of the effects of temporary differences attributable to the following:

	Years Ended December 31,	
	2015	2014
Deferred tax assets		
Net operating loss carryforwards	$ 56,202,470	$ 43,362,260
Stock-based compensation	2,426,886	2,094,946
Intangible assets	2,481,960	2,583,348
Debt discount	695,259	252,788
Allowance for doubtful accounts	37,145	23,710
Other	1,388,166	32,716
Total deferred tax assets	63,231,886	48,349,768
Valuation allowance	(61,340,847)	(45,195,445)
Deferred tax assets, net of valuation allowance	1,891,039	3,154,323
Deferred tax liabilities		
Depreciation	(1,891,039)	(3,154,323)
Intangible assets	(363,774)	(401,337)
Total deferred tax liabilities	(2,254,813)	(3,555,660)
Net deferred tax liabilities	$ (363,774)	$ (401,337)

Accounting for Uncertainty in Income Taxes

ASC Topic 740 clarifies the accounting and reporting for uncertainties in income tax law. ASC Topic 740 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The guidance also provides direction on derecogntion, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2015 and 2014, the Company has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's financial statements. The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses. No interest and penalties were recorded during the years ended December 31, 2015, 2014, and 2013. The Company does not expect its unrecognized tax benefit position to change during the next twelve months.

NOL Limitations

The Company's utilization of net operating loss ("NOL") carryforwards is subject to an annual limitation due to ownership changes that have occurred previously or that could occur in the future as provided in Section 382 of the Internal Revenue Code, as well as similar state provisions. Section 382 limits the utilization of NOLs when there is a greater than 50% change of ownership as determined under the regulations. Since its formation, the Company has raised capital through the issuance of capital stock and various convertible instruments which, combined with the purchasing shareholders' subsequent disposition of these shares, has resulted in an ownership change as defined by Section 382, and also could result in an ownership change in the future upon subsequent disposition.

As of December 31, 2015, 2014 and 2013, the Company had approximately $140,506,000, $108,398,000, and $84,417,000, respectively, of federal and state NOL carryovers. Federal NOLs will begin expiring in 2027. State NOLs began expiring in 2012.

Valuation Allowance

In assessing the realizability of deferred tax assets, the Company has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial reporting standards, the Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Since both goodwill and the FCC licenses are considered to be assets with indefinite lives for financial reporting purposes, the related deferred tax liabilities cannot be used as a source of future taxable income for purposes of determining the need for a valuation allowance. Based upon this evaluation, a full valuation allowance has been recorded as of December 31, 2015 and 2014. The change in valuation allowance was $16,145,402 and $11,049,207, respectively, for the years ended December 31, 2015 and 2014 of which $8,511,042 and $6,623,656, respectively, pertains to discontinued operations.

Note 15. Fair Value Measurement

Valuation Hierarchy

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

Cash and cash equivalents are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short maturities. The carrying value of the Company's long-term debt is carried at cost as the related interest rate is at terms that approximate rates currently available to the Company. There were no changes in the valuation techniques during the year ended December 31, 2015.

	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2015	$ 15,116,531	$ 15,116,531	$ -	$ -
December 31, 2014	$ 38,027,509	$ 38,027,509	$ -	$ -

Note 16. Commitments

Operating Lease Obligations.

The Company has entered into operating leases related to roof rights, cellular towers, office space, and equipment leases under various non-cancelable agreements expiring through April 2025. Certain of these operating leases include extensions, at the Company's option, for additional terms ranging from 1 to 25 years. Amounts associated with the extension periods have not been included in the table below as it is not presently determinable which options, if any, the Company will elect to exercise. As of December 31, 2015, total future operating lease obligations were as follows:

Years Ending December 31,	
2016	$ 19,885,917
2017	15,252,943
2018	8,286,819
2019	3,199,264
2020	741,907
Thereafter	368,486
	$ 47,735,336

Rent expenses were as follows:

	Year Ended December 31 ,		
	2015	2014	2013
Points of Presence	$ 8,180,389	$ 7,746,573	$ 7,128,778
Street level rooftops	16,707,445	13,183,209	11,067,316
Corporate offices	382,234	336,437	518,245
Other	414,618	362,281	437,718
	$ 25,684,686	$ 21,628,500	$ 19,152,057

Rent expenses related to Points of Presence, street level rooftops and other were included in cost of revenues in the Company's consolidated statements of operations. Rent expense related to the Company's corporate offices was included in general and administrative expenses in the Company's consolidated statements of operations. The Company accrued $3,284,466 representing the estimated cost to settle lease obligations for street level rooftops in certain markets.

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

In December 2014, the Company entered into a new lease agreement in Florida, primarily for a second sales center. The lease commenced in February 2015 for 38 months with an option to renew for an additional 60 month period. Total annual rent payments begin at $53,130 and escalate by 3% annually.

Capital Lease Obligations

The Company has entered into capital leases to acquire property and equipment expiring through June 2018. As of December 31, 2015, total future capital lease obligations were as follows:

Years Ending December 31,		
2016		1,110,428
2017		837,811
2018		143,796
	$	2,092,035
Less: Interest expense		166,519
Total capital lease obligations	$	1,925,516
Current	$	992,690
Long-Term	$	932,826

Note 17. Quarterly Financial Information (unaudited)

Quarterly financial information for each quarter for the years ended December 31, 2015, 2014 and 2013 is set forth below. Additional information regarding the net loss from discontinued operations for the quarter ended December 31, 2015 is included in Note 5.

	Three Months Ended			
	March 31, 2015	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**
Revenues	$ 7,172,467	$ 7,030,908	$ 6,947,467	$ 6,754,181
Operating Expenses	10,168,913	10,014,564	9,837,277	10,474,243
Operating Loss	(2,996,446)	(2,983,656)	(2,889,810)	(3,720,062)
Other income (expense), net	(1,664,264)	(1,670,428)	(1,665,682)	(1,652,412)
Net Loss from continuing operations	(4,660,710)	(4,654,084)	(4,555,493)	(5,372,473)
Net Loss from discontinued operations	(4,262,356)	(4,196,727)	(3,953,933)	(8,864,588)
Net Loss per common share – basic and diluted				
Continuing Operations	(0.07)	(0.07)	(0.07)	(0.08)
Discontinued Operations	(0.06)	(0.06)	(0.06)	(0.13)
Weighted average number of shares outstanding - basic and diluted	67,856,789	67,924,379	67,966,261	67,977,529

	Three Months Ended			
	March 31, 2014	**June 30, 2014**	**September 30, 2014**	**December 31, 2014**
Revenues	$ 7,639,557	$ 7,526,478	$ 7,507,640	$ 7,262,506
Operating Expenses	10,097,304	9,709,394	9,539,442	9,871,273
Operating Loss	(2,457,747)	(2,182,916)	(2,031,802)	(2,608,767)
Other income (expense), net	(63,052)	(59,488)	(43,970)	(1,506,336)
Net Loss from continuing operations	(2,520,799)	(2,242,404)	(2,075,772)	(4,115,103)
Net Loss from discontinued operations	(3,989,008)	(4,152,202)	(4,178,301)	(4,239,629)
Net Loss per common share – basic and diluted				
Continuing Operations	(0.04)	(0.03)	(0.03)	(0.06)
Discontinued Operations	(0.06)	(0.06)	(0.06)	(0.06)
Weighted average number of shares outstanding - basic and diluted	66,439,061	66,478,686	66,643,804	67,642,056

	Three Months Ended			
	March 31, 2013	**June 30, 2013**	**September 30, 2013**	**December 31, 2013**
Revenues	$ 8,140,747	$ 8,015,667	$ 7,864,728	$ 7,871,442
Operating Expenses	10,834,621	10,348,511	10,228,784	10,260,756
Operating Loss	(2,693,874)	(2,332,844)	(2,364,056)	(2,389,314)
Other income (expense), net	905,843	3972	(59,613)	(63,844)
Net Loss from continuing operations	(1,788,031)	(2,328,872)	(2,423,668)	(2,453,160)
Net Loss from discontinued operations	(3,838,275)	(3,902,278)	(3,719,725)	(4,242,750)
Net Loss per common share – basic and diluted				
Continuing Operations	(0.03)	(0.04)	(0.04)	(0.04)
Discontinued Operations	(0.06)	(0.06)	(0.06)	(0.06)
Weighted average number of shares outstanding - basic and diluted	61,464,706	66,370,789	66,402,499	66,419,380

Note 18. Subsequent Events

On March 9, 2016, the Company completed a sale and transfer of certain assets pursuant to an Asset Purchase Agreement (the "Agreement") with a large cable company (the "Buyer"). Under the terms of the Agreement, the Buyer assumed certain rooftop leases and acquired ownership of and the right to operate the WiFi access point and related equipment associated with such leases. The Company retained ownership of all backhaul and related equipment, and the parties entered into a three year agreement under which the Company will provide backhaul services to the Buyer. The previous access agreement between the parties was terminated. The net effect of the Buyer (i) assuming certain rooftop leases, (ii) entering into a backhaul services agreement, and (iii) terminating the access agreement is projected to result in a net reduction in cash requirements of approximately $6 million annually.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective, as of December 31, 2015, in ensuring that material information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our system of internal control over financial reporting during the fourth quarter of the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel 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. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework in 2013.

Based on our assessment, our management has concluded that, as of December 31, 2015, our internal control over financial reporting is effective based on those criteria.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Audit Committee of the
Board of Directors and Shareholders of
Towerstream Corporation and Subsidiaries

We have audited Towerstream Corporation and Subsidiaries' (the “Company”) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

In our opinion, Towerstream Corporation and Subsidiaries maintained, in all material aspects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2015 and 2014 and the related consolidated statements of operations, stockholders’ equity, and cash flows for the years ended December 31, 2015 and 2014 and 2013 of the Company and our report dated March 18, 2016 expressed an unqualified opinion on those financial statements.

/s/ Marcum LLP
Marcum LLP
New York, NY
March 18, 2016

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be set forth in the proxy statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and is incorporated by reference from our proxy statement.

Item 11. Executive Compensation.

The information required by this item will be set forth in the proxy statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and is incorporated by reference from our proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be set forth in the proxy statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and is incorporated by reference from our proxy statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be set forth in the proxy statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and is incorporated by reference from our proxy statement.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be set forth in the proxy statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and is incorporated by reference from our proxy statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Exhibit No.	Description
2.1	Agreement of Merger and Plan of Reorganization, dated January 12, 2007, by and among University Girls Calendar, Ltd., Towerstream Acquisition, Inc. and Towerstream Corporation (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
3.1	Certificate of Incorporation of University Girls Calendar, Ltd. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of University Girls Calendar, Ltd. filed with the Securities and Exchange Commission on January 5, 2007).
3.2	Certificate of Amendment to Certificate of Incorporation of University Girls Calendar, Ltd., changing the Company's name to Towerstream Corporation (Incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
3.3	Certificate of Designation of Rights, Preferences and Privileges of Series A Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 12, 2010).
3.4	By-Laws of Towerstream Corporation (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
3.5	Amendment No. 1 to the By-Laws of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on August 30, 2007).
3.6	Amendment No. 1 to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 8, 2012).
3.7	Certificate of Amendment to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Coporation filed with the Securities and Exchange Commission on August 25, 2015).
4.1	Rights Agreement dated as of November 9, 2010 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 12, 2010).
10.1*	Towerstream Corporation 2007 Equity Compensation Plan (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
10.2*	Form of 2007 Equity Compensation Plan Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
10.3*	Form of 2007 Equity Compensation Plan Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
10.4	Form of Directors and Officers Indemnification Agreement (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007).
10.5*	Towerstream Corporation 2007 Incentive Stock Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 6, 2012).
10.6	Employment Agreement, dated December 21, 2007, between Towerstream Corporation and Jeffrey M. Thompson (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on December 31, 2007).
10.7	Office Lease Agreement dated March 21, 2007 between Tech 2, 3, & 4 LLC (Landlord) and Towerstream Corporation (Tenant) (Incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009).
10.8	First Amendment to Office Lease dated August 8, 2007, amending Office Lease Agreement dated March, 21 2007 (Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009).
10.9**	2008 Non-Employee Directors Compensation Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010).
10.10**	Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 9, 2011).
10.11**	Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to the Current Report on Form 8-K/A, filed with the Securities and Exchange Commission on January 13, 2012).
10.12**	2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit A to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010).
10.13	Second Amendment to Office Lease Agreement dated September 12, 2013, amending Office Lease Agreement dated March, 21 2007 (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2014).
10.14	Loan Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc. and Hetnets Tower Corporation, as Borrowers, the financial institutions named therein as Lenders and Melody Business Finance, LLC, as Administrative Agent (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).

10.15	Security Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc., Hetnets Tower Corporation, Alpha Communications Corp., Omega Communications Corp., and Towerstream Houston, Inc., as Grantors, in favor of Melody Business Finance LLC, as Administrative Agent (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.16	Warrant and Registration Rights Agreement dated October 16, 2014 by and among Towerstream Corporation and the warrant holders named therein (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.17	Form of A-Warrant Certificate (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.18	Form of B-Warrant Certificate (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.19**	Second Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.20	Office Lease Agreement dated December 12, 2014 between 6800 Broken Sound LLC (Landlord) and Towerstream Corporation (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015).
10.21	Third Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 29, 2015).
10.22	Separation Agreement by and between Jeffrey M. Thompson and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 17, 2016). Separation Agreement by and between Jeffrey M. Thompson and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 17, 2016).
10.23	Asset Purchase Agreement dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc. and Time Warner Cable Enterprises, LLC (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016).
10.24	Backhaul Agreement dated March 9, 2016, dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc. and Time Warner Cable Enterprises, LLC (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). ****
10.25	Mutual Termination Agreement dated March 9, 2016 by and between Time Warner Cable Enterprises, LLC and Hetnets Tower Corporation (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016).
10.26	Consent and Release dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc., Hetnets Tower Corporation, Alpha Communications Corp., Omega Communications Corp., Towerstream Houston, Inc., and Melody Business Finance, LLC (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016).
10.27	Amendment No. 1 to Warrant and Registration Rights Agreement dated March 9, 2016, by and between Towerstream Corporation and Melody Business Finance, LLC (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016).
14.1	Code of Ethics and Business Conduct (Incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2011).
21.1	Subsidiaries of the Registrant. (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2014).
23.1	Consent of Independent Registered Public Accounting Firm. ***
31.1	Section 302 Certification of Principal Executive Officer. ***
31.2	Section 302 Certification of Principal Financial Officer. ***
32.1	Section 906 Certification of Principal Executive Officer. ***
32.2	Section 906 Certification of Principal Financial Officer. ***
99.1	Unaudited Pro Forma Condensed Financial Information (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016).
101.INS*****	XBRL Instance
101.SCH*****	XBRL Taxonomy Extension Schema
101.CAL*****	XBRL Taxonomy Extension Calculation
101.DEF*****	XBRL Taxonomy Extension Definition
101.LAB*****	XBRL Taxonomy Extension Labels
101.PRE*****	XBRL Taxonomy Extension Presentation

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*	Management compensatory plan
**	Management contract
***	Filed herewith
****	A redacted version of this exhibit was filed with the Current Report on Form 8-K. filed with the Securities and Exchange Commission on March 15, 2016 An un-redacted version of this Exhibit has been separately filed with the Commission pursuant to an application for confidential treatment. The confidential portions of the Exhibit have been omitted and are marked as such.
*****	XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

TOWERSTREAM CORPORATION

Date: March 18, 2016

By: /s/ Philip Urso
Philip Urso
Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

By: /s/ Joseph P. Hernon
Joseph P. Hernon
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Capacity	Date
/s/ Philip Urso Philip Urso	Director - Chairman of Board of Directors and Interim Chief Executive Officer (Principal Executive Officer)	March 18, 2016
/s/ Joseph P. Hernon Joseph P. Hernon	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 18, 2016
/s/ Howard L. Haronian, M.D. Howard L. Haronian, M.D.	Director	March 18, 2016
/s/ William J. Bush William J. Bush	Director	March 18, 2016
/s/ Paul Koehler Paul Koehler	Director	March 18, 2016

EXHIBIT 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Towerstream Corporation and Subsidiaries on Form S-3, as amended (File No. 333-187548, File No. 333-166239, File No. 333-141405, File No. 333-178868, and File No. 333-204581) and on Form S-8 (File No. 333-161180, File No. 333-151306, and File No. 333-174107) of our report dated March 18, 2015, with respect to our audits of the consolidated financial statements of Towerstream Corporation and Subsidiaries as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 and our report dated March 18, 2016 with respect to our audit of the effectiveness of internal control over financial reporting of Towerstream Corporation as of December 31, 2015, which reports are included in this Annual Report on Form 10-K of Towerstream Corporation and Subsidiaries for the year ended December 31, 2015.

/s/ Marcum LLP

Marcum LLP
New York, NY
March 18, 2016

EXHIBIT 31.1

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

I, Philip Urso, certify that:

(1) I have reviewed this annual report on Form 10-K of Towerstream Corporation for the year ended December 31, 2015;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

/s/ Philip Urso
Philip Urso
President and Interim Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Joseph P. Hernon, certify that:

(1) I have reviewed this annual report on Form 10-K of Towerstream Corporation for the year ended December 31, 2015;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

/s/ Joseph P. Hernon
Joseph P. Hernon
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

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

In connection with the Annual Report of Towerstream Corporation, (the "Company'') on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report''), I, Philip Urso, Interim President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2016

/s/ Philip Urso
Philip Urso
Interim President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

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

In connection with the Annual Report of Towerstream Corporation, (the “Company’’) on Form 10-K for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report’’), I, Joseph P. Hernon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2016

/s/ Joseph P. Hernon
Joseph P. Hernon
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)