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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
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.)
76 Hammarlund Way	**02842**
Middletown, Rhode Island	(Zip Code)
(Address of principal executive offices)	

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

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

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

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

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

If an emerging growth company, indicate by check mark, if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 17, 2018, there were 394,409 shares of common stock, par value $0.001 per share, outstanding.

TOWERSTREAM CORPORATION AND SUBSIDIARIES

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TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 4,659,088	$ 7,568,982
Accounts receivable, net of reserves for uncollectible accounts of $195,440 and $95,884, respectively	565,029	912,333
Prepaid expenses and other current assets	343,605	242,320
Total Current Assets	5,567,722	8,723,635
Property and equipment, net	12,164,741	13,430,980
Intangible assets, net	1,602,841	2,242,471
Goodwill	1,674,281	1,674,281
Other assets	433,857	386,047
Total Assets	$ 21,443,442	$ 26,457,414
Liabilities, Series I Preferred Stock and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 90,210	$ 1,150,861
Accrued expenses	789,153	1,622,036
Accrued interest	1,140,944	722,629
Deferred revenues	1,066,882	934,450
Current maturities of capital lease obligations	326,773	382,918
Current liabilities of discontinued operations	1,016,739	1,029,022
Deferred rent	103,626	78,048
Long-term debt (callable), net of debt discounts and deferred financing costs of $300,482 and $789,287, respectively	35,054,130	33,868,700
Total Current Liabilities	39,588,457	39,788,664
Long-Term Liabilities		
Capital lease obligations, net of current maturities	470,654	305,947
Other	718,786	754,203
Total Long-Term Liabilities	1,189,440	1,060,150
Total Liabilities	40,777,897	40,848,814
Commitments (Note 16)		
Series I Preferred Stock		
Series I Preferred – 100 and 0 shares issued and outstanding, respectively; (Liquidation value – Note 10)	-	-
Stockholders' Deficit		
Preferred stock, par value $0.001; 5,000,000 shares authorized		
Series G Convertible Preferred – 538 shares issued and outstanding, respectively; Liquidation value of $538,000 as of June 30, 2018	1	1
Series H Convertible Preferred - 501 shares issued and outstanding, respectively; Liquidation value of $501,000 as of June 30, 2018	1	1
Common stock, par value $0.001; 200,000,000 shares authorized; 394,409 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	394	394
Additional paid-in-capital	174,844,680	174,733,113
Accumulated deficit	(194,179,531)	(189,124,909)
Total Stockholders' Deficit	(19,334,455)	(14,391,400)
Total Liabilities, Series I Preferred Stock and Stockholders' Deficit	$ 21,443,442	$ 26,457,414

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenues	$ 6,220,758	$ 6,517,817	$ 12,662,560	$ 13,090,134
Operating Expenses				
Infrastructure and access	2,756,943	2,622,723	5,445,665	5,331,034
Depreciation and amortization	1,603,807	2,100,281	3,307,404	4,533,782
Network operations	684,516	1,085,249	1,749,766	2,286,156
Customer support	362,844	391,335	837,660	759,017
Sales and marketing	385,661	976,790	1,133,662	1,841,766
General and administrative	840,689	1,514,141	2,008,450	3,051,869
Total Operating Expenses	6,634,460	8,690,519	14,482,607	17,803,624
Operating Loss	(413,702)	(2,172,702)	(1,820,047)	(4,713,490)
Other Expense				
Interest expense, net	(1,817,477)	(1,295,041)	(3,234,575)	(2,567,313)
Total Other Expense	(1,817,477)	(1,295,041)	(3,234,575)	(2,567,313)
Net Loss	(2,231,179)	(3,467,743)	(5,054,622)	(7,280,803)
Deemed dividend to Series D and Series F preferred stockholders	-	(1,905,570)	-	(1,905,570)
Net loss attributable to common stockholders	$ (2,231,179)	(5,373,313)	$ (5,054,622)	$ (9,186,373)
Net loss per common share – basic and diluted	$ (5.66)	$ (17.91)	$ (12.82)	$ (32.63)
Weighted average common shares outstanding – basic and diluted	394,409	299,983	394,409	281,546

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
For the Six Months Ended June 30, 2018
(UNAUDITED)

	Series G Convertible Preferred Stock		Series H Convertible Preferred Stock		Common Stock		Additional Paid-In-	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at January 1, 2018	538	$ 1	501	$ 1	394,409	$ 394	$174,733,113	$(189,124,909)	$(14,391,400)
Stock based compensation for options	-	-	-	-	-	-	111,567	-	111,567
Net loss	-	-	-	-	-	-	-	(5,054,622)	(5,054,622)
Balance at June 30, 2018	538	$ 1	501	$ 1	394,409	$ 394	$174,844,680	$(194,179,531)	$(19,334,455)

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

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

	For the Six Months Ended June 30, 2018	2017
Cash Flows From Operating Activities		
Net loss	$ (5,054,622)	$ (7,280,803)
Adjustments to reconcile loss from continuing operations to net cash used in continuing operating activities:		
Provision for doubtful accounts	141,000	7,000
Depreciation for property and equipment	2,667,774	3,763,394
Amortization for intangible assets	639,630	770,388
Amortization for debt discount and deferred financing costs	488,805	557,022
Interest added to principal	696,625	661,677
Accrued interest	418,315	-
Stock-based compensation - Options	111,567	667,821
Stock-based compensation - Employee stock purchase plan	-	53
Loss on the sale of property, plant and equipment	42,152	-
Deferred rent	(9,839)	(55,370)
Changes in operating assets and liabilities:		
Accounts receivable	206,304	(286,266)
Prepaid expenses and other current assets	(101,285)	(12,123)
Other assets	(47,810)	(3,328)
Accounts payable	(1,060,651)	(29,106)
Accrued expenses	(912,332)	(159,686)
Deferred revenues	132,432	(32,467)
Total Adjustments	3,412,687	5,849,009
Net Cash Used In Continuing Operating Activities	(1,641,935)	(1,431,794)
Net Cash (Used In) Provided By Discontinued Operating Activities	(12,283)	80,882
Net Cash Used In Operating Activities	(1,654,218)	(1,350,912)
Cash Flows From Investing Activities		
Acquisitions of property and equipment	(964,390)	(1,460,829)
Proceeds from the sale of property, plant and equipment	15,000	-
Change in security deposits	-	(12,925)
Net Cash Used In Investing Activities	(949,390)	(1,473,754)
Cash Flows From Financing Activities		
Repayments of capital lease obligations	(306,286)	(479,231)
Issuance of common stock under employee stock purchase plan	-	305
Net Cash Used In Financing Activities	(306,286)	(478,926)
Net Decrease Cash and Cash Equivalents		
Continuing Operations	(2,897,611)	(3,384,474)
Discontinued Operations	(12,283)	80,882
Net Decrease In Cash and Cash Equivalents	(2,909,894)	(3,303,592)
Cash and Cash Equivalents - Beginning	7,568,982	12,272,444
Cash and Cash Equivalents - Ending	$ 4,659,088	$ 8,968,852

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

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

	Six Months Ended June 30,	
Supplemental Disclosures of Cash Flow Information	**2018**	**2017**
Cash paid during the periods for:		
Interest	$ 1,671,680	$ 1,354,804
Income taxes	$ 12,794	$ 13,440
Acquisition of property and equipment:		
Included in accrued expenses	$ 240,594	$ 201,222
Included in capital leases	$ 414,848	$ -
Interest added to note principal	$ 696,625	$ 661,677

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

Note 1. Organization and Nature of Business

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

Note 2. Liquidity, Going Concern, and Management Plans

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2018, the Company had cash and cash equivalents of approximately $4.7 million and working capital deficiency of approximately $34.0 million. The Company incurred significant operating losses since inception and continues to generate losses from operations and as of June 30, 2018, the Company has an accumulated deficit of $194.2 million. These matters raise substantial doubt about the Company's ability to continue as a going concern within one year from the date these financial statements are issued. Management has also evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has monitored and reduced certain of its operating costs over the course of 2017 and into the first half of 2018. Historically, the Company has financed its operations through private and public placement of equity securities, as well as debt financing and capital leases. The Company's ability to fund its longer term cash requirements is subject to multiple risks, many of which are beyond its control. The Company intends to raise additional capital, either through debt or equity financings or through the potential sale of the Company's assets in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

In March 2018, the Company announced that its board of directors had commenced an evaluation of strategic repositioning of the Company as it moves to leverage its existing key assets in major U.S. markets. In conjunction with such announcement, the Company began to focus on indirect and wholesale channels and retained Bank Street Group LLC as its independent financial advisor to explore strategic alternatives, including the sale of some or all of the Company's business or assets. There can be no assurances that the process will result in a transaction. Any potential strategic alternative will be evaluated by the board. The Company does not intend to discuss developments with respect to the evaluation process unless a transaction is approved, or further disclosure becomes appropriate.

In May 2018, the Company adopted a management incentive plan pursuant to which it shall pay up to $2,000,000 in cash bonuses (subject to withholding and deductions) to officers, directors and employees upon either a sale of the Company or a sale of its assets in each case that results in the payment in full of the obligations due under the Loan Agreement (as defined in Note 9, *Long-Term Debt*) (a "Triggering Sale"). Payments under the management incentive plan shall pay participants an aggregate of $1,000,000 upon a Triggering Sale plus up to an additional aggregate of $1,000,000 to be earned proportionately for a Triggering Sale in which the implied enterprise value of the Company based on the consideration paid in such Triggering Sale increases from a minimum of $45,000,000 to a maximum of $55,000,000.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and with Form 10-Q and Article 10 of Regulation S-X of the United States Securities and Exchange Commission. Accordingly, they do not contain all information and footnotes required by GAAP for annual financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of June 30, 2018 and the results of operations and cash flows for the periods presented. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the operating results for the full fiscal year for any future period.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The Company's accounting policies are described in the Notes to Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2017, and updated, as necessary, in this Quarterly Report on Form 10-Q.

Retroactive Adjustment for Reverse Stock Split. On September 29, 2017, the Company effected a one-for-seventy-five reverse stock split of its common stock. Consequently, all earnings per share and other share related amounts and disclosures have been retroactively adjusted for all periods presented.

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

Concentration of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of June 30, 2018, the Company had cash and cash equivalent balances of approximately $4.4 million in excess of the federally insured limit of $250,000.

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

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 in the fourth quarter 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. There were no indicators of impairment identified during the three and six months ended June 30, 2018.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers". The FASB has consolidated ASU 2014-19 and other revenue accounting standards for specialized transactions and industries into one Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). The core principle of ASC 606 is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has adopted ASC 606 as of January 1, 2018 and utilized the modified retrospective method of adoption. See Note 14, *Revenues*, for further information regarding the implementation and required disclosures related to the Company's revenues.

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

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

Note 4. Discontinued Operations

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

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

	June 30, 2018	December 31, 2017
Liabilities:		
Accrued expenses - leases	$ 1,016,739	$ 1,029,022
Total Current Liabilities	$ 1,016,739	$ 1,029,022

Accrued expenses represent the estimated cost of terminating the leases associated with the Hetnets business. Accordingly, disbursements associated with such activity during the period ended June 30, 2018 were recorded as reductions to that estimated liability. As of June 30, 2018 and based upon negotiations, settlements and experiences through that date, the Company had reduced that remaining estimated liability by $12,283 to $1,016,739.

Note 5. Property and Equipment, Net

Property and equipment, net is comprised of:

	June 30, 2018	December 31, 2017
Network and base station equipment	$ 44,321,305	$ 43,573,869
Customer premise equipment	36,048,426	34,996,202
Information technology	4,885,481	4,881,332
Furniture, fixtures and other	1,715,524	1,715,524
Leasehold improvements	1,516,678	1,651,300
Accrual – equipment received not invoiced	240,594	605,646
	88,728,008	87,423,873
Less: accumulated depreciation	76,563,267	73,992,893
Property and equipment, net	$ 12,164,741	$ 13,430,980

Depreciation expense for the three months ended June 30, 2018 and 2017 was $1,283,992 and $1,747,777, respectively. Depreciation expense for the six months ended June 30, 2018 and 2017 was $2,667,774 and $3,763,394, respectively.

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

	June 30, 2018	December 31, 2017
Network and base station equipment	$ 2,680,000	$ 2,629,526
Customer premise equipment	1,633,747	1,269,373
Information technology	1,860,028	1,860,028
	6,173,775	5,758,927
Less: accumulated depreciation	4,905,188	4,708,697
Property acquired through capital leases, net	$ 1,268,587	$ 1,050,230

Note 6. Goodwill and Intangible Assets, Net

Goodwill and intangible assets, net consist of the following:

	June 30, 2018	December 31, 2017
Goodwill	$ 1,674,281	$ 1,674,281
Backhaul agreement	3,837,783	3,837,783
Less: accumulated amortization	2,984,942	2,345,312
Backhaul agreement, net	852,841	1,492,471
FCC licenses	750,000	750,000
Intangible assets, net	$ 1,602,841	$ 2,242,471

Amortization expense for the three months ended June 30, 2018 and 2017 was $319,815 and $352,504, respectively. Amortization expense for the six months ended June 30, 2018 and 2017 was $639,630 and $770,388, respectively. The fair value of the backhaul agreement acquired in the transaction with a large cable company, as described in Note 4, is being amortized on a straight-line basis over the three-year term of the agreement. The Company's licenses with the Federal Communications Commission (the "FCC") are not subject to amortization as they have an indefinite useful life. Future amortization expense is as follows:

Remainder of 2018	639,631
2019	213,210
Total	$ 852,841

Note 7. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2018	December 31, 2017
Payroll and related	$ 174,359	$ 515,448
Professional services	100,672	318,979
Other	106,346	279,374
Property and equipment	240,594	320,043
Network	167,182	188,192
Total	$ 789,153	$ 1,622,036

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

Note 8. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	June 30, 2018	December 31, 2017
Deferred rent	$ 382,188	$ 417,605
Deferred taxes	336,598	336,598
Total	$ 718,786	$ 754,203

Note 9. Long-Term Debt

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

	June 30, 2018	December 31, 2017
Principal	$ 35,354,612	$ 34,657,987
Unamortized debt discount	(300,482)	(789,287)
Total	$ 35,054,130	$ 33,868,700

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

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

a) A rate equal to the greater of: i) the sum of the one-month Libor rate on any given day plus 7% or ii) 8% per annum. The one-month Libor rate was 2.09% as of June 30, 2018. Interest accrued at this rate is paid in cash at the end of each quarter; plus

b) A rate of 4% per annum. Interest accrued at this rate is added to the principal amount at the end of each quarter.

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

The Note contains representations and warranties by the Company and the Lender, certain indemnification provisions in favor of the Lender and customary covenants (including limitations on other debt, liens, acquisitions, investments and dividends), and events of default (including payment defaults, breaches of covenants, a material impairment in the Lender’s security interest or in the collateral, and events relating to bankruptcy or insolvency). The Note contains several restrictive covenants and the most significant of which requires the Company to maintain a minimum cash balance of $6,500,000 at all times. Upon the occurrence of an event of default, an additional 5% interest rate will be applied to the outstanding loan balances, and the Lender may terminate its lending commitment, declare all outstanding obligations immediately due and payable, and take such other actions as set forth in the Note to secure its interests.

Effective January 26, 2018, the Company entered into a Forbearance to Loan Agreement (the "Agreement") with the Lender, as administrative agent to the lenders under the loan agreement entered into on October 16, 2014 by and among the Company, certain of its subsidiaries, the Lender and the lenders party thereto (the "Loan Agreement"). Pursuant to the Agreement, the Lender, through March 30, 2018 (the "Forbearance Period"), waived the Company's requirement to maintain at least $6,500,000 minimum in deposit accounts or securities accounts (the "$6,500,000 Minimum") and agreed to forbear from exercising any of its rights with respect to an event of default related to the $6,500,000 Minimum provided that the interest on the Note shall accrue at the default rate. The Forbearance Period shall terminate upon the Company's failure to maintain at least $4,000,000 minimum in deposit accounts or securities accounts or upon the occurrence of certain events of default. The Agreement was amended and restated effective February 28, 2018 to also include a forbearance of Section 6.1(a)(i) of the Loan Agreement "Qualified Auditor's Report" in the event that the Company's audited consolidated financial statements for the year ended December 31, 2017 contained a going concern qualification. The Agreement was further amended and restated effective March 30, 2018 to extend the forbearance period until April 15, 2018.

Effective April 15, 2018, the Company entered into a second amended and restated Forbearance to Loan Agreement (the "Second Amended and Restated Agreement") with the Lender and the majority lenders under the Loan Agreement. Pursuant to the Second Amended and Restated Agreement, the Lender and the majority lenders waived the Company's requirement under Section 6.1(a)(i) of the Loan Agreement to deliver to the Lender an auditor's report without a "going concern" qualification (the "Qualified Report") through June 30, 2018. The Forbearance Period was extended through June 30, 2018 (the "Second Forbearance Period"). In addition, the Lender, through the Second Forbearance Period, waived the Company's requirement to maintain the $6,500,000 Minimum in deposit accounts or securities accounts and agreed to forbear from exercising any of its rights with respect to an event of default related to the Qualified Report and the $6,500,000 Minimum through the Forbearance Period. The Second Forbearance Period shall terminate upon the Company's failure to maintain at least $3,000,000 minimum in deposit accounts or securities accounts or upon the occurrence of certain events of default. The Company also agreed, among other things, (i) to certain milestones in connection with a proposed sale of the Company, (ii) subject to applicable law, to cease filing periodic reports with the Securities and Exchange Commission and (iii) to issue to the Lender a new series of preferred stock that will be entitled to receive upon a liquidation event a distribution as set forth in the Second Amended and Restated Agreement.

On May 24, 2018, the parties amended the Second Amended and Restated Agreement to, among other things, extend the compliance period for certain covenants to May 31, 2018 from April 30, 2018 and to revise the milestones for a proposed sale of the Company as set forth therein. Such amendment was effective as of May 15, 2018.

The Company has classified long term debt within current liabilities as of June 30, 2018 and December 31, 2017, respectively.

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

The Company recorded interest expense of $1,504,354 and $1,019,591 for the three months ended June 30, 2018 and 2017, respectively. The Company recorded interest expense of $2,715,051 and $1,985,030 for the six months ended June 30, 2018 and 2017, respectively. Of those amounts, the Company paid to the Lender $2,018,425 and $1,323,353 and added $696,625 and $661,677 of interest to the principal amount of the Note during the six months ended June 30, 2018 and 2017, respectively.

The Company recorded amortization expense related to the debt discount of $298,480 and $266,322 for the three months ended June 30, 2018 and 2017, respectively. Amortization expense totaled $488,805 and $557,022 for the six months ended June 30, 2018 and 2017, respectively and classified those amounts as interest expense.

Note 10. Capital Stock

On May 24, 2018, the Company effected an exchange of warrants with the lenders under the Loan Agreement who held an aggregate of 2,400 shares of common stock (as adjusted for the Company's 1:20 and 1:75 reverse splits effected in July 2016 and September 2017) for an aggregate of 100 shares of the Company's newly authorized Series I Preferred Stock (the "Series I Preferred Stock"). The difference in value was de minimis and therefore no deemed dividend was recorded.

Shares of Series I Preferred Stock are not convertible into common stock.

In the event of a liquidation or fundamental transaction, a holder of Series I Preferred Stock shall be redeemed and shall be entitled to receive, per share of Series I Preferred Stock, in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its shareholders (the "Liquidation Funds"), a one-time redemption payment in full satisfaction of all obligations to the holder and in cancellation of the Series I Preferred Stock equal to the quotient of (i) the product of (x) the remainder of Liquidation Funds available for distribution (including any deferred amounts) minus: (A) distribution or payment in full to the holders of the Company's Series G Convertible Preferred Stock of the liquidation preference amount in accordance with the rights and designations of such series of Senior Preferred Stock, (B) distribution or payment to the holders of the Company's Series H Convertible Preferred Stock of the liquidation preference amount in accordance with the rights and designations of such series of Senior Preferred Stock; (C) $1,025,437 to be reserved for junior stock holders as their interests appear; and (D) up to $2 million in payments under the 2018 Management and Key Employee Incentive Plan adopted by the Corporation (the Liquidation Funds less the amounts required under (A), (B), (C) and (D) hereof, the "Net Liquidation Funds"), multiplied by (y) 25% divided by (ii) the total number of outstanding shares of Series I Preferred Stock.

All shares of capital stock of the Company (when and if issued), except for shares of Series G Convertible Preferred Stock and shares of Series H Convertible Preferred Stock outstanding as of May 24, 2018, shall be junior in rank to all shares of Series I Preferred Stock with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution, winding-up or fundamental transaction (as defined in the Series I Certificate of Designations) of the Company.

Holders of the Series I Preferred Stock shall have no voting rights except with respect to, and in each case each holder shall be entitled to one vote for each share of Series I Preferred Stock held by such holder: (i) amending, altering or repealing any provision of the Certificate of Incorporation (including the Certificate of Designation) of the Company, if the amendment, alteration or repeal of the Certificate of Incorporation would adversely affect the rights, preferences, powers or privileges of the Series I Preferred Stock or (ii) creating, authorizing, issuing or increasing the authorized or issued amount of any class or series of any of the Company's equity securities, or any warrants, options or other rights convertible or exchangeable into any class or series of any of the Company's equity securities, which would constitute senior preferred stock or parity stock or reclassify any authorized stock of the Company into any such stock, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase any such stock. In each such case, at least a majority of the outstanding shares of Series I Preferred Stock shall vote in favor of such proposal.

The Series I Preferred Stock was accounted for under Section 480-10-S99 - Distinguishing liabilities from Equity (FASB Accounting Standards Codification 480) as amended by ASU 2009-04 - for Redeemable Equity Instruments ("ASU 2009-04"). Under ASU 2009-04, a redeemable equity security is to be classified as temporary equity if it is conditionally redeemable upon the occurrence of an event that is not solely within the control of the issuer.

Note 11. Stock Options and Warrants

Stock Options

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Risk-free interest rate	2.7%	1.6% - 1.7%	2.7%	1.6% - 1.7%
Expected volatility	105%	113%	105%	110% - 113%
Expected life (in years)	4.2	4.2	4.2	4.2
Expected dividend yield	-	-	-	-
Estimated forfeiture rates	20%	20%	20%	20%
Weighted average per share grant date fair value	$1.76	$8.60	$1.76	$9.65
Stock-based compensation	$25,034	$315,540	$111,567	$667,821

The risk-free interest rate was based on rates established by the Federal Reserve. The expected volatility was based upon the historical volatility for the Company's common stock. The Company utilized historical data to determine the expected life of stock options. The dividend yield reflected the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future. Stock-based compensation is included in general and administrative expenses in the accompanying condensed consolidated statements of operations. The unamortized amount of stock options expense totaled $114,940 as of June 30, 2018 which will be recognized over a weighted-average period of 1.4 years.

Option transactions under the stock option plans during the six months ended June 30, 2018 were as follows:

	Number	Weighted Average Exercise Price
Outstanding as of January 1, 2018	76,601	$ 117.42
Granted during 2018	102	2.40
Exercised	-	-
Cancelled /expired	(3,806)	122.23
Outstanding as of June 30, 2018	72,897	$ 117.01
Exercisable as of June 30, 2018	49,483	$ 165.18

Grants under the stock option plans during the six months ended June 30, 2018 were related to the annual grants to outside directors which totaled 102 shares of common stock.

Options granted during the reporting period had a term of ten years. All options were issued at an exercise price equal to the fair value on the date of grant. The director grants vest over a one year period from the date of issuance. The aggregate fair value of the options granted was $180 for the six months ended June 30, 2018.

Cancellations for the six months ended June 30, 2018 consisted of 3,683 related to employee terminations and 123 were associated with the expiration of options.

The weighted average remaining contractual life of the outstanding options as of June 30, 2018 was 8.4 years.

The intrinsic value associated with the options outstanding was $24 as of June 30, 2018. There was no intrinsic value associated with the options exercisable as of June 30, 2018. The closing price of the Company's common stock at June 29, 2018 was $2.64 per share.

Stock Warrants

Warrant transactions during the six months ended June 30, 2018 were as follows:

	Number	Weighted Average Exercise Price
Outstanding as of January 1, 2018	2,400	$ 1,265.25
Exchanged during 2018	(2,400)	1,265.25
Outstanding and exercisable as of June 30, 2018	-	$ -

On May 24, 2018, the Company effected an exchange of 2,400 warrants with the Lender for an aggregate of 100 shares of Series I Preferred Stock. See Note 10, *Capital Stock*, for further information regarding the exchange of warrants.

Note 12. Employee Stock Purchase Plan

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP Plan"), participants can purchase shares of the Company's stock at a 15% discount. A maximum number of 334 shares of common stock can be issued under the ESPP Plan of which all of the authorized shares have been issued as of June 30, 2018. There have been no participants in the ESPP Plan since the three months ended March 31, 2017. During the six months ended June 30, 2017, a total of 30 shares were issued under the ESPP Plan with a fair value of $358. The Company recognized $53 of stock-based compensation related to the 15% discount for the six months ended June 30, 2017.

Note 13. Fair Value Measurement

The FASB 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.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short maturities. There were no changes in the valuation techniques during the three and six months ended June 30, 2018.

Note 14. Revenues

In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers." The core principle of ASC 606 is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has adopted ASC 606 as of January 1, 2018 and utilized the modified retrospective method of adoption which includes the deferral of commission costs associated with obtaining its customer contracts and revenues associated with customer installations. The impact to revenues for the three and six months ended June 30, 2018 was a reduction of $48,252 and $113,828, respectively, as a result of applying Topic 606. The prior year information has not been restated as the application of Topic 606 did not have a material impact on the accounting treatment of 2017 revenues and continues to be reported under the accounting standards in effect for that period.

Revenue Recognition

Generally, the Company considers all revenues as arising from contracts with customers. Revenue is recognized based on the five-step process outlined in ASC 606:

Step 1 – Identify the Contract with the Customer – A contract exists when (a) the parties to the contract have approved the contract and are committed to perform their respective obligations, (b) the entity can identify each party's rights regarding the goods or services to be transferred, (c) the entity can identify the payment terms for the goods or services to be transferred, (d) the contract has commercial substance and (e) it is probable that the entity will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Step 2 – Identify Performance Obligations in the Contract – Upon execution of a contract, the Company identifies as performance obligations each promise to transfer to the customer either (a) goods or services that are distinct or (b) a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. To the extent a contract includes multiple promised goods or services, the Company must apply judgement to determine whether the goods or services are capable of being distinct within the context of the contract. If these criteria are not met, the goods or services are accounted for as a combined performance obligation.

Step 3 – Determine the Transaction Price – When (or as) a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to the performance obligation. The contract terms are used to determine the transaction price. Generally, all contracts include fixed consideration. If a contract did include variable consideration, the Company would determine the amount of variable consideration that should be included in the transaction price based on expected value method. Variable consideration would be included in the transaction price, if in the Company's judgement, it is probable that a significant future reversal of cumulative revenue under the contract would not occur.

Step 4 – Allocate the Transaction Price – After the transaction price has been determined, the next step is to allocate the transaction price to each performance obligation in the contract. If the contract only has one performance obligation, the entire transaction price will be applied to that obligation. If the contract has multiple performance obligations, the transaction price is allocated to the performance obligations based on the relative standalone selling price at contract inception.

Step 5 – Satisfaction of the Performance Obligations (and Recognize Revenue) – When an asset is transferred and the customer obtains control of the asset (or the services are rendered), the Company recognizes revenue. At contract inception, the Company determines if each performance obligation is satisfied at a point in time or over time. For device sales, revenue is recognized at a point in time when the goods are transferred to the customer and they obtain control of the asset. For maintenance contracts, revenue is recognized over time as the performance obligations in the contracts are completed.

Disaggregation of Revenue

We provide fixed wireless business internet service to companies ranging from small businesses to fortune 500 companies. 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 generally enters into contractual agreements with its customers for periods ranging between one to three years.

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.

The Company also defers installation fees billed to the customer and commission costs associated with obtaining new contracts. The installation fees and commission costs are amortized over the average contract term of new contracts. As of June 30, 2018, the Company had $113,828 of deferred installation fees which is included in Deferred Revenues on the Company's condensed consolidated balance sheet and $150,977 of deferred commission costs included in Other Current Assets on the Company's condensed consolidated balance sheet.

Note 15. Net Loss Per Common Share

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

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

	As of June 30,	
	2018	**2017**
Stock options	72,897	77,608
Warrants	-	2,400
Series G preferred stock	71,734	98,400
Series H preferred stock	53,440	53,440
Total	198,071	231,848

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 June 2023. Certain of these operating leases include extensions, at the Company's option, for additional terms ranging from one to fifteen years. Amounts associated with the extension periods have not been included in the table below as it is not presently determinable which options, if any, the Company will elect to exercise. As of June 30, 2018, total future operating lease obligations were as follows:

Remainder of 2018	$ 3,779,418
2019	6,215,654
2020	4,420,229
2021	2,501,647
2022	1,231,349
Thereafter	484,105
Total	$ 18,632,402

Rent expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Points of Presence	$ 2,227,980	$ 2,085,930	$ 4,445,619	$ 4,192,033
Corporate offices	64,547	94,630	124,220	176,155
Other	240,809	109,148	478,100	206,404
Total	$ 2,533,336	$ 2,289,708	$ 5,047,939	$ 4,574,592

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

In October 2017, the Company amended the lease agreement for its corporate offices and warehouse space located in Rhode Island. The amended lease commenced on January 1, 2018 and expires on December 31, 2024 with an option to renew for an additional five-year term through December 31, 2024. Total annual rent payments begin at $183,256 for 2018 and escalate by approximately 2.5% annually reaching $213,422 for 2024.

Capital Lease Obligations

The Company has entered into capital leases to acquire property and equipment expiring through August 2020. As of June 30, 2018, total future capital lease obligations were as follows:

Total Capital lease obligation:		
Remainder of 2018	$	194,250
2019		388,500
2020		300,374
Subtotal		883,124
Less: Interest expense		85,697
Total	$	797,427

Total Capital lease obligation:		
Current	$	326,773
Long-term		470,654
Total	$	797,427

Note 17. Subsequent Events

Effective August 20, 2018, the Company entered into a third amended and restated Forbearance to Loan Agreement (the "Third Amended and Restated Agreement") with the Lender and the majority lenders under the Loan Agreement. Pursuant to the Third Amended and Restated Agreement, the Lender and the majority lenders waived the Company's requirement under Section 6.1(a)(i) of the Loan Agreement to deliver to the Lender a Qualified Report through September 30, 2018. The Second Forbearance Period was extended from June 30, 2018 through September 30, 2018 (the "Third Forbearance Period"). The Company also agreed, among other things, to certain milestone dates in connection with a proposed sale of the Company.

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

The following discussion and analysis summarizes the significant factors affecting our condensed consolidated results of operations, financial condition and liquidity position for the three and six months ended June 30, 2018. This discussion and analysis should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017 and the condensed consolidated unaudited financial statements and related notes included elsewhere in this filing. The following discussion and analysis contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Forward-Looking Statements

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

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

Non-GAAP Measures and Reconciliations to GAAP Measures

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

Characteristics of Revenues and Expenses

We offer 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.

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

Network operations costs relate to the daily operations of our network and ensuring that our customers have connectivity within the terms of our service level agreement. We have employees based in our largest markets who are dedicated to ensuring that our network operates effectively on a daily basis. Other employees monitor network operations from our network operating center which is located at our corporate headquarters. Payroll comprises approximately 50% to 60% of network operations costs. Information technology systems and support comprises approximately 15% to 20% of network operations costs.

Customer support costs relate to our continuing communications with customers regarding their service level agreement. Payroll comprises approximately 65% to 75% of customer support costs. Other costs include shipping, troubleshooting, and facilities related expenses.

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

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

Overview – Fixed Wireless

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

As of June 30, 2018, we provide service to business customers 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.

In March 2018, we announced that our board of directors had commenced an evaluation of strategic repositioning of the Company as we move to leverage existing key assets in major U.S. markets. In conjunction with such announcement, we launched a concerted focus on indirect and wholesale channels and retained Bank Street Group LLC as our independent financial advisor to explore strategic alternatives, including the sale of some or all of our business or assets. There can be no assurances that the process will result in a transaction. Any potential strategic alternative will be evaluated by the board. We do not intend to discuss developments with respect to the evaluation process unless a transaction is approved, or further disclosure becomes appropriate.

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 decided to exit this business and curtailed activities in its smaller markets. The remaining network, located in New York City (or “NYC”), was the largest and had a lease access contract with a major cable company. As a result, the Company explored opportunities during the fourth quarter of 2015 and into the first quarter of 2016 to sell the NYC network.

As further described in Note 4 to our condensed consolidated financial statements, on March 9, 2016, the Company completed a sale and transfer of certain assets to the major cable company (the “Buyer”). The asset purchase agreement 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 operations in these condensed consolidated financial statements.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Continuing Operations – Fixed Wireless

Revenues. Revenues totaled $6,220,758 during the three months ended June 30, 2018 compared to $6,517,817 during the three months ended June 30, 2017 representing a decrease of $297,059, or 5%. The decrease is due to personnel reductions within the salesforce team, $48,252 net impact of adopting ASC 606, and fewer total customers offset by new customers having a higher average rate per unit.

Customer Churn. Customer churn, calculated as a percent of revenue lost on a monthly basis from customers terminating service or reducing their service level, totaled 1.45% during the three months ended June 30, 2018 compared to 1.48% during the three months ended June 30, 2017. Churn levels can fluctuate from period to period depending upon whether customers move to a location not serviced by the Company, go out of business, or a myriad of other reasons.

Infrastructure and Access. Infrastructure and access totaled $2,756,943 during the three months ended June 30, 2018 compared to $2,622,723 during the three months ended June 30, 2017 representing an increase of $134,220, or 5%. The increase primarily relates to higher tower rent and maintenance costs.

Depreciation and Amortization. Depreciation and amortization totaled $1,603,807 during the three months ended June 30, 2018 compared to $2,100,281 during the three months ended June 30, 2017 representing a decrease of $496,474 or 24%. Depreciation expense totaled $1,283,992 during the three months ended June 30, 2018 compared to $1,747,777 during the three months ended June 30, 2017 representing a decrease of $463,785, or 27%. The depreciation decrease is due to capital investment activity being lower than historical levels and a higher percentage of assets becoming fully depreciated.

Amortization expense totaled $319,815 during the three months ended June 30, 2018 compared to $352,504 during the three months ended June 30, 2017 representing a decrease of $32,689 or 9%. The decrease in amortization expense was due to customer related intangible assets that were fully amortized as of the first quarter of 2018.

Network Operations. Network operations totaled $684,516 during the three months ended June 30, 2018 compared to $1,085,249 during the three months ended June 30, 2017 representing a decrease of $400,733 or 37%. The decrease is due to lower payroll related expenses of $332,140, or 51%, associated with employee headcount levels, IT costs decreased by $22,652, or 15%, due primarily to lower third party support and software license fees, and a $20,778 reduction in travel and entertainment.

Customer Support. Customer support totaled $362,844 during the three months ended June 30, 2018 compared to $391,335 during the three months ended June 30, 2017 representing a decrease of $28,491, or 7%. Payroll expense decreased $60,061, or 21%, due to the reduction of employee headcount in the 2018 period, offset by increased support costs of $31,569, or 32%.

Sales and Marketing. Sales and marketing expenses totaled $385,661 during the three months ended June 30, 2018 compared to $976,790 during the three months ended June 30, 2017 representing a decrease of $591,129, or 61%. Payroll expenses have decreased $568,016, or 87%, due to the reduction of employee headcount.

General and Administrative. General and administrative expenses totaled $840,689 during the three months ended June 30, 2018 compared to $1,514,141 during the three months ended June 30, 2017 representing a decrease of $673,452, or 44%. Stock-based compensation decreased $290,506 as there were a minimal number of options issued during the quarter, professional fees decreased $193,160, and payroll costs decreased by $120,879 due to headcount reductions.

Interest Expense, Net. Interest expense, net totaled $1,817,477 during the three months ended June 30, 2018 compared to $1,295,041 during the three months ended June 30, 2017 representing an increase of $522,436 or 40%. Interest expense relates to the $35,000,000 secured term loan which closed in October 2014 and capital lease arrangements. The increase is primarily attributable to the interest rate change which occurred with the forbearance agreement as more fully described in Note 9, *Long-Term Debt* to the condensed consolidated financial statements.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Continuing Operations – Fixed Wireless

Revenues. Revenues totaled $12,662,560 during the six months ended June 30, 2018 compared to $13,090,134 during the six months ended June 30, 2017 representing a decrease of $427,574, or 3%. The decrease is due to personnel reductions within the salesforce team, $113,828 net impact of adopting ASC 606, and fewer total customers offset by new customers having a higher average rate per unit.

Infrastructure and Access. Infrastructure and access totaled $5,445,665 during the six months ended June 30, 2018 compared to $5,331,034 during the six months ended June 30, 2017 representing an increase of $114,631, or 2%. The increase primarily relates to higher tower rental costs.

Depreciation and Amortization. Depreciation and amortization totaled $3,307,404 during the six months ended June 30, 2018 compared to $4,533,782 during the six months ended June 30, 2017 representing a decrease of $1,226,378 or 27%. Depreciation expense totaled $2,667,774 during the six months ended June 30, 2018 compared to $3,763,394 during the six months ended June 30, 2017 representing a decrease of $1,095,620, or 29%. The depreciation decrease is due to capital investment activity being lower than historical levels and a higher percentage of assets becoming fully depreciated.

Amortization expense totaled $639,630 during the six months ended June 30, 2018 compared to $770,388 during the six months ended June 30, 2017 representing a decrease of $130,758, or 17%. The decrease in amortization expense was due to customer related intangible assets that were fully amortized as of the first quarter of 2018.

Network Operations. Network operations totaled $1,749,766 during the six months ended June 30, 2018 compared to $2,286,156 during the six months ended June 30, 2017 representing a decrease of $536,390, or 23%. The primary reasons for the decrease is lower payroll costs of $301,257, or 22%, due to employee headcount reductions, and lower IT costs of $129,045, or 35%, due to decreased third party support and software license fees.

Customer Support. Customer support totaled $837,660 during the six months ended June 30, 2018 compared to $759,017 during the six months ended June 30, 2017 representing an increase of $78,643, or 10%. Customer support costs increased $90,338 due to higher maintenance costs offset by a decrease in payroll expense of $11,696, or 2%.

Sales and Marketing. Sales and marketing expenses totaled $1,133,662 during the six months ended June 30, 2018 compared to $1,841,766 during the six months ended June 30, 2017 representing a decrease of $708,104, or 38%. Payroll expenses have decreased $708,393, or 59%, due to employee headcount reductions.

General and Administrative. General and administrative expenses totaled $2,008,450 during the six months ended June 30, 2018 compared to $3,051,869 during the six months ended June 30, 2017 representing a decrease of $1,043,419 or 34%. Stock-based compensation decreased $556,307 as there were a minimal number of options issued during the period, professional fees decreased $392,593, and public company fees decreased $96,290.

Interest Expense, Net. Interest expense, net totaled $3,234,575 during the six months ended June 30, 2018 compared to $2,567,313 during the six months ended June 30, 2017 representing an increase of $667,262, or 26%. Interest expense relates to the $35,000,000 secured term loan which closed in October 2014 and capital lease arrangements. The increase is primarily attributable to the interest rate change which occurred with the forbearance agreement as more fully described in Note 9, *Long-Term Debt* to the condensed consolidated financial statements.

Liquidity and Capital Resources

Changes in capital resources during the six months ended June 30, 2018 and 2017 are described below.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2018, we had cash and cash equivalents of approximately $4.7 million and working capital deficiency of approximately $34.0 million. We have incurred significant operating losses since inception and continue to generate losses from operations and as of June 30, 2018, we have an accumulated deficit of $194.2 million. These matters raise substantial doubt about our ability to continue as a going concern within one year after the date these financial statements are issued. Management has also evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should we be unable to continue as a going concern.

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

Continuing Operations

Net Cash Used In Operating Activities. Net cash used in operating activities for the six months ended June 30, 2018 totaled $1,641,935 compared to $1,431,794 for the six months ended June 30, 2017 representing an increase of $210,141. The increase in cash used in operations is due to a $1,260,366 increase in cash flows associated with operating assets and liabilities, and a $1,175,956 decrease in non-cash items offset by a decrease of $2,226,181 in net loss.

Net Cash Used in Investing Activities. Net cash used in investing activities for the six months ended June 30, 2018 totaled $949,390 compared to $1,473,754 for the six months ended June 30, 2017 representing a decrease of $524,364. Cash capital expenditures totaled $964,390 in the 2018 period compared to $1,460,829 in the 2017 period representing an increase of $496,439. Capital expenditures can fluctuate from period to period depending upon the number of customer additions and upgrades, network construction activity related to increasing capacity or coverage, and other related reasons.

Net Cash Used in Financing Activities. Net cash used in financing activities for the six months ended June 30, 2018 totaled $306,286 compared to $478,926 for the six months ended June 30, 2017, representing a decrease of $172,640. The majority of the payments for both periods relate to capital leases.

Discontinued Operations

Net cash used in discontinued operations for the six months ended June 30, 2018 was $12,283 compared to net cash provided by discontinued operations of $80,882 for the six months ended June 30, 2017, representing a decrease of $93,165. See Note 4, *Discontinued Operations*, within the notes to our condensed consolidated financial statements for additional information about our discontinued operations.

Other Considerations

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

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

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

In connection with the Loan Agreement and pursuant to a Warrant and Registration Rights Agreement, we issued warrants to purchase 2,400 shares of common stock of which two-thirds have an exercise price of $1,890.00 and one-third have an exercise price of $15.00, subject to standard anti-dilution provisions. The warrants have a term of seven and a half years.

In November 2016, the Company entered into a series of agreements wherein $5,000,000 of the Company's senior secured debt due to Lender was canceled and the Company simultaneously issued 1,000 shares of Series D Convertible Preferred Stock and warrants to purchase 53,334 shares of common stock at an exercise price of $100.50 per share. The cancellation of that debt serves to reduce the balloon payment due in October 2019 by that amount and reduce interest payments by $400,000 on an annual basis.

On May 24, 2018, the Company effected an exchange of 2,400 warrants with the Lender for an aggregate of 100 shares of Series I Preferred Stock. See Note 10, *Capital Stock*, for further information regarding the exchange of warrants.

Critical Accounting Policies

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

Revenue Recognition. We generally enter into contractual agreements with our customers for periods ranging between one to three years. We recognize the total revenue provided under a contract ratably over the contract period including any periods under which we have agreed to provide services at no cost. Deferred revenues are recognized as a liability when billings are issued in advance of the date when revenues are earned. We apply the revenue recognition principles set forth under ASC 606 which provides for revenue to be recognized based on the application of a principle based five-step model as follows: (i) identification of the contract, (ii) identification of the performance obligations in the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations, and (v) recognition of revenue as the performance obligations are satisfied.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential loss arising from adverse changes in market rates and prices. Our primary market risk relates to interest rates. At June 30, 2018, all cash and cash equivalents are immediately available cash balances.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective, as of June 30, 2018, 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 other changes in our system of internal control over financial reporting during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 6. Exhibits.

Exhibit No.	Description
10.1	Third Amended and Restated Forbearance to Loan Agreement dated August 20, 2018
31.1	Section 302 Certification of Principal Executive Officer.
31.2	Section 302 Certification of Principal Financial Officer.
32.1	Section 906 Certification of Principal Executive Officer.
32.2	Section 906 Certification of Principal Financial Officer.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Labels Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* - Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statement of Stockholders' Deficit, and (v) related notes to these financial statements.

SIGNATURES

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

TOWERSTREAM CORPORATION

Date: August 20, 2018

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

By: /s/ John Macdonald
John Macdonald
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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Exhibit 10.1

Second Amendment to Second Amended and Restated
Forbearance to Loan Agreement

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED FORBEARANCE TO LOAN AGREEMENT (this "***Agreement***") dated as of August 20, 2018, is made by and among **TOWERSTREAM CORPORATION**, a Delaware corporation ("***Parent***"), **TOWERSTREAM I, INC.**, a Delaware corporation, **HETNETS TOWER CORPORATION**, a Delaware corporation (together with Parent and Towerstream I, Inc., the "***Borrowers***" and each a "***Borrower***"), **OMEGA COMMUNICATIONS CORPORATION**, a Delaware corporation, **ALPHA COMMUNICATIONS CORPORATION**, a Delaware corporation, **TOWERSRTEAM HOUSTON, INC.**, a Texas corporation (together with Omega Communications Corporation and Alpha Communications Corporation, the "***Guarantors***" and each a "***Guarantor***"), the **MAJORITY LENDERS** (as defined below), and **MELODY BUSINESS FINANCE, LLC**, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, "***Administrative Agent***").

WITNESSETH:

WHEREAS, Borrowers, the financial institutions from time to time party thereto (the "***Lenders***") and Administrative Agent are parties to that certain Loan Agreement dated as of October 16, 2014 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "***Loan Agreement***");

WHEREAS, Guarantors entered into that certain Guaranty, dated as of October 16, 2014, for the ratable benefit of Administrative Agent and the Lenders;

WHEREAS, Borrowers, Guarantors, Administrative Agent and the Majority Lenders (i) entered into that certain Amended and Restated Forbearance to Loan Agreement, dated as of February 28, 2018, which amended and restated that certain Forbearance Agreement, dated as of January 26, 2018, (ii) entered into that certain First Amendment to Amended and Restated Forbearance to Loan Agreement, dated March 30, 2018, which amended the expiration date of the Forbearance Period from March 30, 2018 to April 15, 2018, (iii) entered into that certain Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated April 15, 2018 and (iv) entered into that certain First Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated May 15, 2018 (as amended, the "***Forbearance Agreement***");

WHEREAS, Borrowers, Guarantors, Administrative Agent and the Majority Lenders have agreed to amend the Forbearance Agreement as provided herein; and

WHEREAS, Borrowers, Guarantors, Administrative Agent and the Majority Lenders acknowledge that the terms of this Agreement do not constitute a novation or extinguishment, of the Loan Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and the fulfillment of the conditions set forth herein, the parties hereby agree as follows:

1 . Definitions. All capitalized terms defined in the Loan Agreement and the Forbearance Agreement and not otherwise defined in this Agreement shall have the same meanings as assigned to them in the Loan Agreement or Forbearance Agreement, as the case may be, when used in this Agreement, unless the context hereof shall otherwise require or provide.

2. [Reserved].

3. Amendments to Forbearance Agreement.

(a) The first sentence of Section 6 of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"3. Conditional Waiver and Forbearance. Unless the Forbearance Period is sooner terminated as provided herein and subject to the conditions hereof and upon satisfaction of the terms set forth in Section 7 hereof, Administrative Agent and the Lenders hereby agree to waive compliance with Sections 6.16 and 6.1(a)(i) (with respect only to the Qualified Auditor's Report) of the Loan Agreement and forbear from the exercise of any of its rights and remedies under the Loan Agreement and the other Loan Documents in connection with the Specified Events of Default for a period beginning as of April 15, 2018 through and including September 30, 2018 (together with any extensions thereof, the "***Forbearance Period***"); provided that interest on the Loans shall accrue at the Default Rate."

(b) Section 3(d)(i) of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"(i) End of Forbearance Period. September 30, 2018;"

(c) Section 6(d) of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"(d) Sale Milestones. In connection with a Sale Transaction sufficient to repay the Obligations in full on or before November 30, 2018, the Loan Parties shall:

(i) On or before April 16, 2018 the Financial Adviser will prepare a teaser or other general marketing materials regarding the Company (and approved by Parent) seeking to consummate a Sale Transaction by no later than November 30, 2018, and will distribute such materials to those potential purchases, lenders or investors identified by the Financial Adviser;

(ii) On or before April 30, 2018, Parent will receive and share with the Administrative Agent and the Lenders one or more written indications of interest from reputable purchasers, investors or lender offering to provide to consummate a Sale Transaction by no later than November 30, 2018;

(iii) On or before August 30, 2018, Parent will deliver to the Administrative Agent and the Lenders an executed term sheet for the Sale Transaction by no later than November 30, 2018; and

(iv) On or before October 30, 2018, Parent will deliver to the Administrative Agent and the Lenders definitive, executed documentation to consummate the Sale Transaction by no later than November 30, 2018."

(d) Section 6(f) of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"(f) [Reserved]."

(e) Section 6(g) of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"(g) [Reserved]."

(f) Section 6(h) of the Forbearance Agreement is hereby deleted and replaced in its entirety with the following language:

"(h) [Reserved]."

4. Ratification of Loan Documents. Each Borrower, each Guarantor, Administrative Agent and each Majority Lender further agrees that the Liens created by the Loan Documents shall continue and carry forward until the Obligations are paid and performed in full. Each Borrower and each Guarantor further agrees that such Liens are hereby ratified and affirmed as valid and subsisting against the property described in the Loan Documents and that this Agreement shall in no manner vitiate, affect or impair the Loan Agreement or the other Loan Documents (except as expressly modified in this Agreement), and that such Liens shall not in any manner be waived, released, altered or modified. Each Borrower and each Guarantor acknowledges and agrees that as of the date hereof, to its current and actual knowledge, there are no offsets, defenses or claims against any part of the Obligations.

5. Representations and Warranties. Each Borrower and Guarantor hereby certifies that, after giving effect to this Agreement:

(a) The representations and warranties of each Borrower and Guarantor contained in Article 5 of the Loan Agreement, or which are contained in any document furnished at any time under or in connection with the Loan Agreement, that are qualified by materiality are true and correct on and as of the date hereof, and each of the representations and warranties of each Borrower and Guarantor contained in Article 5 of the Loan Agreement (other than Section 5.25 of the Loan Agreement solely with respect to the Specified Events of Default), or which are contained in any document furnished at any time under or in connection with the Loan Agreement, that are not qualified by materiality are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct, or true and correct in all material respects, as the case may be, as of such earlier date;

(b) this Agreement has been duly authorized, executed and delivered by each Borrower and each Guarantor and constitutes a legal, valid and binding obligation of each such party, except as may be limited by general principles of equity or by the effect of the Bankruptcy Code or any applicable similar statute; and

(c) after giving effect to this Agreement and except for the Specified Events of Default, no Default or Event of Default exists.

6. Conditions to Effectiveness. This Agreement shall not be effective until the following conditions precedent have been satisfied:

(a) Administrative Agent shall have received counterparts of this Agreement executed by each Borrower, each Guarantor, Administrative Agent and each Majority Lender;

(b) No Default or Event of Default shall exist except the Specified Events of Default;

(c) Administrative Agent shall have received such other documents, instruments and certificates as reasonably requested by Administrative Agent; and

(d) Borrowers shall have paid the legal fees and expenses of Moore & Van Allen PLLC, as counsel to Administrative Agent.

Upon the satisfaction of the conditions set forth in this Section 6, this Agreement shall be effective as of the date hereof.

7 . Scope of Agreement. Any and all other provisions of the Loan Agreement and any other Loan Documents are hereby amended and modified wherever necessary and even through not specifically addressed herein, so as to conform to the amendments and modifications set forth in this Agreement.

8 . Limitation on Agreements. The amendments and agreements set forth herein are limited in scope as described herein and shall not be deemed (a) to be a consent under, or waiver of, any other term or condition of the Loan Agreement or any of the other Loan Documents, or (b) to prejudice any right or rights which Administrative Agent or any Lender now has or may have in the future under, or in connection with the Loan Documents, as amended or modified by this Agreement, the other Loan Documents or any of the documents referred to herein or therein.

9. CHOICE OF LAW; SERVICE OF PROCESS; JURY TRIAL WAIVER .THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE EXCLUDING AND WITHOUT REGARD FOR THE CONFLICTS OF LAWS PRINCIPLES THEREOF).

THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMIT, FOR THEMSELVES AND THEIR PROPERTY, TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. BORROWER AND THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF *FORUM NON CONVENIENS* OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10. EACH PARTY HERETO FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PARTY AT ITS SAID ADDRESS. BORROWER AND THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWER AND THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10. Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

11. Loan Document. This Agreement is a Loan Document and is subject to all provisions of the Loan Agreement applicable to Loan Documents, all of which are incorporated in this Agreement by reference the same as if set forth in this Agreement verbatim.

12. Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

13. No Novation. This Agreement amends the Forbearance Agreement. This Agreement is given as an amendment and modification of, and not as a payment of, the Obligations and is not intended to constitute a novation of the Loan Agreement or any of the other Loan Documents. All of the Obligations owing by Borrower under the Loan Agreement and the other Loan Documents shall continue.

14. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower or any of Parent's Subsidiaries may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Administrative Agent and each of the Lenders. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

15. Counterparts; Telefacsimile Execution. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic means shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile or other electronic means also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

16. Expenses. Without limiting the provisions of the Loan Agreement (including, without limitation, Article 10 thereof), Borrowers agree to pay all costs and expenses (including without limitation reasonable fees and expenses of any counsel, financial advisor, industry advisor and agent for Administrative Agent or any Lender) incurred before or after the date hereof by Administrative Agent, any Lender and their respective Affiliates in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents.

17. Release. As a material part of the consideration for Administrative Agent and the Lenders entering into this Agreement, each Borrower ("***Releasor***") agrees as follows (the "***Release Provision***"):

(a) Releasor hereby releases and forever discharges Administrative Agent, each Lender and their respective predecessors, successors, assigns, officers, managers, directors, shareholders, employees, agents, attorneys, representatives, parent corporations, subsidiaries, and affiliates (hereinafter all of the above collectively referred to as "***Lender Group***") jointly and severally from any and all claims, counterclaims, demands, damages, debts, agreements, covenants, suits, contracts, obligations, liabilities, accounts, offsets, rights, actions, and causes of action of any nature whatsoever occurring prior to the date hereof, including, without limitation, all claims, demands, and causes of action for contribution and indemnity, whether arising at law or in equity, presently possessed, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, presently accrued, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted ("***Claims***"), which Releasor may have or claim to have against any of Lender Group.

(b) Releasor agrees not to sue any of Lender Group or in any way assist any other Person in suing Lender Group with respect to any Claim released herein. The Release Provision may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted, or attempted in breach of the release contained herein.

(c) Releasor acknowledges, warrants, and represents to Lender Group that:

(i) Releasor has read and understands the effect of the Release Provision. Releasor has had the assistance of independent counsel of its own choice, or has had the opportunity to retain such independent counsel, in reviewing, discussing, and considering all the terms of the Release Provision; and if counsel was retained, counsel for Releasor has read and considered the Release Provision and advised Releasor to execute the same. Before execution of this Agreement, Releasor has had adequate opportunity to make whatever investigation or inquiry it may deem necessary or desirable in connection with the subject matter of the Release Provision.

(ii) Releasor is not acting in reliance on any representation, understanding, or agreement not expressly set forth herein. Releasor acknowledges that Lender Group has not made any representation with respect to the Release Provision except as expressly set forth herein.

(iii) Releasor has executed this Agreement and the Release Provision thereof as its free and voluntary act, without any duress, coercion, or undue influence exerted by or on behalf of any Person.

(iv) Releasor is the sole owner of the Claims released by the Release Provision, and Releasor has not heretofore conveyed or assigned any interest in any such Claims to any other Person.

(d) Releasor understands that the Release Provision was a material consideration in the agreement of Administrative Agent and the Lenders to enter into this Agreement.

(e) It is the express intent of Releasor that the release and discharge set forth in the Release Provision be construed as broadly as possible in favor of Lender Group so as to foreclose forever the assertion by Releasor of any Claims released hereby against Lender Group.

(f) If any term, provision, covenant, or condition of the Release Provision is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the remainder of the provisions shall remain in full force and effect.

18. INTEGRATION. THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

(Signature pages follow)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed.

BORROWERS:

TOWERSTREAM CORPORATION,
a Delaware corporation

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

TOWERSTREAM I, INC.,
a Delaware corporation,

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

HETNETS TOWER CORPORATION,
a Delaware corporation,

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

GUARANTORS:

OMEGA COMMUNICATIONS CORPORATION,
a Delaware corporation

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

ALPHA COMMUNICATIONS CORPORATION,
a Delaware corporation,

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

TOWERSTREAM HOUSTON, INC,
a Texas corporation,

By: /s/ Ernest Ortega
Name: Ernest Ortega
Title: CEO

ADMINISTRATIVE AGENT:

MELODY BUSINESS FINANCE, LLC, a Delaware limited liability company

By: /s/ Terri Lecamp
Name: Terri Lecamp
Title: Authorized Signatory

MAJORITY LENDERS:

MELODY CAPITAL PARTNERS OFFSHORE CREDIT MINI-MASTER FUND, LP
By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Omar Jaffrey
Name: Omar Jaffrey
Title: Authorized Signatory

MELODY CAPITAL PARTNERS ONSHORE CREDIT FUND, LP
By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Omar Jaffrey
Name: Omar Jaffrey
Title: Authorized Signatory

MELODY SPECIAL SITUATIONS OFFSHORE CREDIT MINI-MASTER FUND, LP
By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Omar Jaffrey
Name: Omar Jaffrey
Title: Authorized Signatory

EXHIBIT 31.1
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ernest Ortega, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Towerstream Corporation for the quarter ended June 30, 2018;

(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: August 20, 2018

/s/ Ernest Ortega
Ernest Ortega
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, John Macdonald, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Towerstream Corporation for the quarter ended June 30, 2018;

(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: August 20, 2018

/s/ John Macdonald
John Macdonald
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 Quarterly Report of Towerstream Corporation, (the ‘‘Company’’) on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the ‘‘Report’’), I, Ernest Ortega, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

Date: August 20, 2018

/s/ Ernest Ortega
Ernest Ortega
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 Quarterly Report of Towerstream Corporation, (the ''Company'') on Form 10-Q for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, John Macdonald, 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: August 20, 2018

/s/ John Macdonald
John Macdonald
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)