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

# FORM 10-K

(Mark One)

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

**For the fiscal year ended December 31, 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**

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth 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 ☒ | 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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $272,139.

As of March 25, 2019, there were 394,409 shares of common stock, par value $0.001 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Report is incorporated by reference to the Form 10-K/A to be filed with the SEC within 120 days after the close of the fiscal year ended December 31, 2018.

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**

Table of Contents


| | | Page |
|---|---|---|
| | **PART I** | |
| Item 1 | Business. | 2 |
| Item 1A | Risk Factors. | 8 |
| Item 1B | Unresolved Staff Comments. | 21 |
| Item 2 | Properties. | 22 |
| Item 3 | Legal Proceedings. | 22 |
| Item 4 | Mine Safety Disclosures. | 22 |
| | **PART II** | |
| Item 5 | Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. | 23 |
| Item 6 | Selected Financial Data. | 24 |
| Item 7 | Management’s Discussion and Analysis of Financial Condition and Results of Operations. | 24 |
| Item 7A | Quantitative and Qualitative Disclosures About Market Risk. | 30 |
| Item 8 | Financial Statements and Supplementary Data. | 31 |
| Item 9 | Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. | 60 |
| Item 9A | Controls and Procedures. | 60 |
| Item 9B | Other Information. | 60 |
| | **PART III** | |
| Item 10 | Directors, Executive Officers and Corporate Governance. | 61 |
| Item 11 | Executive Compensation. | 61 |
| Item 12 | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. | 61 |
| Item 13 | Certain Relationships and Related Transactions, and Director Independence. | 61 |
| Item 14 | Principal Accountant Fees and Services. | 61 |
| | **PART IV** | |
| Item 15 | Exhibits and Financial Statement Schedules. | 62 |
| Item 16 | Form 10-K Summary. | 66 |

# PART I

**Forward-Looking Statements**

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

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

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

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

**Item 1 - Business.**

Towerstream Corporation (“Towerstream”, “we”, “us”, “our” or the “Company”) is primarily a provider of fixed wireless services to businesses in twelve major urban markets across the U.S. 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. Our fixed wireless service supports bandwidth on demand, wireless redundancy, virtual private networks, disaster recovery, bundled data and video services. We provide 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. Our "Fixed Wireless Services Business" ("Fixed Wireless" or "FW") has historically grown both organically and through the acquisition of five other fixed wireless broadband providers in various markets.

We offer fixed wireless business internet service in three product categories: Business Class Internet, Temporary Internet Solutions, and Wholesale Internet Service. This unique portfolio of bandwidth services is able to scale our existing target markets, from small businesses to Fortune 500 companies. Such service is as fast as fiber and equally as stable.

Under the Business Class Internet category, we offer two types of service: Single Tenant Service and On-Net Service. Under the Single Tenant Service offering, we deliver fixed wireless broadband to a single client through a radio receiver/transmitter on the client’s building dedicated solely to that client. We estimate an addressable market opportunity of approximately 392,000 buildings within four miles of the 175 Points-of-Presence (“PoP”) located within the twelve major markets in which we provide service. Currently, we are offering bandwidth speeds ranging from 5Mbps (Megabits per second) to 10Gbps (Gigabits per second) in the Single Tenant Internet Service category with an increased focus on bandwidth speeds of 100Mbps or greater.

Under the On-Net Internet Service offering, we are able to connect, or “light”, an entire building at once and at a cost similar to what was traditionally required for one high bandwidth customer requiring point-to-point equipment. This can be accomplished, in part, because the capabilities of the equipment installed by us have improved even as the costs of the equipment have decreased. As a result, we are able to leverage the initial installation cost to serve an entire building’s tenant base. In place of a wireless install for every single customer in the building, we now only have to install the wireless portion of the install once. Subsequent customers are connected by simply running a wire to the common space in the building where the wireless service terminates. Additionally, instead of having multiple antennas on both the customer building and the PoP, there generally needs to be only one antenna on each location. We are offering 20Mbps to 1.5Gbps in this product category with an increased focus on bandwidth speeds of 100Mbps or greater.

Under the Temporary Internet Service offering, we are able to provide solutions for a client’s short-term connection requirements in locations where fiber, copper, and cable infrastructure does not exist or is cost prohibitive. With connections available for days, weeks, or months, this solution is ideal for concerts, special events, conferences, trade shows, television and movie productions, construction projects and more.

In August 2017, the Company created a new wholesale division that provides last-mile services to telecommunications carriers in North America. Under the Wholesale Internet Service offering, we are able to deliver both Dedicated Internet Access (DIA) and Point-to-Point Transport solutions with bandwidth options from 5Mbps to 10Gbps. By using our fixed wireless network, our wholesale partners bypass the extensive installation times of our fiber competitors. Our competitive advantages enable our partners to provide solutions their customers need quickly, reliably and cost effectively. Sales and marketing efforts have been restructured to create a more disciplined approach to identify and target prospective customers. By leveraging existing software tools, our sales and marketing organization can identify 392,000 buildings within four miles of our PoPs that house customers with the highest propensity to buy our services. This focused approach allows our sales force to target the subset of buildings that have confirmed line-of-sight and also lack fiber. This segmentation of our prospect database enables us to focus on prospects that align with prospective customers that are most likely to need and buy our services and continues to assist our sales professionals to shorten the sales cycle and achieve volume and velocity.

In March 2018, the Company announced that its Board of Directors 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. The Company has not set a definitive timetable for the completion of its review of strategic alternatives and 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.

**Our Network**

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

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

**Markets**

We launched our fixed wireless business in April 2001 in the Boston and Providence markets. In June 2003, we launched service in New York City and followed that with our entry into the Chicago, Los Angeles, San Francisco, Miami and Dallas-Fort Worth markets at various times through April 2008. Philadelphia was our last market launch in November 2009. We entered the Seattle, Las Vegas-Reno, and Houston markets through acquisitions of service providers based in those markets. We also expanded our market coverage and presence in Boston, Providence, and Los Angeles through acquisitions.

We determine which geographic markets to enter by assessing criteria in four broad categories. First, we evaluate our ability to deploy our service in a given market after taking into consideration our spectrum position, the availability of towers and other mounting structures. Second, we assess the market by evaluating the number of competitors, existing price points, demographic characteristics and distribution channels. Third, we evaluate the economic potential of the market, focusing on our forecasts of revenue opportunities and capital requirements. Finally, we look at market clustering opportunities and other cost efficiencies that might be realized. Based on this approach, as of December 31, 2018, we offer wireless broadband connectivity in 12 markets, of which 10 are in the top 20 metropolitan areas in the United States based on the number of small to medium businesses in each market. These 10 markets cover approximately 28% of small and medium businesses (5 to 249 employees) in the United States based on information obtained from AtoZDatabases.com.

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

**Sales and Marketing**

We employ an inside direct sales force model to sell our services to business customers. As of December 31, 2018, we employed two direct sales people. We generally compensate these employees on a salary plus commission basis.

Sales through indirect channels comprised 34% of our total revenues during the year ended December 31, 2018 compared with 35% during the year ended December 31, 2017. Our channel program provides for recurring monthly residual payments ranging from 8% to 25%.

In 2017, the Company began to implement new sales and marketing strategies to leverage the Company’s state-of-the-art fixed wireless network to serve both enterprise and service providers. The three main pillars of this strategy are price, speed to market, and reliability.

**Competition**

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

*Incumbent Local Exchange Carriers and Competitive Local Exchange Carriers*

We face competition from traditional wireline operators in terms of price, performance, discounted rates for bundles of services, breadth of service, reliability, network security, and ease of access and use. In particular, we face competition from Verizon Communications Inc. and AT&T Inc., which are referred to as “incumbent local exchange carriers”, as well as competitive local exchange carriers.

*Cable Modem, DSL, and Fiber Services*

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

*Cellular and CMRS Services*

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

*Wireless Broadband Service Providers*

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

*Satellite*

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

*Other*

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

**Competitive Strengths**

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

*Reliability*

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

*Flexibility*

Our wireless infrastructure and service delivery enables us to respond quickly to changes in a customer's broadband requirements. We offer bandwidth options ranging from 5 Mbps to 10 Gbps. We can usually adjust a customer's bandwidth remotely and without having to visit the customer location to modify or install new equipment. Changes can often be made on a same-day basis.

*Timeliness*

We have demonstrated the capability to install approximately 20% of our services within 7 days and approximately 75% of our services within 30 days from the customer contract date. Many of the larger telecommunications companies can take 30 to 60 days to complete an installation. The timeliness of service delivery has become more important as businesses conduct more of their business operations through the Internet.

*Value*

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

*Efficient Economic Model*

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

*Prime Real Estate Locations*

We have secured long term lease agreements for prime real estate locations in the 12 markets in which we have built our fixed wireless network. These locations are some of the tallest buildings in each city, which facilitates our ability to deliver Internet connectivity to customer locations where line of sight is not available to our competitors.

**Regulatory Matters**

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

*Spectrum Regulation*

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

*Broadband Internet Service Regulation*

Our wireless broadband network can be used to provide Internet access service and Virtual Private Networks ("VPNs"). On May 23, 2017, the FCC issued a notice of proposed rulemaking, the intention of which is to repeal the net neutrality protections adopted in the 2015 Open Internet Order and reclassify fixed and mobile broadband services as information services governed by Title I of the Communications Act. On December 14, 2017, the FCC released its Restoring Internet Freedom Report and Order, which reclassified Internet access service as an information and not a telecommunications service and removed all Title II obligations from Internet traffic arrangements. On June 11, 2018, the FCC adopted final rules repealing net neutrality protections. In response, a number of states have issued executive orders or proposed legislation requiring net neutrality. The impact of this Report and Order, final FCC rules and any state orders or legislation on the industry and competition is still unknown at this time.

In addition, Internet service providers are subject to a wide range of other federal regulations and statutes some of which are regulated by the Federal Trade Commission, including, for example, regulations and policies relating to low-income subsidies, consumer protection, consumer privacy, and copyright protections. State and local government authorities may also regulate limited aspects of our business by, for example, imposing consumer protection and consumer privacy regulations, zoning requirements, and requiring installation permits.

*Regulatory Issues*

Our antennas and equipment used to provide wireless broadband service are regulated by the FCC. As such, any changes in FCC regulations involving the use or deployment of wireless broadband service could have a positive or negative impact on our business.

**Rights Plan**

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

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

**Employees**

As of December 31, 2018, we had 48 employees, of whom 44 were full-time employees and 4 were part-time employees. As of March 25, 2019, we had 50 employees, of whom 46 were full-time employees and 4 were part-time employees. We believe our employee relations are good. Three employees are considered members of executive management.

**Reverse Split**

On September 29, 2017, the Company effected a 1-for-75 reverse stock split of its common stock. Consequently, all earnings per share and other share related amounts and disclosures in this report have been retroactively adjusted for all applicable 2017 periods presented for the split.

**Corporate History**

We were organized in the State of Nevada in June 2005. In January 2007, we merged with and into a wholly-owned Delaware subsidiary for the sole purpose of changing our state of incorporation to Delaware. In January 2007, a wholly-owned subsidiary of ours merged with and into a private company formed in 1999, Towerstream Corporation, with Towerstream Corporation being the surviving company. Upon closing of the merger, we discontinued our former business and succeeded to the business of Towerstream Corporation as our sole line of business. At the same time, we also changed our name to Towerstream Corporation and our subsidiary, Towerstream Corporation, changed its name to Towerstream I, Inc.

**Our Corporate Information**

Our principal executive offices are located at 76 Hammarlund Way, Middletown, Rhode Island, 02842. Our telephone number is (401) 848-5848. The Company's website address is *http://www.towerstream.com*. Information contained on the Company's website is not incorporated into this Annual Report on Form 10-K. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the SEC website at *http://www.sec.gov* as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. These reports are also available on the Company's website.

**Item 1A - Risk Factors.**

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

**Risks Relating to Our Financial Condition**

***If we choose to raise additional capital, we may not be able to obtain additional financing to fund our operations on terms acceptable to us or at all.***

If we choose to raise additional funds in the future, there can be no assurance that sufficient debt or equity financing will be available at all or, if available, that such financing will be on terms and conditions acceptable to us. Should we fail to obtain additional debt financing or raise additional capital, we may not be able to achieve our longer term business objectives and may face other serious adverse consequences. If we raise additional funds by issuing equity securities or convertible debt, investors may experience significant dilution of their ownership interest, and the newly-issued securities may have rights senior to those of the holders of our common stock. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operational flexibility and may require us to provide collateral to secure the loan. In addition, in a liquidation, debtholders will be entitled to repayment before any proceeds can be paid to our stockholders.

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

Our net losses for the years ending December 31, 2018 and 2017 were $10,210,453 and $12,469,682, respectively. We cannot anticipate when, if ever, our operations will become profitable. We expect to incur significant net losses as we develop our network, expand our markets, undertake acquisitions, acquire spectrum licenses and pursue our business strategy. We intend to invest significantly in our business before we expect cash flow from operations to be adequate to cover our operating expenses. If we are unable to execute our business strategy and grow our business, either as a result of the risks identified in this section or for any other reason, our business, prospects, financial condition and results of operations will be adversely affected.

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

As of December 31, 2018, we had approximately $4.2 million in cash and cash equivalents with one large financial banking institution. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. If the institution at which we have placed our funds were to become insolvent or fail, we could be at risk for losing a substantial portion of our cash deposits or incur significant time delays in obtaining access to such funds. In light of the limited amount of federal insurance for deposits, even if we were to spread our cash assets among several institutions, we would remain at risk for the amount not covered by insurance.

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

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

***There is substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.***

The Company's consolidated financial statements for the year ended December 31, 2018 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. Effective March 30, 2018 through April 15, 2018, the Company entered into an amended and restated forbearance agreement (the "Forbearance Agreement") with Melody Business Financial LLC (the "Lender") under the Company's loan agreement (the "Loan Agreement"). Between March 2018 and January 2019, the Company entered into a series of amendments to the Forbearance Agreement extending the forbearance period. The current forbearance period expires April 30, 2019 (the "Forbearance Period'). These amendments also amended certain other terms of the Loan Agreement and the Forbearance Agreement. Under the most recent amended Forbearance Agreement executed in January 2019, the terms of the amendment include the Lender agreeing to forbear from exercising any of its rights with respect to an event of default related to the $6,500,000 minimum cash balance and a "Qualified Auditor's Report" as long as the Company accrues interest at the default rate. The Forbearance Period shall terminate upon the Company's failure to maintain at least $2,000,000 minimum in deposit accounts or securities accounts. In addition, the cash interest payment due in the first quarter of 2019 can be treated as PIK interest. The scheduled maturity date of the short-term debt is April 30, 2019.

As of December 31, 2018, the Company had cash and cash equivalents of approximately $4.2 million and a working capital deficiency of approximately $36.9 million. The Company has incurred significant operating losses since inception and continues to generate losses from operations, and as of December 31, 2018, the Company had an accumulated deficit of $199.3 million. These matters raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the Company's financial statements for the fiscal year ended December 31, 2018 were issued. Management has also evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The 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. Our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2018, describing the existence of substantial doubt about our ability to continue as a going concern.

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

***Recently enacted tax reform legislation in the U.S. could adversely affect our business and financial condition.***

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law, making significant changes to the Internal Revenue Code. Changes under the Tax Act include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. The overall impact of the new federal tax law is uncertain, and our business and financial condition could be adversely affected. For example, because of the tax rate decrease, our deferred tax assets and our corresponding valuation allowance against these deferred tax assets have been reduced and may continue to be adversely impacted. In addition, it is uncertain if and to what extent various states will make conforming changes to state tax laws and regulations and what effect legal challenges will have on the Tax Act, including litigation in the U.S. and international challenges brought at organizations such as the World Trade Organization. The impact of the Tax Act on holders of our common stock is also uncertain and could be adverse. Investors should consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

### Risks Relating to Fixed Wireless Services and Our Strategy

***If we engage in a strategic realignment, our ability to execute current business strategies will be adversely affected.***

In March 2018, the Company retained an independent financial advisor to explore strategic alternatives, including the sale of some or all of the Company's business or assets. If we enter into one or more strategic transactions that include the sale of significant assets, such transactions will likely cause us to exit one or more of our primary markets and forego licenses to operate in those markets, may involve a competitor that is strengthened by expansion in one of their current markets or into new markets, will reduce our customer base and may cause us reputational damage in markets in which we remain. As a result, our ability to execute on our business strategy will be adversely affected.

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

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

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

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

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

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

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

We believe that our brand is a critical key to our success. Maintaining and enhancing our brand may require us to make substantial investments with no assurance that these investments will be successful. If we fail to promote and maintain the "Towerstream" brand, or if we incur significant expenses in this effort, our business, prospects, operating results and financial condition may be harmed. We anticipate that maintaining and enhancing our brand will become increasingly important, difficult and expensive, and we may not be able to do so.

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

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

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

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

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

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

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

***We may be unable to operate in certain markets if we are unable to obtain and maintain rights to use licensed spectrum or if the FCC re-allocates "unlicensed" spectrum.***

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

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

- inability to satisfy build-out or service deployment requirements upon which spectrum licenses or leases may be conditioned;
- increases in spectrum acquisition costs or complexity;
- unsuccessful efforts to win competitive bids and satisfy pre-bid qualifications and post-bid requirements for spectrum acquisitions, which may lead to, among other things, increased competition;
- adverse changes to regulations governing spectrum rights;
- the risk that acquired or leased spectrum will not be commercially usable or free of damaging interference from licensed or unlicensed operators in the licensed or adjacent bands;
- contractual disputes with, or the bankruptcy or other reorganization of, the license holders, which could adversely affect control over the spectrum;
- failure of the FCC or other regulators to renew spectrum licenses as they expire; and
- invalidation of authorization to use all or a significant portion of our spectrum.

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

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

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

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

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

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

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

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

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

Many fixed wireless companies have failed, and there is no guarantee that our strategy will be successful or profitable. If our strategy is unsuccessful, the value of our company may decrease and our stockholders could lose their entire investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Risks Relating to Discontinued Operations**

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

During the fourth quarter of 2015, we determined to exit the shared wireless infrastructure business and curtailed activity in our smaller markets. During the first quarter of 2016, we sold the majority of our network locations in New York City, our largest market, to a major cable company. We also determined that we would not be able to sell our remaining network locations in New York City. We believe that we have recognized principally all of the costs required to exit this business, but can provide no assurance that additional costs will not be incurred. Any additional costs would adversely impact our operating results and cash flows, and our stock price could decline.

**Risks Relating to the Wireless Industry**

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

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

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

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

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

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

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

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

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

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

On May 23, 2017, the FCC issued a notice of proposed rulemaking, the intention of which is to repeal the net neutrality protections adopted in 2015 and reclassify fixed and mobile broadband services as information services governed by Title I of the Communications Act. On December 14, 2017, the FCC released its Restoring Internet Freedom Report and Order, which reclassified Internet access service as an information and not a telecommunications service and removed all Title II obligations from Internet traffic arrangements. On June 11, 2018, the FCC adopted final rules repealing net neutrality protections. In response, a number of states have issued executive orders or proposed legislation requiring net neutrality. In early 2019, the United States Congress formed a bi-partisan committee to explore future net neutrality legislation.

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

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

**Risks Relating to Our Secured Indebtedness**

***Our cash flows and capital resources may be insufficient to meet minimum balance requirements or to make required payments on our secured indebtedness, which is secured by substantially all of our assets.***

In October 2014, we entered into a loan agreement which provided us with a five-year $35,000,000 term loan. The loan bears interest payable in cash at a rate equal to the greater of (i) the sum of the one month LIBOR rate on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind ("PIK"), or deferred, interest that accrues at 4% per annum. As of December 31, 2018, we had $38,699,307 of principal and interest outstanding under the terms of this loan. We have agreed to maintain a minimum balance of cash or cash equivalents equal to or greater than $6,500,000 at all times throughout the term of the loan. As of December 31, 2018, we had $4,173,070 in cash and cash equivalents with one large financing banking institution. A failure to comply with the restrictive covenants constitutes a default, which would allow the lender to accelerate the debt and exercise its remedies under the loan agreement. Effective January 31, 2019, the Company entered into an amended and restated Forbearance Agreement in which the Lender agreed to, among other things, to forbear from exercising any of its rights with respect to an event of default related to the $6,500,000 minimum cash balance. The Forbearance Period shall terminate upon the Company's failure to maintain at least $2,000,000 minimum in deposit accounts or securities accounts. In addition, the scheduled maturity date of the short-term debt is April 30, 2019.

We recorded interest expense of $6,077,223 and $4,142,046 for the years ended December 31, 2018 and 2017, respectively. Of those amounts, we paid to the lender $2,035,903 and $2,775,054 and, in accordance with the provisions of the loan agreement, added $4,041,320 and $1,366,992 to the principal amount of the loan during the years ended December 31, 2018 and 2017, respectively.

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

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

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

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

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

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

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

● incur additional debt;

● grant liens on assets;

● issue capital stock with certain features;

● pay dividends;

● sell or acquire assets outside the ordinary course of business; and

● make fundamental business changes.

We expect to extend the Forbearance Period beyond April 30, 2019 but there is no guarantee that we will be able to do so on terms acceptable to us or at all. We are currently party to a Forbearance Agreement pursuant to which the Lender has agreed to forbear from exercising certain rights under the Agreement until April 30, 2019. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Loan Agreement" for more information.

Although we are currently in compliance with the covenants contained in the Loan Agreement, as modified by the Forbearance Agreement as amended, if we fail to comply with such restrictions, a default may allow the lender under the relevant instruments to accelerate the related debt and to exercise its remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the lender may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds.

**Risks Relating to Our Organization**

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

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

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

***We have suspended our SEC reporting obligations, and our stockholders may not have access to information required by SEC rules and regulations.***

We had fewer than 300 stockholders of record as of January 1, 2019, and as a result, our obligation to file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), was automatically suspended. We filed a Form 15 with the SEC providing notice of such automatic suspension. Accordingly, subsequent to this Form 10-K, as will be amended to include the Part III information required hereby, our stockholders may not have access to the financial and other information required by SEC rules and regulations, which may adversely impact the trading price of, and market for, our common stock.

**Risks Relating to Our Common Stock**

***Our common stock is quoted on the OTC Pink which may have an unfavorable impact on our stock price and liquidity.***

Our common stock is quoted on the OTC Pink. The OTC Pink is an automated quotation service operated by OTC Markets, LLC. The quotation of our shares on the OTC Pink may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, in part because of the inability or unwillingness of certain investors to acquire shares of common stock not traded on a national securities exchange, and could depress the trading price of our common stock and have a long-term adverse impact on our ability to raise capital in the future.

***Our common stock is subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.***

Rule 15g-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***A limited public trading market may cause volatility in the price of our common stock.***

The quotation of our common stock on the OTC Pink marketplace does not assure that a meaningful, consistent and liquid trading market currently exists, and in recent years such market has experienced extreme price and volume fluctuations that have particularly affected the market prices of many smaller companies like us. Our common stock is subject to this volatility. Sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect prevailing market prices of our common stock and our stock price may decline substantially in a short time and our stockholders could suffer losses or be unable to liquidate their holdings. Because our common stock does not trade on a national securities exchange, our common stock is subject to the securities laws of the various states and jurisdictions of the United States in addition to federal securities law. While we may register our common stock or qualify for exemptions for our common stock in one of more states, if we fail to do so, the investors in those states where we have not taken such steps may not be allowed to purchase our stock or those who presently hold our stock may not be able to resell their shares without substantial effort and expense. These restrictions and potential costs could be significant burdens on our stockholders.

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

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

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

In November 2010, we adopted the Rights Plan and declared a dividend distribution of twenty preferred share purchase rights for each outstanding share of common stock as of the record date on November 24, 2010. Each right, when exercisable, entitles the registered holder to purchase one-hundredth (1/100th) of a share of Series A Preferred Stock, par value $0.001 per share, at a purchase price of $18.00 per one-hundredth (1/100th) of a share of Series A Preferred Stock, subject to certain adjustments. The rights will generally separate from the common stock and become exercisable if any person or group acquires or announces a tender offer to acquire 15% or more of our outstanding common stock without the consent of our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our Rights Plan could make it more difficult for a third party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors. In addition, we are governed by provisions of Delaware law that may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us.

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

***Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

If our stockholders sell substantial amounts of our common stock in the public market, including upon the expiration of any statutory holding period under Rule 144 or registration for resale, or issued upon the conversion of preferred stock, if any, or exercise of warrants, it could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our common stock could fall. As of December 31, 2018, we had 394,409 shares of common stock issued and outstanding. As of December 31, 2018, we had 71,734 shares of common stock underlying our Series G Convertible Preferred Stock (“Series G Preferred Stock”) and 53,440 shares of common stock underlying our Series H Convertible Preferred Stock (“Series H Preferred Stock”). The existence of an overhang, whether or not sales have occurred or are occurring, also could make our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate more difficult.

***The rights of our common stockholders are limited by and subordinate to the rights of the holders of Series G Preferred Stock, Series H Preferred Stock and Series I Preferred Stock; these rights may have a negative effect on the value of shares of our common stock.***

The holders of our outstanding shares of Series G Preferred Stock, Series H Preferred Stock and Series I Preferred Stock have rights and preferences generally superior to those of our holders of common stock. The existence of these superior rights and preferences may have a negative effect on the value of shares of our common stock. These rights are more fully set forth in the certificates of designations governing these instruments, and include, but are not limited to:

● the right to receive a liquidation preference, prior to any distribution of our assets to the holders of our common stock; and

● for the Series G Preferred Stock and Series H Preferred Stock holders, the right to convert into shares of our common stock at the conversion price set forth in the certificates of designations governing the respective Preferred Stock, which may be adjusted.

**Item 1B - Unresolved Staff Comments.**

None.

**Item 2 - Properties.**

We do not own any real property.

Our executive offices are located in Middletown, Rhode Island, where we lease 16,569 square feet of space. Annual rent expense is approximately $183,000 and escalates by 2.5% annually reaching approximately $213,000 for 2024. Our lease expires December 31, 2024 with an option to renew for an additional five year term. We believe that our offices are in good condition and suitable to our needs.

**Item 3 - Legal Proceedings.**

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

**Item 4 - Mine Safety Disclosures.**

Not applicable

## PART II

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

**Market Information**

There is no established public trading market for our common stock. Our common stock was quoted on the OTCQB under the symbol TWER from December 1, 2016 until it subsequently was downgraded to OTC Pink. The following table sets forth the high and low bid prices as reported on the OTCQB and OTC Pink. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. All stock prices for the first three quarters of 2017 included in the following table are adjusted for the 1-for-75 Listing Reverse Split implemented on September 29, 2017.

| Fiscal Year 2018 | High | Low |
|---|---|---|
| First Quarter | $ 3.70 | $ 2.37 |
| Second Quarter | $ 3.60 | $ 1.80 |
| Third Quarter | $ 15.00 | $ 2.20 |
| Fourth Quarter | $ 3.51 | $ 2.00 |

| Fiscal Year 2017 | High | Low |
|---|---|---|
| First Quarter | $ 15.75 | $ 10.50 |
| Second Quarter | $ 14.25 | $ 6.75 |
| Third Quarter | $ 9.00 | $ 4.50 |
| Fourth Quarter | $ 6.00 | $ 3.00 |

The last reported sales price of our common stock on the OTC Pink on December 31, 2018 was $2.10, and on March 25, 2019, the last reported sales price was $1.00. According to the records of our transfer agent, as of March 25, 2019, there were 59 holders of record of our common stock.

**Securities Authorized for Issuance Under Equity Compensation Plans**

As of December 31, 2018, securities issued and securities available for future issuance under our 2008 Non-Employee Directors Compensation Plan, our 2007 Equity Compensation Plan, our 2007 Incentive Stock Plan, our 2016 Equity Incentive Plan and our 2016 Non-Executive Incentive Plan were as follows:

**Equity Compensation Plan Information**

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Equity compensation plans approved by security holders | 72,807 | $ 116.53 | - |
| Equity compensation plans not approved by security holders | - | $ - | - |
| Total | 72,807 | $ 116.53 | - |

**Recent Sales of Unregistered Securities.**

There were no unregistered securities sold by us during the year ended December 31, 2018 that were not otherwise disclosed by us during the year in a Quarterly Report on Form 10-Q, a current Report on Form 8-K, or within this Annual Report on Form 10-K.

**Recent Repurchases of Securities.**

None.

**Item 6 - Selected Financial Data.**

Not applicable

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

**Overview**

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 December 31, 2018, we provide service to business customers in 12 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 in that market. 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.

**Characteristics of our 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. 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.

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 rooftops, which we utilize to connect numerous customers to the Internet. We enter into long term lease agreements to maintain our equipment on these PoPs, and these rent payments comprise the majority of our infrastructure and access costs. Access expenses primarily consist of bandwidth connectivity agreements that we enter into with national service providers.

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

Customer support costs relate to our continuing communications with customers regarding their service level agreement. Payroll comprises approximately 70% to 80% of customer support costs. Other costs include travel expenses to service customer locations, shipping, troubleshooting, and facilities related expenses.

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

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

**Reverse Stock Split**

On September 29, 2017, the Company effected a 1-for-75 reverse stock split. Consequently, all share related amounts and disclosures in this report have been retroactively adjusted for all 2017 periods impacted.

**Results of Operations**

**Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

*Revenues.* Revenues totaled $24,604,310 during the year ended December 31, 2018 compared to $26,212,550 during the year ended December 31, 2017, representing a decrease of $1,608,240, or 6%. The decrease is due to fewer customers but is offset by new customers having a higher average rate per unit and a lower overall customer churn rate.

*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 1.29% during the year ended December 31, 2018 compared to 1.31% during the year ended December 31, 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 expenses totaled $11,064,325 for the year ended December 31, 2018 compared to $10,670,673 for the year ended December 31, 2017, representing an increase of $393,652, or 4%. The increase primarily relates to higher tower rental costs and maintenance activity offset by a reduction in bandwidth costs.

*Depreciation and Amortization.* Depreciation and amortization expenses totaled $6,437,050 during the year ended December 31, 2018 compared to $6,734,987 during the year ended December 31, 2017, representing a decrease of $297,937, or 4%. Depreciation expense totaled $5,157,789 during the year ended December 31, 2018 compared to $5,324,969 during the year ended December 31, 2017, representing a decrease of $167,180, or 3%. 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 $1,279,261 during the year ended December 31, 2018 compared to $1,410,018 during the year ended December 31, 2017, representing a decrease of $130,757, or 9%. Amortization expense relates to customer related intangible assets recorded in connection with acquisitions and can fluctuate significantly from period to period depending upon the timing of acquisitions, the relative amounts of intangible assets recorded, and the amortization periods.

*Network Operations*. Network operations expenses totaled $3,210,968 for the year ended December 31, 2018 compared to $4,342,392 for the year ended December 31, 2017, representing a decrease of $1,131,424, or 26%. The primary reasons for the decrease are lower payroll costs of $690,071, or 27%, due primarily to staffing reductions, and information technology related cost reductions of $229,538, or 33%, due to decreased third party support and software licenses.

*Customer Support*. Customer support expenses totaled $1,475,865 for the year ended December 31, 2018 compared to $1,608,526 for the year ended December 31, 2017, representing a decrease of $132,661, or 8%. The decrease is due to lower payroll related expenses of $213,647, or 17%, due to lower average headcount in the 2018 period, offset by higher other customer support costs of $80,986, or 23%, primarily due to increased maintenance costs.

*Sales and Marketing.* Sales and marketing expenses totaled $1,966,369 during the year ended December 31, 2018 compared to $3,883,438 during the year ended December 31, 2017, representing a decrease of $1,917,069, or 49%. The decrease primarily relates to a decrease in payroll expenses due to employee headcount reductions.

*General and Administrative.* General and administrative expenses totaled $4,067,265 during the year ended December 31, 2018 compared to $6,324,084 during the year ended December 31, 2017, representing a decrease of $2,256,819, or 36%. Stock-based compensation expenses decreased $770,041 as there was a minimal number of options issued during the period, professional fees decreased $710,724, payroll costs decreased by $359,219 and public company fees decreased $225,082.

*Interest Expense, Net.* Interest expense, net totaled $6,929,519 during the year ended December 31, 2018 compared to $5,201,972 during the year ended December 31, 2017, representing an increase of $1,727,547, or 33%. Interest expense relates to our $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 agreements, as more fully described in Note 8, "*Short-Term Debt,"* to our consolidated financial statements included elsewhere in this report.

**Liquidity and Capital Resources**

Changes in capital resources during the years ended December 31, 2018 and 2017 are described below.

The accompanying 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 December 31, 2018, we had cash and cash equivalents of approximately $4.2 million and a working capital deficiency of approximately $36.9 million. We have incurred significant operating losses since inception and continue to generate losses from operations, and as of December 31, 2018, we have an accumulated deficit of $199.3 million. These matters raise substantial doubt about our ability to continue as a going concern within one year after the date our consolidated financial statements included elsewhere in this report were issued. Management has also evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The 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, if any. There can be no assurance that such a plan will be successful.

*Net Cash Used In Operating Activities.* Net cash used in operating activities for the year ended December 31, 2018 totaled $1,762,712 compared to $1,423,961 for the year ended December 31, 2017. The $338,751 increase in cash used in operations is primarily due to a $2,259,229 decrease in net loss and a $2,610,105 increase in cash outflows associated with operating assets and liabilities.

*Net Cash Used in Investing Activities.* Net cash used in investing activities for the year ended December 31, 2018 totaled $1,143,259 compared to $2,431,752 for the year ended December 31, 2017, representing a decrease of $1,288,493. Cash capital expenditures totaled $1,163,513 in the 2018 period compared to $2,407,877 in the 2017 period, representing a decrease of $1,244,364. 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 year ended December 31, 2018 totaled $465,992 compared to $868,749 for the year ended December 31, 2017, representing a decrease of $402,757. The majority of the payments for both periods relate to capital leases.

**Loan Agreement**

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 Loan Agreement contains a number of restrictive covenants. See "Risk Factors—Risks Related to Our Secured Indebtedness" for further information regarding these restrictive covenants.

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 pursuant to which $5,000,000 of the Company's senior secured debt due to Lender was canceled and the Company simultaneously issued to the Lender 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 reduced the balloon payment due in October 2019 by the same amount and reduced interest payments by $400,000 on an annual basis.

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 lender's 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. 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 Forbearance agreement was amended and restated effective February 28, 2018 to also include a forbearance of Section 6.1(a)(i) of the 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 change the scheduled maturity date from October 16, 2019 to December 31, 2018 (ii) to certain milestones in connection with a proposed sale of the Company, (iii) subject to applicable law, to cease filing periodic reports with the Securities and Exchange Commission and (iiv) 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 Forbearance to Loan 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.

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*," to our consolidated financial statements included elsewhere in this report for further information regarding the exchange of warrants.

Effective August 20, 2018, the Company the parties amended the Forbearance Agreement (the "Second Amendment"). Pursuant to the Second Amendment, 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.

On October 24, 2018, the parties amended the Forbearance Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Third Forbearance Period was extended from September 30, 2018 to November 15, 2018 (the "Fourth Forbearance Period"), and the Company agreed, among other things, to eliminate Sale Milestone dates as had been set forth in a prior amendment and the Lenders agreed to permit the Company to defer payment of the third quarter cash interest, which would be treated as PIK interest.

Effective December 31, 2018, the parties amended the Forbearance Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, the Fourth Forbearance Period was extended from November 15, 2018 to January 31, 2019 (the "Fifth Forbearance Period"), and the Lenders agreed to permit the Company to defer payment of the fourth quarter cash interest, which would be treated as PIK interest. In addition, the scheduled maturity date of the Note was changed from December 31, 2018 to January 31, 2019.

On January 31, 2019, the parties amended the Forbearance Agreement (the "Fifth Amendment"). Pursuant to the Fifth Amendment, the Fifth Forbearance Period was extended from January 31, 2019 to April 30, 2019 (the "Sixth Forbearance Period"), the Lender 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 Sixth Forbearance Period. The Sixth Forbearance Period shall terminate upon the Company's failure to maintain at least $2,000,000 minimum in deposit accounts or securities accounts or upon the occurrence of certain events of default. The Company also agreed, among other things, that (i) obligations under the Note for interest payments for the quarter ended March 31, 2019 were revised to provide that interest may be paid in cash or treated as PIK interest, to be added to the outstanding loan balance due, in the discretion of the Company, and (ii) the scheduled maturity date of the Note be changed from January 31, 2019 to April 30, 2019.

**Impact of Inflation, Changing Prices and Economic Conditions**

Pricing for many technology products and services has historically decreased over time due to the effect of product and process improvements and enhancements. In addition, economic conditions can affect the buying patterns of customers. While our customer base experienced a decline during 2018, our overall pricing increased during that same period. Customers continued to place a premium on value and performance. Pricing of services continued to be a focus for prospective buyers with multi-point and midrange product pricing remaining steady while competition for high capacity links intensified. In part, pressure on high capacity links was due to decreased costs for equipment and some competitors willing to sacrifice margins. We believe that our customers will continue to upgrade their bandwidth service. The continued migration of many business activities and functions to the Internet and growing use of cloud computing should also result in increased bandwidth requirements over the long term. Inflation has remained relatively modest and has not had a material impact on our business in recent years.

**Critical Accounting Policies**

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

*Revenue Recognition*

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

*Long-Lived Assets*

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

*Goodwill*

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

*Asset Retirement Obligations*

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

*Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**Recent Accounting Pronouncements**

Recent accounting pronouncements applicable to our financial statements are described in Note 3, "*Basis of Presentation and Summary of Significant Accounting Policies,"* to our consolidated financial statements included elsewhere in this report.

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

***Market Rate Risk***

Market risk is the potential loss arising from adverse changes in market rates and prices. Our primary market risk relates to interest rates. At December 31, 2018, all cash and cash equivalents are immediately available cash balances. A portion of our cash and cash equivalents are held in institutional money market funds.

***Interest Rate Risk***

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

***Foreign Currency Exchange Rate Risk***

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

**Item 8 - Financial Statements and Supplementary Data.**

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**
**Index to Consolidated Financial Statements**


| | Page |
|---|---|
| Report of Independent Registered Public Accounting Firm | 32 |
| Consolidated Balance Sheets | 33 |
| Consolidated Statements of Operations | 34 |
| Consolidated Statements of Stockholders' Deficit | 35 |
| Consolidated Statements of Cash Flows | 36 |
| Notes to Consolidated Financial Statements | 38 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
of Towerstream Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Towerstream Corporation and Subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Explanatory Paragraph – Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

We have served as the Company's auditor since 2007.

Marcum LLP
New York, NY
April 1, 2019

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 4,173,070 | $ 7,568,982 |
| Accounts receivable, net of reserves for uncollectable accounts of $154,114 and $95,884, respectively | 538,103 | 912,333 |
| Prepaid expenses and other current assets | 600,482 | 242,320 |
| Total Current Assets | 5,311,655 | 8,723,635 |
| | | |
| Property and equipment, net | 10,078,151 | 13,430,980 |
| | | |
| Intangible assets, net | 963,210 | 2,242,471 |
| Goodwill | 1,674,281 | 1,674,281 |
| Other assets | 391,467 | 386,047 |
| **Total Assets** | $ 18,418,764 | $ 26,457,414 |
| | | |
| **Liabilities, Series I Preferred Stock and Stockholders' Deficit** | | |
| Current Liabilities | | |
| Accounts payable | $ 175,810 | $ 1,150,861 |
| Accrued expenses | 810,352 | 1,622,036 |
| Accrued interest | - | 722,629 |
| Deferred revenues | 985,914 | 934,450 |
| Current maturities of capital lease obligations | 341,975 | 382,918 |
| Current liabilities of discontinued operations | 1,005,073 | 1,029,022 |
| Deferred rent | 159,020 | 78,048 |
| Short-term debt (callable), net of debt discounts and deferred financing costs of $0 and $789,287, respectively | 38,699,307 | 33,868,700 |
| Total Current Liabilities | 42,177,451 | 39,788,664 |
| | | |
| Long-Term Liabilities | | |
| Capital lease obligations, net of current maturities | 295,747 | 305,947 |
| Other | 386,025 | 754,203 |
| Total Long-Term Liabilities | 681,772 | 1,060,150 |
| **Total Liabilities** | 42,859,223 | 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 December 31, 2018 | 1 | 1 |
| Series H Convertible Preferred - 501 and 501 shares issued and outstanding, respectively; Liquidation value of $501,000 as of December 31, 2018 | 1 | 1 |
| Common stock, par value $0.001; 200,000,000 shares authorized; 394,409 shares issued and outstanding as of December 31, 2018 and 2017, respectively | 394 | 394 |
| Additional paid-in-capital | 174,894,507 | 174,733,113 |
| Accumulated deficit | (199,335,362) | (189,124,909) |
| **Total Stockholders' Deficit** | (24,440,459) | (14,391,400) |
| **Total Liabilities, Series I Preferred Stock and Stockholders' Deficit** | $ 18,418,764 | $ 26,457,414 |

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

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the Years Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Revenues** | $ 24,604,310 | $ 26,212,550 |
| Operating Expenses | | |
| Infrastructure and access | 11,064,325 | 10,670,673 |
| Depreciation and amortization | 6,437,050 | 6,734,987 |
| Network operations | 3,210,968 | 4,342,392 |
| Customer support | 1,475,865 | 1,608,526 |
| Sales and marketing | 1,966,369 | 3,883,438 |
| General and administrative | 4,067,265 | 6,324,084 |
| Total Operating Expenses | 28,221,842 | 33,564,100 |
| **Operating Loss** | (3,617,532) | (7,351,550) |
| Other Expense | | |
| Interest expense, net | (6,929,519) | (5,201,972) |
| Total Other Expense | (6,929,519) | (5,201,972) |
| Loss before income taxes | (10,547,051) | (12,553,522) |
| Benefit for income taxes | 336,598 | 83,840 |
| **Net Loss** | (10,210,453) | (12,469,682) |
| Deemed dividend to Series D and F preferred stockholders | - | (1,905,570) |
| **Net loss attributable to common stockholders** | $ (10,210,453) | $ (14,375,252) |
| Net loss per common share – Basic and diluted | $ (25.89) | $ (43.01) |
| Weighted average common shares outstanding – Basic and diluted | 394,409 | 334,234 |

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

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**
**For the Years Ended December 31, 2018 and 2017**

| | Series D Convertible Preferred Stock | | Series E Convertible Preferred Stock | | Series F Convertible Preferred Stock | | Series G Convertible Preferred Stock | | Series H Convertible Preferred Stock | | Common Stock | | Additional Paid-In-Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | | | |
| Balance at January 1, 2017 | 1,233 | $ 2 | 500,000 | $ 500 | 1,233 | $ 1 | - | $ - | - | $ - | 244,369 | $ 244 | $173,801,022 | $(176,655,227) | $ (2,853,458) |
| Conversion on January 9, 2017 of Series E convertible preferred stock into common stock | | | (500,000) | (500) | | | | | | | 6,667 | 7 | 493 | | - |
| Conversion on various dates from January 26, 2017 to April 13,2017, inclusive, Series F convertible preferred stock into common stock | | | | | (590) | | | | | | 39,334 | 39 | (39) | | - |
| Conversion on May 26, 2017 of Series D convertible preferred stock into Series G preferred stock, and the conversion of Series F convertible preferred stock into Series H convertible preferred stock | (1,233) | (2) | | | (643) | (1) | 938 | 1 | 938 | 1 | | | 1 | | - |
| Conversion on various dates from May 30, 2017 to June 29,2017, inclusive, Series H convertible preferred stock into common stock | | | | | | | | | (437) | - | 46,614 | 47 | (47) | | - |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Conversion on various dates from June 30, 2017 to August 22,2017, inclusive, Series G convertible preferred stock into common stock | | | | | | | (400) | | | | 53,335 | 53 | (53) | | - |
| Additional shares issued as a result of the rounding provisions of the reverse stock split of September 29, 2017 | | | | | | | | | | | 4,060 | 4 | (4) | | - |
| Stock-based compensation for options | | | | | | | | | | | | | 931,382 | | 931,382 |
| Issuance of common stock under employee stock purchase plan | | | | | | | | | | | 30 | - | 358 | | 358 |
| Net loss | | | | | | | | | | | | | | (12,469,682) | (12,469,682) |
| Balance at December 31, 2017 | - | - | - | - | - | - | 538 | $ 1 | 501 | $ 1 | 394,409 | $ 394 | $174,733,113 | $(189,124,909) | $(14,391,400) |
| Stock based compensation for options | | | | | | | | | | | | | 161,394 | | 161,394 |
| Net loss | | | | | | | | | | | | | | (10,210,453) | (10,210,453) |
| Balance at December 31, 2018 | - | $ - | - | $ - | - | $ - | 538 | $ 1 | 501 | $ 1 | 394,409 | $ 394 | $174,894,507 | $(199,335,362) | $(24,440,459) |

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

**TOWERSTREAM CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the Years Ended December 31, 2018 | 2017 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net loss | $ (10,210,453) | $ (12,469,682) |
| Adjustments to reconcile loss from continuing operations to net cash used in continuing operating activities: | | |
| Benefit for income taxes | (336,598) | (83,840) |
| Provision for doubtful accounts | 141,000 | 122,000 |
| Depreciation for property and equipment | 5,157,789 | 5,324,969 |
| Amortization for intangible assets | 1,279,261 | 1,410,018 |
| Amortization for debt discount and deferred financing costs | 789,287 | 1,014,456 |
| Interest added to note principal | 4,041,320 | 1,366,992 |
| Accrued interest | (722,629) | 722,629 |
| Stock-based compensation - Options | 161,394 | 931,382 |
| Stock-based compensation - Employee stock purchase plan | - | 52 |
| Loss on the sale of property, plant and equipment | 42,152 | - |
| Deferred rent | 10,921 | (256,886) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 233,230 | (529,259) |
| Prepaid expenses and other current assets | (358,162) | 192,124 |
| Other assets | (10,674) | 7,599 |
| Accounts payable | (975,051) | 827,236 |
| Accrued expenses | (1,095,434) | 223,319 |
| Deferred revenues | 51,464 | (227,070) |
| Other long-term liabilities | 38,471 | - |
| **Total Adjustments** | 8,447,741 | 11,045,721 |
| **Net Cash Used In Continuing Operating Activities** | (1,762,712) | (1,423,961) |
| **Net Cash (Used In) Provided By Discontinued Operating Activities** | (23,949) | 21,000 |
| **Net Cash Used In Operating Activities** | (1,786,661) | (1,402,961) |
| | | |
| **Cash Flows From Investing Activities** | | |
| Acquisitions of property and equipment | (1,163,513) | (2,407,877) |
| Proceeds from the sale of property, plant and equipment | 15,000 | - |
| Change in security deposits | 5,254 | (23,875) |
| **Net Cash Used In Investing Activities** | (1,143,259) | (2,431,752) |
| | | |
| **Cash Flows From Financing Activities** | | |
| Repayments of capital lease obligations | (465,992) | (869,055) |
| Issuance of common stock under employee stock purchase plan | - | 306 |
| **Net Cash Used In Financing Activities** | (465,992) | (868,749) |
| | | |
| **Net Decrease Cash and Cash Equivalents** | | |
| Continuing Operations | (3,371,963) | (4,724,462) |
| Discontinued Operations | (23,949) | 21,000 |
| **Net Decrease In Cash and Cash Equivalents** | (3,395,912) | (4,703,462) |
| | | |
| **Cash and Cash Equivalents - Beginning** | 7,568,982 | 12,272,444 |
| **Cash and Cash Equivalents - Ending** | $ 4,173,070 | $ 7,568,982 |

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

| Supplemental Disclosures of Cash Flow Information | For the Years Ended December 31, 2018 | 2017 |
|---|---|---|
| Cash paid during the periods for: | | |
| Interest | $ 2,827,969 | $ 2,104,720 |
| Income taxes | $ 13,311 | $ 16,436 |
| Acquisition of property and equipment: | | |
| Under capital leases | $ 414,849 | $ 285,603 |
| Included in accrued expenses | $ 36,293 | $ 320,043 |
| Interest added to note principal | $ 4,041,320 | $ 1,366,992 |
| Conversion of Series D Convertible Preferred Stock into Series G Convertible Preferred Stock, and the conversion of Series F Convertible Preferred Stock into Series H Convertible Preferred Stock | $ - | $ 3 |

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

**Note 1. Organization and Nature of Business**

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

**Note 2. Liquidity, Going Concern, and Management Plans**

The accompanying 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 December 31, 2018, the Company had cash and cash equivalents of approximately $4.2 million and a working capital deficiency of approximately $36.9 million and is subject to forbearance agreements under its loan agreement (Notes 8 and 17). The Company incurred significant operating losses since inception and continues to generate losses from operations, and as of December 31, 2018, the Company has an accumulated deficit of $199.3 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 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 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. Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. Our ability to generate cash in the future will be dependent upon, among other things, the financial performance of the Company, and general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. 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 8*, Short-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. Basis of Presentation and Summary of Significant Accounting Policies**

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

*Retroactive Adjustment For Reverse Stock Split*. On September 29, 2017, the Company effected a 1-for-75 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 2017 periods presented.

*Use of Estimates*. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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.

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

*Concentration of Credit Risk*. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. At times, the Company’s cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The Company maintains its cash at high-quality financial institutions and has not incurred any losses to date. As of December 31, 2018, the Company had cash and cash equivalent balances of approximately $3.9 million in excess of the federally insured limit of $250,000.

*Accounts Receivable, Net*. Accounts receivable are stated at amounts billed less an allowance for doubtful accounts which reflects the Company’s estimate of balances that will not be collected. The allowance is based on the history of past write-offs, the aging of balances, collections experience and current credit conditions. Additions include provisions for doubtful accounts and deductions include customer write-offs.

*Property and Equipment, Net*. Property and equipment are stated at cost and include equipment, installation costs and materials less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives or the term of the respective lease. Network, base station and customer premise equipment are depreciated over estimated useful lives of five years; furniture, fixtures and other from three to five years and information technology from three to five years. Expenditures for maintenance and repairs which do not extend the useful life of the assets are charged to expense as incurred. Gains or losses on disposals of property and equipment are reflected in general and administrative expenses in the Company’s consolidated statements of operations.

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

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

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

*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 as of December 31, 2018 and 2017, respectively.

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

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

On December 22, 2017, new tax legislation, known as the Tax Cuts and Jobs Ace (the "Act") was signed into law. The law change will result in many tax accounting issues as its most significant change relates to a significant corporate rate reduction. The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Under Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", the effects of new legislation are recognized upon enactment, which is the date the president signs a bill into law. Accordingly, recognition of the tax effect of the rate reduction of the Act has been accounted for in the computation of the Company's federal deferred tax asset and liability balances, which are computed utilizing the new rates in the period for which the tax law was enacted with a corresponding net adjustment to the deferred income tax expense of (or benefit) of $2,361,936 and the effect of the valuation allowance of $2,232,571. The change in the federal rate as a result of the Act is reflected as a discreet item within the rate reconciliation and the effect of the remeasurement of the deferred taxes is also included in the deferred tax and valuation allowance disclosure.

*Deferred Rent*. The Company records rent expense on operating leases on a straight-line basis over the minimum lease term. The Company begins to record rent expense at the time the Company has the right to use the property.

*Advertising Costs*. The Company charges advertising costs to expense as incurred. Advertising costs for the years ended December 31, 2018 and 2017 were approximately $40,000 and $84,000, respectively, and are included in sales and marketing expenses in the Company's consolidated statements of operations.

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

*Basic and Diluted Net Loss Per Share*. Basic and diluted net loss per share has been calculated by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

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

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Stock options | 72,807 | 76,601 |
| Warrants | - | 2,400 |
| Series G Convertible Preferred Stock | 71,734 | 71,734 |
| Series H Convertible Preferred Stock | 53,440 | 53,440 |
| Total | 197,981 | 204,175 |

*Segments*. The FASB has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. The Company operates in one segment which is the business of providing fixed wireless services. The Company's chief operating decision-maker reviews the Company's operations results on an aggregate basis and manages the Company's operations as a single operating segment.

*Recent Accounting Pronouncements*. In May 2014, the 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 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 15, *Revenues*, for further information regarding the implementation and required disclosures related to the Company’s revenues.

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842).” ASU 2016-02 requires lessees to recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” to clarify how to apply certain aspects of the new leases standard. In July 2018, the FASB also issued ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements,” which provides a transition option to not apply the new leases standard to comparative periods presented in a company’s financial statements in the year of adoption. Under this option, a cumulative-effect adjustment to the opening balance of retained earnings would be recorded on the date of adoption. The Company has adopted the requirements of the new lease standard effective January 1, 2019. It has elected the optional transition method to apply the standard as of the effective date and therefore, the standard will not be applied to the comparative periods presented in the Company’s consolidated financial statements. Upon adoption, the Company recorded a right-to-use asset and corresponding lease liability on the Company’s consolidated balance sheet. Adoption of the new lease standard will not have a significant impact on the Company’s consolidated statement of operations.

In July 2017, FASB issued ASU No. 2017-11, Earnings per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). ASU 2017-11 consists of two parts. The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update re-characterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in Part II of this Update do not require any transition guidance because those amendments do not have an accounting effect. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

**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 consolidated balance sheets.

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

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Liabilities: | | |
| Accrued expenses - leases | $ 1,005,073 | $ 1,029,022 |
| Total Current Liabilities | $ 1,005,073 | $ 1,029,022 |

Accrued expenses represents the estimated cost of terminating the leases associated with the Hetnets business. Accordingly, disbursements associated with such activity during the year ended December 31, 2018 were recorded as reductions to that estimated liability.

**Note 5. Property and Equipment, Net**

Property and equipment, net is comprised of:

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Network and base station equipment | $ 44,684,728 | $ 43,573,869 |
| Customer premise equipment | 36,283,676 | 34,996,202 |
| Information technology | 4,893,652 | 4,881,332 |
| Furniture, fixtures and other | 1,715,524 | 1,715,524 |
| Leasehold improvements | 1,517,560 | 1,651,300 |
| Accrual - equipment received not invoiced | 36,293 | 605,646 |
| | 89,131,433 | 87,423,873 |
| Less: accumulated depreciation | 79,053,282 | 73,992,893 |
| Property and equipment, net | $ 10,078,151 | $ 13,430,980 |

Depreciation expense for the years ended December 31, 2018 and 2017 was $5,157,789 and $5,324,969, respectively.

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

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Network and base station equipment | $ 2,680,000 | $ 2,629,526 |
| Customer premise equipment | 1,633,748 | 1,269,373 |
| Information technology | 1,860,028 | 1,860,028 |
| | 6,173,776 | 5,758,927 |
| Less: accumulated depreciation | 5,122,462 | 4,708,697 |
| Property acquired through capital leases, net | $ 1,051,314 | $ 1,050,230 |

**Note 6. Goodwill and Intangible Assets, Net**

Goodwill and intangible assets, net consist of the following:

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Goodwill | $ 1,674,281 | $ 1,674,281 |
| Backhaul agreement | 3,837,783 | 3,837,783 |
| Less: accumulated amortization | 3,624,573 | 2,345,312 |
| Backhaul agreement, net | 213,210 | 1,492,471 |
| FCC licenses, net | 750,000 | 750,000 |
| Intangible assets, net | $ 963,210 | $ 2,242,471 |

Amortization expense for the year ended December 31, 2018 and 2017 was $1,279,261 and $1,410,018, 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 FCC are not subject to amortization as they have an indefinite useful life. Future amortization expense of $213,210 will be fully amortized during the year ending December 31, 2019.

**Note 7. Accrued Expenses**

Accrued expenses consist of the following:

| | As of December 31, 2018 | As of December 31, 2017 |
|---|---|---|
| Payroll and related | $ 357,118 | $ 515,448 |
| Professional services | 149,891 | 318,979 |
| Franchise taxes | 130,000 | 177,384 |
| Network | 79,609 | 188,192 |
| Other | 57,441 | 101,990 |
| Property and equipment | 36,293 | 320,043 |
| Total | $ 810,352 | $ 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. Short-Term Debt**

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

| | As of December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Principal | $ 38,699,308 | $ 34,657,987 |
| Unamortized debt discount | - | (789,287) |
| Total | $ 38,699,308 | $ 33,868,700 |

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

This Note 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 2.50% as of December 31, 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 change the scheduled maturity date from October 16, 2019 to December 31, 2018 (ii) to certain milestones in connection with a proposed sale of the Company, (iii) subject to applicable law, to cease filing periodic reports with the Securities and Exchange Commission and (iiv) 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 Forbearance to the Loan Agreement, 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.

Effective August 20, 2018, the parties amended the Forbearance Agreement (the "Second Amendment"). Pursuant to the Second Amendment, 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"), and the Company agreed, among other things, to certain milestone dates in connection with a proposed sale of the Company.

On October 24, 2018, the parties amended the Forbearance Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Third Forbearance Period was extended from September 30, 2018 to November 15, 2018 (the "Fourth Forbearance Period"), and the Company agreed, among other things, to eliminate Sale Milestone dates as had been set forth in a prior amendment and the Lenders agreed to permit the Company to defer payment of the third quarter cash interest, which would be treated as PIK interest.

Effective December 31, 2018, the parties amended the Forbearance Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, the Fourth Forbearance Period was extended from November 15, 2018 to January 31, 2019 (the "Fifth Forbearance Period"), and the Lenders agreed to permit the Company to defer payment of the fourth quarter cash interest, which would be treated as PIK interest. In addition, the scheduled maturity date of the Note was changed from December 31, 2018 to January 31, 2019.

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 $6,077,223 and $4,142,046 for the years ended December 31, 2018 and 2017, respectively. Of those amounts, the Company paid to the Lender $2,035,903 and $2,775,054 and added $4,041,320 and $1,366,992 of interest to the principal amount of the Note for the years ended December 31, 2018 and 2017, respectively.

The interest rate for the fourth quarter of 2018 was 18.24% consisting of a cash interest rate of 9.24%, a default interest rate premium of 5.0%, and a 4.0% paid in kind interest rate. Under the new forbearance agreement entered into by the Company on October 24, 2018, the Company elected to add $2,605,320 to the outstanding balance due under the loan, which represents the cash interest and default interest rate premium. See Note 17, *Subsequent Events*, for further information related to the new forbearance agreement entered into in January 2019.

The Company recorded amortization expense related to the debt discount of $789,287 and $1,014,456 for the years ended December 31, 2018 and 2017, respectively.

**Note 9. Other Long-Term Liabilities**

Other long-term liabilities consist of the following:

| | As of December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Deferred rent | $ 347,554 | $ 417,605 |
| Deferred taxes | - | 336,598 |
| Deferred revenues | 38,471 | - |
| Total | $ 386,025 | $ 754,203 |

**Note 10. Capital Stock**

The Company is authorized to issue up to 200,000,000 shares of common stock at a par value of $0.001. The holders of common stock are entitled to one vote per share and are entitled to receive dividends, if any, as may be declared by the Company's Board of Directors. Upon liquidation, dissolution, or winding-up of the Company, the holders of the Company's common stock are entitled to share ratably in all assets that are available for distribution. They have no preemptive, subscription, redemption, or conversion rights. Any rights, preferences, and privileges of holders of the Company’s common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of the Company's Board of Directors and issued in the future.

The Company is authorized to issue up to 5,000,000 shares of "blank check" preferred stock at a par value of $0.001 which may be issued from time to time in one or more classes and in one or more series within a class upon authorization by our Board of Directors. The Board of Directors, without further approval of the shareholders, is authorized to fix the preferences, limitations and relative rights of the shares of each class or series within a class. The issuance of preferred stock could adversely affect the voting power, conversion or other rights of holders of common stock. Preferred stock could be issued quickly with terms calculated to delay or prevent a change in control of the Company or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock.

The Company had created Series A Preferred Stock during the year ended December 31, 2010, Series B through Series F Convertible Preferred Stock during the year ended December 31, 2016, Series G through Series H Convertible Preferred Stock during the year ended December 31, 2017, and Series I Preferred Stock during the year ended December 31, 2018. The Company had shares of the following series of preferred stock issued and outstanding as of December 31, 2018 and 2017:

| | Designated | Issued and Outstanding | |
|---|---|---|---|
| | | 2018 | 2017 |
| Series A Preferred Stock | 350,000 | - | - |
| Series B Convertible Preferred Stock | 892,857 | - | - |
| Series C Convertible Preferred Stock | 680,000 | - | - |
| Series D Convertible Preferred Stock | 4,421 | - | - |
| Series E Convertible Preferred Stock | 2,000,000 | - | - |
| Series F Convertible Preferred Stock | 1,233 | - | - |
| Series G Convertible Preferred Stock | 938 | 538 | 538 |
| Series H Convertible Preferred Stock | 938 | 501 | 501 |
| Series I Preferred Stock | 100 | 100 | - |
| | 3,930,487 | 1,139 | 1,039 |

The preferences, rights, and limitations of each series of preferred stock, and equity activity for the years ended December 31, 2018 and 2017, are discussed to the extent appropriate in the following paragraphs.

a) On January 9, 2017, the holder of 500,000 shares of Series E Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to the Series E Preferred Stock, the Company issued 6,667 shares of common stock.

b) On various dates from January 26, 2017 to April 13, 2017, inclusive, the holder of 590 shares of Series F Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to the Series F Preferred Stock, the Company issued 39,334 shares of common stock.

c) On May 26, 2017, the Company exchanged 1,233 shares of the outstanding Series D Preferred Stock and 643 shares of the outstanding Series F Preferred Stock for 938 shares of newly created Series G Preferred Stock and 938 shares of the newly created Series H Preferred Stock.

The key preferences, rights, and limitations of the Series G Preferred Stock and Series H Preferred Stock, are as follows:

i. The Stated Value of each share of Series G Preferred Stock and Series H Preferred Stock is $1,000;

ii. Series G Preferred Stock and Series H Preferred Stock may be converted into shares of common stock at any time. The number of shares of common stock issuable upon the conversion of the Series G Preferred Stock is determined by multiplying the number of shares of Series G Preferred Stock being converted by their stated value of $1,000 per share and then dividing by the conversion price of $7.50 per common share. The number of shares of common stock issuable upon the conversion of the Series H Preferred Stock is determined by multiplying the number of shares of Series H Preferred Stock being converted by their stated value of $1,000 per share and then dividing by the conversion price of $9.38 per common share;

iii. In the event of a liquidation event, each share of Series G Preferred Stock and Series H Preferred Stock will be entitled to a per share preferential payment equal to 100% of the stated value of such Series H Preferred Stock, plus all accrued and unpaid dividends, if any. All subsequent issuances and junior preferred issuances of our capital stock will be junior in rank to the Series G Preferred Stock and Series H Preferred Stock with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company. The holders of Series H Preferred Stock will be entitled to receive dividends if and when declared by the Company. The Series G Preferred Stock and Series H Preferred Stock shall participate on an "as converted" basis, with all dividends declared on our common stock. In addition, if the Company grants, issues or sells any rights to purchase securities pro rata to all of the Company's record holders of its common stock, each holder will be entitled to acquire such securities applicable to the granted purchase rights as if the holder had held the number of shares of common stock acquirable upon complete conversion of all Series G Preferred Stock and Series H Preferred Stock then held.

iv. The Company is prohibited from effecting a conversion of the Series G Preferred Stock and Series H Preferred Stock to the extent that, as a result of such conversion, the holder would beneficially own more than 9.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series G Preferred Stock and Series H Preferred Stock, which beneficial ownership limitation may be decreased by the holder at its option. Each holder is entitled to vote on all matters submitted to stockholders of the Company and shall have the number of votes equal to the number of shares of common stock issuable upon conversion of such holder's Series G Preferred Stock and Series H Preferred Stock, but not in excess of the beneficial ownership limitations.

Additionally, upon the issuance of the Series G Preferred Stock and Series H Preferred Stock, the Company recorded a beneficial conversion feature and a deemed dividend in the amount of $1,905,570. This amount was calculated using the closing price per share of the Company's common stock on the day of the transaction and subtracting the conversion price per share. This difference was then multiplied by the number of shares of common stock into which the shares of Series G Preferred Stock and Series H Preferred Stock were convertible into on the date of the transaction.

e) On various dates from May 30, 2017 to June 29, 2017, inclusive, the holder of 437 shares of Series H Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to those preferred shares, the Company issued 46,614 shares of common stock.

f) On various dates from June 30, 2017 to August 22, 2017, inclusive, the holder of 400 shares of Series G Preferred Stock elected to convert them into shares of common stock. In accordance with the conversion terms applicable to those preferred shares, the Company issued 53,335 shares of common stock.

g) On September 29, 2017 and as previously indicated, the Company effected a 1-for-75 reverse stock split of its common stock. Consequently, all share quantities, per share amounts, and any other appropriate amounts or disclosures in these financial statements affected by that reverse stock split have been adjusted for that reverse stock split.

h) 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.

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

ii. 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.

iii. 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.

iv. 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 No. 2009-04 – Accounting 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 Option Plans and Warrants**

***Stock Options Plans***

The 2007 Equity Compensation Plan (the "2007 Plan") became effective in January 2007 and provides for the issuance of options, restricted stock and other stock-based instruments to officers and employees, consultants and directors of the Company. The total number of shares of common stock issuable under the 2007 Plan is 1,603. A total of 887 stock options or common stock have been issued under the 2007 Plan as of December 31, 2018.

The 2007 Incentive Stock Plan (the "2007 Incentive Stock Plan") became effective in May 2007 and provided for the issuance of up to 1,667 shares of common stock in the form of options or restricted stock. Shareholders approved an increase in the number of authorized shares of common stock issuable under the 2007 Incentive Stock Plan from 1,667 to 3,334 in November 2012. A total of 2,563 stock options, common stock or restricted stock have been issued under the 2007 Incentive Stock Plan as of December 31, 2018.

Options granted under both the 2007 Plan and the 2007 Incentive Plan have terms up to ten years and are exercisable at a price per share not less than the fair value of the underlying common stock on the date of grant. The total number of shares of common stock that remain available for issuance as of December 31, 2018 under the 2007 Plan and the 2007 Incentive Stock Plan combined is 1,487 shares.

The 2008 Non-Employee Directors Compensation Plan (the "2008 Directors Plan") became effective in August 2008 and provided for the issuance of up to 667 shares of common stock in the form of options or restricted stock. In November 2013, shareholders approved an increase in the number of shares of common stock issuable under the 2008 Directors Plan to 1,334. A total of 1,174 stock options or common stock have been issued under the 2008 Directors Plan as of December 31, 2018. Options granted under the 2008 Directors Plan have terms of up to ten years and are exercisable at a price per share equal to the fair value of the underlying common stock on the date of grant. The total number of shares of common stock that remain available for issuance as of December 31, 2018 under the 2008 Directors Plan is 160 shares.

The 2016 Equity Incentive Plan (the "2016 Equity Incentive Plan") became effective in September 2016 and provided for the issuance of up to 9,094 shares of common stock in the form of equity or equity-linked awards to officers, directors, consultants and other personnel. Shareholders approved an increase in the number of authorized shares of common stock issuable under the 2016 Equity Incentive Plan from 9,094 to 19,134 in December 2016. In February 2017, the Company's shareholders approved an increase in the number of authorized shares of common stock issuable under the 2016 Equity Incentive Plan from 19,134 to 33,618. A total of 69,184 stock options have been issued under the 2016 Equity Incentive Plan as of December 31, 2018.

The 2016 Non-Executive Equity Incentive Plan (the "2016 Non-Employee Incentive Plan") became effective in December 2016 and provides for the issuance of up to 3,334 equity and equity-linked awards to non-executive employees and consultants of the Company. A total of 436 stock options have been issued under the 2016 Non-Employee Incentive Plan as of December 31, 2018.

Options granted under both the 2016 Equity Incentive Plan and the 2016 Non-Employee Incentive Plan have terms up to ten years and are exercisable at a price per share not less than the fair value of the underlying common stock on the date of grant.

The 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-based compensation for the amortization of stock options granted under the Company's stock option plans totaled $161,394 and $931,382 for the years ended December 31, 2018 and 2017, respectively. Stock-based compensation is included in general and administrative expenses in the accompanying consolidated statements of operations.

The unamortized amount of stock options expense was $61,432 as of December 31, 2018 which will be recognized over a weighted-average period of 1.0 years.

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

| | Years Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Risk-free interest rate | 2.7% | 1.6% to 1.7% |
| Expected volatility | 105% | 110% to 113% |
| Expected life (in years) | 4.2 | 4.2 |
| Expected dividend yield | - | - |
| Estimated forfeiture rates | 20% | 20% |

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. The Company reviews its forfeiture rate annually to update its assumption for recent experience.

Option transactions under the stock option plans during the years ended December 31, 2018 and 2017 were as follows:

| | **Number** | **Weighted Average Exercise Price** |
|---|---|---|
| Outstanding as of January 1, 2017 | 28,232 | $ 404.82 |
| Granted during 2017 | 51,090 | 12.77 |
| Exercised | - | - |
| Forfeited /expired | (2,721) | 1,134.23 |
| Outstanding as of December 31, 2017 | 76,601 | 117.42 |
| Granted during 2018 | 102 | 2.40 |
| Exercised | - | - |
| Forfeited /expired | (3,896) | 134.50 |
| Outstanding as of December 31, 2018 | 72,807 | $ 116.53 |
| Exercisable as of December 31, 2018 | 51,952 | $ 156.83 |

Grants under the stock option plans were as follows:

| | For the Years Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Annual grants to outside directors | 102 | 170 |
| Executive grants | - | 50,586 |
| Non-employee grants | - | 334 |
| Total | 102 | 51,090 |

Options granted during the reporting periods had terms ranging from five to ten years and were issued at an exercise price equal to the fair value on the date of grant. Director grants vesting periods range from vesting immediately upon issuance to vesting monthly or quarterly over a one year period from the date of issuance. Executive grants, except as noted below, have vesting periods ranging from vesting immediately upon issuance, vesting monthly or quarterly over a one or two-year period, annually for one year then quarterly over the next two year period, or annually for one year then quarterly over the next three year period from the date of issuance. Employee grants range from one half vesting immediately upon issuance with the remaining one half vesting quarterly over the next year to vesting annually over a three year period from the date of issuance. Non-employee grants vesting periods range from vesting immediately upon issuance, vesting over a six month period and vesting monthly over one year from the date of issuance.

On January 24, 2017, the Company entered into an employment agreement with Ernest Ortega wherein the Company issued options for the purchase of up to 27,162 shares of the Company's common stock at $12.75 per share for a period of ten years. Those options vest as follows: 4,178 will vest on January 24, 2018; 8,358 will vest in eight quarterly installments during the twenty-four months ending January 24, 2020; 7,313 will vest upon the achievement of three consecutive quarters of positive cash flow; and 7,313 will vest upon the sale of the Company's earth station assets in Miami, Florida for gross proceeds equal to or greater than $15,000,000.

Certain stock options awarded to Ernest Ortega, Chief Executive Officer, in conjunction with his 2017 employment agreement contained performance based criteria. The fair value of the awards was determined based on the market value of the underlying stock price at the grant date and will be marked to market over the vesting period based on probabilities and projections of the underlying performance measures. The aggregate fair value of the performance based options granted was $140,708 for the year ended December 31, 2017. The Company has not recorded any expense associated with the performance based stock options issued for the years ended December 31, 2018 and 2017, respectively. The Company will continue to evaluate the probability of achieving the criteria associated with performance based stock options and will record any associated compensation expense at such time.

On February 3, 2017, the Company awarded options for the purchase of up to 15,868 shares of the Company's common stock at an exercise price of $13.50 per share for a period of ten years. Terms of such option awards conformed to the Company's standard form of option agreement which includes a provision for cashless exercise. The awards consisted of options for 6,676 shares to Mr. Philip Urso for his past service as Interim Chief Executive Officer, options for 5,854 shares to Mr. Arthur Giftakis, the Company's Chief Operating Officer, and options for 3,338 shares to Mr. Frederick Larcombe, the Company's former Chief Financial Officer. Mr. Urso's options vested 100% upon issuance and the options issued to Messrs. Giftakis and Larcombe vest ratably on a quarterly basis over the eight quarters immediately following the date of the awards. The options awarded to Mr. Larcombe were subsequently modified and fully expensed on May 15, 2017 to reflect immediate vesting and, unless exercised prior to May 15, 2018, to be forfeited. The options awarded to Mr. Larcombe were forfeited on May 15, 2018.

On May 15, 2017, the Company entered into an employment agreement with Laura Thomas, the Company’s former Chief Financial Officer, wherein she was issued options to purchase up to 2% of the Company’s common stock on a fully diluted basis as of May 15, 2017, or 7,556 options. The options vested 25% after one year of service and the remaining vested ratably over the following three years. The options awarded to Ms. Thomas were subsequently modified and fully expensed on January 5, 2018 to reflect immediate vesting.

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

| | For the Years Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Employee terminations | 3,756 | 2,619 |
| Expired | 140 | 102 |
| Total | 3,896 | 2,721 |

The weighted-average fair values of the options granted during 2018 and 2017 were $1.76 and $9.65, respectively. Outstanding options of 72,807 as of December 31, 2018 had exercise prices that ranged from $2.40 to $7,845.00 and had a weighted-average remaining contractual life of 7.9 years. Exercisable options of 51,952 as of December 31, 2018 had exercise prices that ranged from $2.40 to $7,845.00 and had a weighted-average remaining contractual life of 7.9 years.

As of December 31, 2018, there was no aggregate intrinsic value associated with the outstanding and exercisable options. The closing price of the Company's common stock at December 31, 2018, was $2.10 per share. The Company calculates the intrinsic value of stock options as the difference between the closing price of the Company's common stock at the end of the reporting period and the exercise price of the stock options and warrants.

***Stock Warrants***

Warrant transactions during the years ended December 31, 2018 and 2017 were as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| Outstanding as of January 1, 2017 and 2018 | 2,400 | $ 1,265.25 |
| Exchanged during 2018 | (2,400) | 1,265.25 |
| Outstanding and exercisable as of December 31, 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 Benefit Programs**

The Company has established a 401(k) retirement plan ("401(k) Plan") which covers all eligible employees who have attained the age of twenty-one and have completed 30 days of employment with the Company. The Company can elect to match up to a certain amount of employees' contributions to the 401(k) Plan. No employer contributions were made during the years ended December 31, 2018 and 2017.

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP Plan"), participants can purchase shares of the Company's stock at a 15% discount. A maximum of 334 shares of common stock can be issued under the ESPP Plan of which all of the authorized shares have been issued. During the years ended December 31, 2018 and 2017, a total of zero and 30 shares were issued under the ESPP Plan with a fair value of zero and $358, respectively. The Company recognized zero and $52 of stock-based compensation related to the 15% discount for the years ended December 31, 2018 and 2017, respectively.

**Note 13. Income Taxes**

***Provision***

The provision for income taxes consists of the following:

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Current | | |
| Federal | $ - | $ |
| State | - | - |
| Total current | - | - |
| Deferred | | - |
| Federal | (2,213,273) | (896,114) |
| State | (632,364) | (256,033) |
| Change in valuation allowance | 2,509,039 | 1,068,307 |
| Total deferred | (336,598) | (83,840) |
| Provision for income taxes | $ (336,598) | $ (83,840) |

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

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| U.S. federal statutory rate | (21.0)% | (34.0)% |
| State taxes | (6.0%) | (5.0)% |
| Permanent differences | -% | 0.1% |
| Change of federal deferred tax rate | -% | 29.7% |
| Change in valuation allowance | 23.8% | 8.5% |
| Effective tax rate | (3.2)% | (0.7)% |

The Company files income tax returns for Towerstream Corporation and its subsidiaries in the U.S. federal and various state principle jurisdictions. As of December 31, 2018, the tax returns for Towerstream Corporation for the years 2015 through 2018 remain open to examination by the Internal Revenue Service and various state authorities. In addition, the years in which net operating losses are generated are open until the year in which they are later utilized expires. There are currently no audits by taxing authorities of federal or state income tax returns.

***Impact of Tax Cuts and Jobs Act***

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was enacted. The TCJA revises the U.S. corporate income tax rate from a graduated rate system, to a flat rate of 21%, effective for tax years beginning after December 31, 2017. Deferred tax assets and liabilities are now being remeasured using these new rates. As such, the deferred tax assets and liabilities, along with the valuation allowance are impacted. The net effect as of December 31, 2017 was a reduction to the deferred tax assets of ($3,940,628) and a reduction to the deferred tax liability of $203,738. The reduction in the valuation allowance was ($3,791,030). SAB 118 allowed the Company to remeasure these items throughout 2018. The Company is done with the analysis and no material changes are needed.

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

| | Years Ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Deferred tax assets | | |
| Net operating loss carryforwards | $ 4,921,264 | $ 4,345,624 |
| Stock-based compensation | 2,324,392 | 2,280,815 |
| Intangible assets | 1,280,812 | 1,094,799 |
| Debt discount | 948,572 | 831,717 |
| Allowance for doubtful accounts | 41,611 | 25,889 |
| Interest expense limitation | 1,515,513 | - |
| Depreciation | 316,797 | - |
| Other | 286,800 | 287,571 |
| Total deferred tax assets | 11,635,761 | 8,866,415 |
| Valuation allowance | (11,253,638) | (8,744,600) |
| Deferred tax assets, net of valuation allowance | 382,123 | 121,815 |
| | | |
| Deferred tax liabilities | | |
| Depreciation | - | (121,815) |
| Intangible assets | (382,123) | (336,597) |
| Total deferred tax liabilities | (382,123) | (458,412) |
| Net deferred tax liabilities | $ - | $ (336,597) |

***Accounting for Uncertainty in Income Taxes***

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

As of December 31, 2018 and 2017, the Company has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s financial statements. The Company’s policy is to classify assessments, if any, for tax related interest as interest expense, and penalties as general and administrative expenses. No interest and penalties were recorded during the years ended December 31, 2018 and 2017. The Company does not expect its unrecognized tax benefit position to change during the next twelve months.

***NOL Limitations***

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

The NOLs as of December 31, 2018 and 2017 reflect a limitation under Section 382 which occurred as a result of an ownership change during 2016. There were no ownership changes under Section 382 during the years ended December 31, 2018 and 2017. For the years ended December 31, 2018 and 2017, the Company had taxable losses of approximately $2,132,000 and $8,536,000, respectively. The total federal and state NOLs as of December 31, 2018 and 2017, of approximately $18,227,000 and $16,095,000, respectively, begin to expire starting in the year ending December 31, 2027. The federal net operating losses generated in 2018 of $2,132,000 do not expire and have an indefinite life.

***Valuation Allowance***

In assessing the realizability of deferred tax assets, the Company has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial reporting standards, the Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Based upon this evaluation, a full valuation allowance has been recorded as of December 31, 2018 and 2017. The change in valuation allowance was $2,509,038 and $1,068,307, respectively, for the years ended December 31, 2018 and 2017.

**Note 14. Fair Value Measurement**

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

Cash and cash equivalents are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short maturities. The carrying value of the Company's long-term debt is carried at cost as the related interest rate is at terms that approximate rates currently available to the Company. There were no changes in the valuation techniques during the year ended December 31, 2018.

| | Total Carrying Value | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| December 31, 2018 | $ 4,173,070 | $ 4,173,070 | $ - | $ - |
| December 31, 2017 | $ 7,568,982 | $ 7,568,982 | $ - | $ - |

**Note 15. 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 year ended December 31, 2018, was a reduction of $131,877, 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.

Prior to 2018, the Company applied the revenue recognition principles set forth under the United States Securities and Exchange Commission Staff Accounting Bulletin 104, which provides for revenue to be recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery or installation has been completed, (iii) the customer accepts and verifies receipt, and (iv) collectability is reasonably assured.

Beginning in 2018, 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. The Company offers fixed wireless broadband as a single product offering and therefore no disaggregation of revenue is necessary.

*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 December 31, 2018, the Company had $131,877 of deferred installation fees of which $93,406 was included in Deferred Revenues and $38,471 was included in Other Long-Term Liabilities on the Company's consolidated balance sheet and $178,333 of deferred commission costs of which $136,410 was included in Other Current Assets and $41,923 was included in Other Assets on the Company's consolidated balance sheet.

**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 on various dates through March 2025. 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 December 31, 2018, total future operating lease obligations were as follows:

| Years Ending December 31, | | |
|---|---|---|
| 2019 | $ | 7,286,466 |
| 2020 | | 5,231,865 |
| 2021 | | 3,134,185 |
| 2022 | | 1,918,867 |
| 2023 | | 681,014 |
| Thereafter | | 311,412 |
| Total | $ | 18,563,809 |

Rent expenses were as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Points of Presence | $ | 9,071,856 | $ | 8,693,892 |
| Corporate offices | | 248,045 | | 220,309 |
| Other | | 966,533 | | 935,293 |
| Total | $ | 10,286,434 | $ | 9,849,494 |

Rent expenses related to Points of Presence were included in infrastructure and access in the Company's 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 consolidated statements of operations. Other rent expenses were included in network operations within the Company's consolidated statements of operations.

In April 2017, the Company entered into a new lease agreement for its sales office located in Virginia. The lease commenced on April 15, 2017 and expired on December 31, 2017 with an automatic renewal equal to the original term. Total annual rent payments are fixed at $32,021 for the contract term. In June 2017, the Company leased additional office space in Virginia. The second lease commenced on June 1, 2017 and expired on December 31, 2017 with an automatic renewal equal to the original term. Total annual rent payments are fixed at $20,734 for the duration of the contract term. The Company did not renew these leases when they expired in December 2017.

In October 2017, the Company amended the lease agreement for its corporate offices 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 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 January 2021. As of December 31, 2018, total future capital lease obligations were as follows:

| | | |
|---|---|---|
| Years Ending December 31, | | |
| 2019 | $ | 388,501 |
| 2020 | | 300,374 |
| 2021 | | 9,523 |
| Sub-Total | | 698,398 |
| Less: Interest expense | | 60,676 |
| Total capital lease obligations | $ | 637,722 |
| Current | $ | 341,975 |
| Long-Term | $ | 295,747 |

**Note 17 - Subsequent Events**

On January 31, 2019, the parties amended the Forbearance Agreement (the “Fifth Amendment”). Pursuant to the Fifth Amendment, the Fifth Forbearance Period was extended from January 31, 2019 to April 30, 2019 (the “Sixth Forbearance Period”), the Lender 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 Sixth Forbearance Period. The Sixth Forbearance Period shall terminate upon the Company’s failure to maintain at least $2,000,000 minimum in deposit accounts or securities accounts or upon the occurrence of certain events of default. The Company also agreed, among other things, that (i) obligations under the Note for interest payments for the quarter ended March 31, 2019 were revised to provide that interest may be paid in cash or treated as PIK interest, to be added to the outstanding loan balance due, in the discretion of the Company, and (ii) the scheduled maturity date of the Note be changed from January 31, 2019 to April 30, 2019. The Company has notified its lender that it may have a Material Adverse Change, as defined in the loan agreement, which it is in the process of investigating. The ultimate outcome of this matter cannot be determined at this time.

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

None.

**Item 9A - Controls and Procedures.**

***Disclosure Controls and Procedures***

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the 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 recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of December 31, 2018.

***Changes in Internal Control over Financial Reporting***

There were no changes in our system of internal control over financial reporting during the fourth quarter of the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers, or persons performing similar functions, and effected by a company's Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can only provide reasonable assurance of achieving the desired control objectives and, as a result, may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework in 2013.

Based on our assessment, our management has concluded that, as of December 31, 2018, our internal control over financial reporting was effective based on those criteria.

**Item 9B - Other Information.**

None.

## PART III

**Item 10 - Directors, Executive Officers and Corporate Governance.**

The information required by this item will be set forth in an amendment to this Annual Report on Form 10-K, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated by reference to such amendment.

**Item 11 - Executive Compensation.**

The information required by this item will be set forth in an amendment to this Annual Report on Form 10-K, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated by reference to such amendment.

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

The information required by this item will be set forth in an amendment to this Annual Report on Form 10-K, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated by reference to such amendment.

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

The information required by this item will be set forth in an amendment to this Annual Report on Form 10-K, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated by reference to such amendment.

**Item 14 - Principal Accountant Fees and Services.**

The information required by this item will be set forth in an amendment to this Annual Report on Form 10-K, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated by reference to such amendment.

PART IV

**Item 15 - Exhibits and Financial Statement Schedules.**

| Exhibit No. | Description |
|---|---|
| 2.1 | Agreement of Merger and Plan of Reorganization, dated January 12, 2007, by and among University Girls Calendar, Ltd., Towerstream Acquisition, Inc. and Towerstream Corporation (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 3.1 | Certificate of Incorporation of University Girls Calendar, Ltd. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of University Girls Calendar, Ltd. filed with the Securities and Exchange Commission on January 5, 2007). |
| 3.2 | Certificate of Amendment to Certificate of Incorporation of University Girls Calendar, Ltd., changing the Company's name to Towerstream Corporation (Incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 3.3 | Certificate of Designation of Rights, Preferences and Privileges of Series A Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 12, 2010). |
| 3.4 | By-Laws of Towerstream Corporation (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 3.5 | Amendment No. 1 to the By-Laws of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on August 30, 2007). |
| 3.6 | Amendment No. 1 to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 8, 2012). |
| 3.7 | Certificate of Amendment to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on August 25, 2015). |
| 3.8 | Certificate of Amendment to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on July 6, 2016). |
| 3.9 | Certificate of Designation of Rights, Preferences and Privileges of Series B Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on July 8, 2016). |
| 3.10 | Certificate of Designation of Rights, Preferences and Privileges of Series C Preferred Stock (Incorporated by reference to Exhibit 3.10 to the Registration Statement on Form S-1/A of Towerstream Corporation filed with the Securities and Exchange Commission on September 15, 2016). |
| 3.11 | Certificate of Designation of Rights, Preferences and Privileges of Series D Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 10, 2016). |
| 3.12 | Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 22, 2016). |
| 3.13 | Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 22, 2016). |
| 3.14 | Certificate of Designations, Preferences and Rights of Series F Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 3, 2017). |
| 3.15 | Certificate of Amendment to Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 3, 2017). |

| | |
|---|---|
| 3.16 | Certificate of Designations, Preferences and Rights of Series G Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on May 26, 2017). |
| 3.17 | Certificate of Designations, Preferences and Rights of Series H Preferred Stock (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on May 26, 2017). |
| 3.18 | Certificate of Amendment to the Certificate of Incorporation of Towerstream Corporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on September 28, 2017). |
| 3.19 | Certificate of Designations of Preferences, Rights and Limitations of Series I Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2018). |
| 4.1 | Rights Agreement dated as of November 9, 2010 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 12, 2010). |
| 10.1* | Towerstream Corporation 2007 Equity Compensation Plan (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.2* | Form of 2007 Equity Compensation Plan Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.3* | Form of 2007 Equity Compensation Plan Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.4 | Form of Directors and Officers Indemnification Agreement (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.5* | Towerstream Corporation 2007 Incentive Stock Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 6, 2012). |
| 10.6 | Office Lease Agreement dated March 21, 2007 between Tech 2, 3, & 4 LLC (Landlord) and Towerstream Corporation (Tenant) (Incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009). |
| 10.7 | First Amendment to Office Lease dated August 8, 2007, amending Office Lease Agreement dated March 21, 2007 (Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009). |
| 10.8** | 2008 Non-Employee Directors Compensation Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010). |
| 10.9** | 2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit A to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010). |
| 10.10 | Second Amendment to Office Lease Agreement dated September 12, 2013, amending Office Lease Agreement dated March 21, 2007 (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2014). |
| 10.11 | Loan Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc. and Hetnets Tower Corporation, as Borrowers, the financial institutions named therein as Lenders and Melody Business Finance, LLC, as Administrative Agent (Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015). |
| 10.12 | Security Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc., Hetnets Tower Corporation, Alpha Communications Corp., Omega Communications Corp., and Towerstream Houston, Inc., as Grantors, in favor of Melody Business Finance LLC, as Administrative Agent (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015). |

| | |
|---|---|
| 10.13 | Warrant and Registration Rights Agreement dated October 16, 2014 by and among Towerstream Corporation and the warrant holders named therein (Incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015). |
| 10.14 | Form of A-Warrant Certificate (Incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015). |
| 10.15 | Form of B-Warrant Certificate (Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 12, 2015). |
| 10.16** | Separation Agreement by and between Jeffrey M. Thompson and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 17, 2016). |
| 10.17 | Asset Purchase Agreement dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc. and Time Warner Cable Enterprises, LLC (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). |
| 10.18**** | Backhaul Agreement dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc. and Time Warner Cable Enterprises, LLC (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). |
| 10.19 | Mutual Termination Agreement dated March 9, 2016 by and between Time Warner Cable Enterprises, LLC and Hetnets Tower Corporation (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). |
| 10.20 | Consent and Release dated March 9, 2016, by and among Towerstream Corporation, Towerstream I, Inc., Hetnets Tower Corporation, Alpha Communications Corp., Omega Communications Corp., Towerstream Houston, Inc., and Melody Business Finance, LLC (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). |
| 10.21 | Amendment No. 1 to Warrant and Registration Rights Agreement dated March 9, 2016, by and between Towerstream Corporation and Melody Business Finance, LLC (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2016). |
| 10.22** | Engagement Letter by and between Frederick Larcombe and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 8, 2016). |
| 10.23** | Separation Agreement by and between Joseph Hernon and Towerstream Corporation (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 8, 2016). |
| 10.24 | Form of Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2016). |
| 10.25 | Form of Warrant (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2016). |
| 10.26 | Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2016). |
| 10.27 | Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 8, 2016). |
| 10.28 | Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 8, 2016). |
| 10.29 | Form of Amendment to Securities Purchase Agreements, dated June 17, 2016 (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 8, 2016). |
| 10.30 | Form of June Warrant (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 8, 2016). |
| 10.31** | Consulting Agreement by and between Ernest Ortega and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 15, 2016). |
| 10.32 | Form of Warrant Exchange Agreement dated September 14, 2016 (Incorporated by reference to Exhibit 10.38 to the Registration Statement on Form S-1/A of Towerstream Corporation filed with the Securities and Exchange Commission on September 15, 2016). |
| 10.33 | Registration Rights Agreement by and among Towerstream Corporation and the Signatories thereto dated September 14, 2016 (Incorporated by reference to Exhibit 10.39 to the Registration Statement on Form S-1/A of Towerstream Corporation filed with the Securities and Exchange Commission on September 15, 2016). |
| 10.34** | Employment Agreement by and between Arthur Giftakis and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 25, 2016). |

| | |
|---|---|
| 10.35** | Employment Agreement by and between Ernest Ortega and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 24, 2017). |
| 10.36 | Amendment No. 1 to Loan Agreement dated November 8, 2016 (Incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.37 | Purchase Agreement dated November 8, 2016 (Incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.38 | Exchange Agreement dated November 9, 2016 (Incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.39 | Form of Warrant issued November 9, 2016 (Incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.40 | Registration Rights Agreement dated November 9, 2016 (Incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.41 | Stock Purchase Agreement dated November 22, 2016 (Incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.42 | Exchange Agreement dated November 22, 2016 (Incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.43 | Registration Rights Agreement dated November 22, 2016 (Incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-3/A of Towerstream Corporation filed with the Securities and Exchange Commission on November 30, 2016). |
| 10.44** | Employment Agreement by and between Laura W. Thomas and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 17, 2017). |
| 10.45** | Separation Agreement by and between Frederick Larcombe and Towerstream Corporation (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 17, 2017). |
| 10.46 | Form of Exchange Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 26, 2017). |
| 10.47 | Office Lease Agreement dated October 24, 2017 by and between Brookwood Middletown Tech, LLC (Landlord) and Towerstream I, Inc. (Tenant) (Incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on April 2, 2018). |
| 10.48** | Employment Agreement by and between John Macdonald and Towerstream Corporation (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 11, 2018). |
| 10.49** | Separation Agreement by and between Laura Thomas and Towerstream Corporation (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 11, 2018). |
| 10.50 | Forbearance to Loan Agreement with Melody Business Finance LLC dated January 26, 2018 (Incorporated by reference to Exhibit 10.50 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on April 2, 2018). |
| 10.51 | Forbearance to Loan Agreement with Melody Business Finance LLC dated February 28, 2018 (Incorporated by reference to Exhibit 10.51 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on April 2, 2018). |
| 10.52 | Forbearance to Loan Agreement with Melody Business Finance LLC dated March 30, 2018 (Incorporated by reference to Exhibit 10.52 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on April 2, 2018). |
| 10.53 | Second Amended and Restated Forbearance to Loan Agreement dated April 15, 2018 (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2018). |
| 10.54 | First Amendment to the Second Amended and Restated Forbearance to Loan Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2018). |
| 10.55 | Exchange Agreement (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2018). |
| 10.56 | Second Amendment to the Second Amended and Restated Forbearance to Loan Agreement (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Towerstream Corporation filed with the Securities and Exchange Commission on August 20, 2018). |

| | |
|---|---|
| 10.57 | Third Amendment to Second Amended and Restated Forbearance to Loan Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018). |
| 10.58*** | Fourth Amendment to Second Amended and Restated Forbearance to Loan Agreement dated December 31, 2018. |
| 10.59*** | Fifth Amendment to Second Amended and Restated Forbearance to Loan Agreement dated January 31, 2019. |
| 10.60* | 2018 Management Incentive Plan (Incorporated by reference to Item 5.02 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2018). |
| 14.1 | Code of Ethics and Business Conduct (Incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2011). |
| 21.1*** | Subsidiaries of the Registrant. |
| 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 |
| 101.SCH***** | XBRL Taxonomy Extension Schema |
| 101.CAL***** | XBRL Taxonomy Extension Calculation |
| 101.DEF***** | XBRL Taxonomy Extension Definition |
| 101.LAB***** | XBRL Taxonomy Extension Labels |
| 101.PRE***** | XBRL Taxonomy Extension Presentation |

---

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

**Item 16 – Form 10-K Summary.**

None.

## 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: April 1, 2019

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)

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

| Name | Capacity | Date |
|---|---|---|
| /s/ Philip Urso<br>Philip Urso | Director - Chairman of Board of Directors | April 1, 2019 |
| /s/ Ernest Ortega<br>Ernest Ortega | Chief Executive Officer<br>(Principal Executive Officer) | April 1, 2019 |
| /s/ John Macdonald<br>John Macdonald | Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) | April 1, 2019 |
| /s/ Howard L. Haronian, M.D.<br>Howard L. Haronian, M.D. | Director | April 1, 2019 |
| /s/ William J. Bush<br>William J. Bush | Director | April 1, 2019 |

**Exhibit 10.58**

**Fourth Amendment to Second Amended and Restated**
**Forbearance to Loan Agreement**

THIS FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED FORBEARANCE TO LOAN AGREEMENT (this "***Agreement***") dated as of December 31, 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 **LENDERS** party hereto, 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, (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, (v) entered into that certain Second Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated August 20, 2018, and (vi) entered into that certain Second Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated October 22, 2018 (as amended, the "***Forbearance Agreement***");

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

WHEREAS, Borrowers, Guarantors, Administrative Agent and the 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 . December 31, 2018 Interest Payment. Notwithstanding anything in the Loan Agreement to the contrary, the Lenders hereby agree that effective as of January 1, 2019, the interest payment required by the Loan Agreement to be paid by the Borrower with respect to the Fiscal Quarter ending December 31, 2018, may be satisfied at the option of the Borrowers by (i) payment in cash in accordance with the terms of the Loan Agreement or (ii), if payment in full is not made in cash in accordance with the Loan Agreement, the addition of such amounts to the principal amount of the Loans on January 2, 2019 and treated as PIK Interest.

3. Amendments to Forbearance Agreement.

(a) The first sentence of Section 3 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 January 31, 2019 (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. January 31, 2019;"

4 . Amendment to Loan Agreement. The definition of "Scheduled Maturity Date" appearing in Section 1.1 of the Loan Agreement is hereby amended to read as follows:

"'**Scheduled Maturity Date**' means January 31, 2019."

5 . Ratification of Loan Documents. Each Borrower, each Guarantor, Administrative Agent and each 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.

6. 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.

7. 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 Lender; and

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

Upon the satisfaction of the conditions set forth in this Section 7, this Agreement shall be effective as of the date hereof.

8. 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.

9. 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.

**10. 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**.11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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
Terri Lecamp
Authorized Signatory

*Signature Page*
*Fourth Amendment to Forbearance to Loan Agreement*

**LENDERS:**

**MELODY CAPITAL PARTNERS OFFSHORE CREDIT MINI-MASTER FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Terri Lecamp
Terri Lecamp
Authorized Signatory

**MELODY CAPITAL PARTNERS ONSHORE CREDIT FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Terri Lecamp
Terri Lecamp
Authorized Signatory

**MELODY SPECIAL SITUATIONS OFFSHORE CREDIT MINI-MASTER FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Terri Lecamp
Terri Lecamp
Authorized Signatory

**Exhibit 10.59**

**Fifth Amendment to Second Amended and Restated**
**Forbearance to Loan Agreement. Waiver And Amendment to Loan Agreement**

THIS FIFTH AMENDMENT TO SECOND AMENDED AND RESTATED FORBEARANCE TO LOAN AGREEMENT, WAIVER AND AMENDMENT TO LOAN AGREEMENT (this "***Agreement***") dated as of January 31, 2019, 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 **LENDERS** party hereto, 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, (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, (v) entered into that certain Second Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated August 20, 2018, (vi) entered into that certain Third Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated October 22, 2018, and (vii) entered into that certain Fourth Amendment to Second Amended and Restated Forbearance to Loan Agreement and Amendment to Loan Agreement, dated December 31, 2018 (as amended, the "***Loan Forbearance and Amendment Agreement***");

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

WHEREAS, Borrowers, Guarantors, Administrative Agent and the 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 Loan Forbearance and Amendment 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. Estoppel, Acknowledgement and Reaffirmation. Each Loan Party hereby acknowledges and agrees that, as of January 31, 2019, (a) the aggregate outstanding principal amount of the Loans was not less than $***, which constitutes a valid and subsisting obligation of the Loan Parties to the Lenders that is not subject to any credits, offsets, defenses, claims, counterclaims or adjustments of any kind. The Loan Parties hereby: (w) acknowledge the Specified Events of Default; (x) acknowledge their respective obligations under the Loan Agreement and the Loan Documents to which they are party; (y) reaffirm that each Lien created and granted in, or pursuant to, the Loan Agreement and the other Loan Documents is valid and subsisting; and (z) acknowledge that this Agreement shall in no manner impair or otherwise adversely affect such Obligations or Liens.

3. Amendments to Loan Forbearance and Amendment Agreement.

(a) The first sentence of Section 3 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 the 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 April 30, 2019 (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. April 30, 2019;"

4. Amendments to Loan Agreement.

(a) The definition of "Scheduled Maturity Date" appearing in Section 1.1 of the Loan Agreement is hereby amended to read as follows:

"**Scheduled Maturity Date**" means April 30, 2019.

(b) Section 2.4(a) of the Loan Agreement is hereby amended to insert after the last sentence thereof the following language:

"Notwithstanding anything in this Agreement to the contrary, effective as of March 31, 2019, the Cash Interest required by this Agreement to be paid by the Borrower with respect to each Fiscal Quarter ending on or after March 31, 2019 may be satisfied at the option of the Borrower by the addition of such amounts to the principal amount of the Loans on the applicable Interest Payment Date and treated as PIK Interest which PIK Interest shall be calculated at the Applicable Rate."

(c) Section 6.16 of the Loan Agreement shall be amended by deleting the amount "$4,000,000" and replacing such amount with "$2,000,000".

5 . Ratification of Loan Documents. Each Borrower, each Guarantor, Administrative Agent and each 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.

6. 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, 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 no Default or Event of Default exists.

7. 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 Lender;

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

(c) Each of the directors of the Board other than Phillip Urso and Ernesto Ortega shall have tendered their resignations as directors of the Board, and the Board shall have accepted such resignations.

Upon the satisfaction of the conditions set forth in this Section 7, this Agreement shall be effective as of the date hereof.

8 . 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.

9 . 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.

10. **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**.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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<br><br>By: /s/ Celine Hannett<br>Name: Celine Hannett<br>Title: Authorized Signatory |

*Signature Page*
*Fifth Amendment to Forbearance to Loan Agreement*

**LENDERS:**

**MELODY CAPITAL PARTNERS OFFSHORE CREDIT MINI-MASTER FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Celine Hannett
Name: Celine Hannett
Title: Authorized Signatory

**MELODY CAPITAL PARTNERS ONSHORE CREDIT FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Celine Hannett
Name: Celine Hannett
Title: Authorized Signatory

**MELODY SPECIAL SITUATIONS OFFSHORE CREDIT MINI-MASTER FUND, LP**

By: Melody Capital Partners, LP
Its Investment Advisor

By: /s/ Celine Hannett
Name: Celine Hannett
Title: Authorized Signatory

**Exhibit 21.1**

**SUBSIDIARIES OF TOWERSTREAM CORPORATION**

The following is a list of subsidiaries of Towerstream Corporation as of December 31, 2018, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary:

| Subsidiary | Jurisdiction of Organization |
|---|---|
| Towerstream I, Inc. | Delaware |

**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 annual report on Form 10-K of Towerstream Corporation for the year ended December 31, 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: April 1, 2019

/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 annual report on Form 10-K of Towerstream Corporation for the year ended December 31, 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: April 1, 2019

/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 Annual Report of Towerstream Corporation, (the "Company") on Form 10-K for the period ended December 31, 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: April 1, 2019

/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 Annual Report of Towerstream Corporation, (the "Company") on Form 10-K for the period ended December 31, 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: April 1, 2019

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