

TOWERSTREAM CORP

FORM 10-K (Annual Report)

Filed 03/12/15 for the Period Ending 12/31/14

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| CIK | 0001349437 |
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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, 2014
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

(State or other jurisdiction of incorporation or organization)

20-8259086

(I.R.S. Employer Identification No.)

88 Silva Lane

Middletown, Rhode Island

(Address of principal executive offices)

02842

(Zip Code)

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

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

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|---|--|
| Common Stock, par value \$0.001 per share | The NASDAQ Capital Market |

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

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

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

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

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

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

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$116,231,063.

As of March 9, 2015, there were 66,656,789 shares of common stock, par value \$0.001 per share, outstanding.



TOWERSTREAM CORPORATION AND SUBSIDIARIES

Table of Contents

| | <u>Page</u> |
|---|-------------|
| PART I | |
| Item 1. Business. | 2 |
| Item 1A. Risk Factors. | 9 |
| Item 1B. Unresolved Staff Comments. | 23 |
| Item 2. Properties. | 23 |
| Item 3. Legal Proceedings. | 24 |
| Item 4. Mine Safety Disclosures. | 24 |
| PART II | |
| Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. | 25 |
| Item 6. Selected Financial Data. | 27 |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations. | 28 |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk. | 41 |
| Item 8. Financial Statements and Supplementary Data. | 42 |
| Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. | 65 |
| Item 9A. Controls and Procedures. | 65 |
| Item 9B. Other Information. | 67 |
| PART III | |
| Item 10. Directors, Executive Officers and Corporate Governance. | 68 |
| Item 11. Executive Compensation. | 72 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. | 80 |
| Item 13. Certain Relationships and Related Transactions, and Director Independence. | 82 |
| Item 14. Principal Accountant Fees and Services. | 82 |
| PART IV | |
| Item 15. Exhibits and Financial Statement Schedules. | 83 |

PART I

Forward-Looking Statements

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

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

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

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

Item 1. Business.

Towerstream Corporation ("Towerstream", "we", "us", "our" or the "Company") is a leading 4G and Small Cell Rooftop Tower company which provides a wide range of wireless communication services through its two business segments. The Company was incorporated in December 1999.

Fixed Wireless Services Segment

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

Shared Wireless Infrastructure Segment

In 2010, the Company began exploring opportunities to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Over the past few years, a significant increase in mobile data generated by smartphones, tablets and other devices has placed tremendous demand on the networks of the carriers. This has caused the carriers to explore a wide range of solutions including (i) acquiring additional spectrum, (ii) employing Wi-Fi to offload data traffic and (iii) utilizing small cell technologies to increase capacity and coverage in dense urban areas. During this period, the Company incurred various costs related to identifying possible new solutions and services. These costs included rent payments under lease agreements which provide the Company with the right to install wireless technology equipment on the rooftops of buildings. The Company refers to these locations as "street level rooftops" because Wi-Fi and small cell technologies are required to be close to the ground, and therefore, the buildings are often one to two stories high. The Company also incurred costs to construct a carrier-class network to offload data traffic. The Company has entered into the lease agreements and commenced these capital projects for the purpose of securing capacity that it believes is needed to maintain its competitive position in the wireless industry. The Company believes that the wireless communications industry is experiencing a fundamental shift from its traditional, macro-cellular architecture to densified small cell architecture where existing cell sites will be supplemented by many smaller base stations operating near street level. The Company also believes that Wi-Fi will be an integral component of small cell architecture.

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets"). Hetnets was formed to operate a new shared wireless infrastructure platform that emerged from the Company's efforts to identify opportunities to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets operates a carrier-class network which has been constructed on "street level rooftops" which are closer to the ground (where Wi-Fi and small cell can operate with less interference from the macro cell) than the Company's traditional fixed wireless network. Hetnets is structured to operate like a tower company and expects to generate rental income from four separate sources including (i) rental of space on street level rooftops for the installation of customer owned small cells which includes Wi-Fi antennae, Distributed Antenna System ("DAS"), and Metro and Pico cells, (ii) rental of a channel on Hetnets' Wi-Fi network for Internet access and the offloading of mobile data, (iii) rental of a port for backhaul or transport, and (iv) power and other related services. The Company refers to the activities of Hetnets as its "Shared Wireless Infrastructure" (or "Shared Wireless") business.

In June 2013, Hetnets entered into a Wi-Fi service agreement (the "Wi-Fi Agreement") with a major cable operator (the "Cable Operator"). The Wi-Fi Agreement provides leased access to certain access points, primarily within New York City. The Cable Operator has a limited right to expand access in other Hetnets' markets. The term of the Wi-Fi Agreement is for an initial three year period and provides for automatic annual renewals for two additional one year periods.

In August 2014, the Company executed a master licensing agreement ("MLA") with a carrier for small cell deployments. The MLA establishes the detailed terms and conditions under which individual orders are governed, and are generally designed to expedite the deployment process. The term of this agreement is for 25 years.

Our Networks

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

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

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

Markets

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

We determine which geographic markets to enter by assessing criteria in four broad categories. First, we evaluate our ability to deploy our service in a given market after taking into consideration our spectrum position, the availability of towers and zoning constraints. Second, we assess the market by evaluating the number of competitors, existing price points, demographic characteristics and distribution channels. Third, we evaluate the economic potential of the market, focusing on our forecasts of revenue opportunities and capital requirements. Finally, we look at market clustering opportunities and other cost efficiencies that might be realized. Based on this approach, as of December 31, 2014, we offered wireless broadband connectivity in 12 markets, of which 10 are in the top 20 metropolitan areas in the United States based on the number of small to medium businesses in each market. These 10 markets cover an estimated 62% of small and medium businesses (5 to 249 employees) in the United States.

We believe there are significant 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 presently represent a more cost effective manner to expand into new markets rather than to build our own infrastructure. Since 2010, we have completed five acquisitions, of which two were in new markets and three expanded our presence in existing markets. We have paid for these acquisitions through a combination of cash and equity, and believe that future acquisitions will be paid in a similar manner. Our decision to expand into new markets will depend upon many factors including the timing and frequency of acquisitions, national and local economic conditions, and the opportunity to leverage existing customer relationships in new markets.

Our Shared Wireless Infrastructure segment presently operates in New York City, Chicago, San Francisco, and Miami. In June 2013, we entered our first significant customer agreement with a major cable operator to provide Wi-Fi services in New York City. We expect to expand our Shared Wireless segment activities into additional markets based on customer demand, and anticipate that they will most likely be in markets where we presently offer fixed wireless services.

Sales and Marketing

We employ an inside direct sales force model to sell our services to business customers. As of December 31, 2014, we employed 29 direct sales people. We generally compensate these employees on a salary plus commission basis. Approximately 66% of our sales personnel had been with the Company for more than two years as of December 31, 2014, as compared to 56% and 67% as of December 31, 2013 and 2012, respectively. This tenure metric can fluctuate from period to period, especially because the size of the direct sales force is relatively small. The Company believes that a tenure metric between 60% to 75% constitutes an experienced sales force.

In March 2015, we opened a second sales center in Boca Raton, Florida where a number of telecommunications and call center companies are based. We believe that being able to recruit talented professionals from a second geographic area will enable us to increase our sales force to between 50 to 60 account executives. A larger sales force should have a positive effect on new customer additions. We generally expect that new account executives will need approximately nine months of training and on-the-job experience before their sales pipelines become robust and they begin generating new sales levels comparable to existing account executives.

We continue to spend significantly on Internet based marketing initiatives designed to capture customer demand rather than trying to create customer demand. Most companies secure their bandwidth service under contracts ranging in length from one to three years. As a result, customer buying decisions generally occur when their existing contracts are close to expiring. We believe that many buyers of information technology services search the Internet to learn about industry trends and developments, as well as competitive service offerings. Spending on internet based marketing initiatives totaled \$953,459, \$1,030,916, and \$1,034,273 during the years ended December 31, 2014, 2013, and 2012, respectively.

Sales through indirect channels comprised 22.7% of our total revenues for the year ended December 31, 2014 compared with 19.6% for the year ended December 31, 2013. Color Broadband, which we acquired in December 2011, had an active channel program and we hired one of their former employees to be our Channel Manager. During 2012, we changed our channel program to provide for recurring monthly residual payments, ranging from 8% to 20%. Previously, we had generally paid one time commissions on channel sales.

Competition

Fixed Wireless Segment

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

Incumbent Local Exchange Carriers and Common Local Exchange Carriers

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

Cable Modem and DSL Services

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

Cellular and PCS Services

Cellular and personal communications service (“PCS”) 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 PCS technologies, such as third generation mobile technologies, currently offer broadband service with packet data transfer speeds of up to 2,000,000 bits per second for fixed applications, and slower speeds for mobile applications. We expect that third generation technology will be improved to increase connectivity speeds to make it more suitable for a range of advanced applications.

Wireless Broadband Service Providers

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

Satellite

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

Other

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

Shared Wireless Segment

The market for shared wireless infrastructure services in major urban markets has grown significantly in the past few years as the emergence of smartphones, tablets, and other portable devices has driven an explosion in mobile data traffic. In May 2012, five major cable companies (Comcast, TimeWarner Cable, Cox Communications, Cablevision, and Bright House Networks) announced an alliance under which they agreed to allow each other's customers to access their respective Wi-Fi hotspots when roaming outside their cable provider's territory. The cable companies have referred to this arrangement as "CableWiFi". In March 2015, CableWiFi.com represented that there were more than 300,000 hotspots available to customers of the participating cable companies, however, not all of these hotspots are in markets in which the Company presently operates. In addition, the major cable

companies have historically operated primarily in suburban areas. However, they may begin to increase their presence and activities in major urban markets as the carriers, Internet companies and others request additional capacity to handle the continued growth in mobile data traffic.

Competitive Strengths

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

Reliability

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

Flexibility

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

Timeliness

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

Value

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

Efficient Economic Model

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

Prime Real Estate Locations

We have secured long term lease agreements for what we believe are prime real estate locations for both of our business segments. Our fixed wireless network is constructed on many of the tallest buildings in the 12 markets in which we operate. This facilitates our ability to deliver Internet connectivity to locations where line of sight is not available to our competitors. Our shared wireless infrastructure is located on more than 1,000 street level rooftops in New York City, Chicago, San Francisco, and Miami. The breadth and depth of our networks in these markets enables us to address the densification required in major urban markets.

Experienced Management Team

We have an experienced executive management team with more than 35 years of combined experience as company leaders. Our President and Chief Executive Officer, Jeffrey M. Thompson, is a founder of the Company and has more than 20 years of experience in the data communications industry. Our Chief Financial Officer, Joseph P. Hernon, has been the chief financial officer for three publicly traded companies over the past 15 years.

Corporate History

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

Regulatory Matters

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

Spectrum Regulation

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

Broadband Internet Service Regulation

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

On February 26, 2015, the FCC adopted an Open Internet order in which fixed and mobile broadband services is reclassified as a telecommunications services governed by Title II of the Communications Act. This reclassification includes forbearance from applying many sections of the Communications Act and the FCC’s rules to broadband service providers. The Open Internet order also adopted rules prohibiting broadband service providers from: (1) blocking access to legal content, applications, services or non-harmful devices; (2) impairing or degrading lawful Internet traffic on the basis, content, applications or services; or (3) favoring certain Internet traffic over other traffic in exchange for consideration. At this time, the FCC’s Open Internet rules are not yet in effect and it is unclear precisely which Title II obligations will be imposed on Towerstream’s broadband services and what impact the reclassification of broadband services or the Open Internet rules may have on Towerstream’s broadband business.

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

Zoning and Permitting Issues

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

Other

FAA Interference Issue

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

License KA306 in DeSoto, Texas

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

The original license term was for a period of ten years. The Company never received notice from the FCC prior to the then next expiration date of March 31, 2012 (the Company acquired the license from a prior licensee whose term began in 2002). The Company subsequently discovered that the license had expired, and in August 2012 filed an application with the FCC requesting that it be allowed to temporarily resume operations of the Earth Station. In July 2013, the FCC dismissed the Company's application to temporarily resume operations of the Earth Station based on technical considerations.

The Company has engaged counsel to work with the Company and the FCC regarding reinstatement of KA306. The Company plans to vigorously contest its right to operate the DeSoto earth station and expects to finalize its course of action in the third quarter of 2015.

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

Rights Plan

In November 2010, we adopted a rights plan (the "Rights Plan") and declared a dividend distribution of one preferred share purchase right for each outstanding share of common stock as of the record date on November 14, 2010. Each right, when exercisable, entitles the registered holder to purchase one-hundredth (1/100 th) of a share of Series A Preferred Stock, par value \$0.001 per shares of the Company at a purchase price of \$18.00 per one-hundredth (1/100 th) 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, 2014, we had 140 employees, of whom 138 were full-time employees and 2 were part-time employees. As of February 28, 2015, we had 141 employees, of whom 139 were full-time employees and 2 were part-time employees. We believe our employee relations are good. Two employees are considered members of executive management.

Our Corporate Information

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

Item 1A. Risk Factors.

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

Risks Relating to Fixed Wireless Services

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014, we had approximately \$38,000,000 in cash and cash equivalents with two large financial banking institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. If the institution at which we have placed our funds were to become insolvent or fail, we could be at risk for losing a substantial portion of our cash deposits, or incur significant time delays in obtaining access to such funds. In light of the limited amount of federal insurance for deposits, even if we were to spread our cash assets among several institutions, we would remain at risk for the amount not covered by insurance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are highly dependent on the continued services of (i) Philip Urso, Chairman, (ii) Jeffrey M. Thompson, President and Chief Executive Officer, and (iii) Joseph Hernon, Chief Financial Officer. Our calendar year, employment agreement with Mr. Thompson is automatically extended for an additional year, unless either party gives prior written notice of non-renewal to the other party no later than November 2 of each agreement term. We do not have an employment agreement with Mr. Hernon. We cannot guarantee that any of these persons will stay with us for any definite period. Loss of the services of any of these individuals could adversely impact our operations. We do not maintain policies of "key man" insurance on our executives.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Shared Wireless Infrastructure

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation ("Hetnets") to operate the newly formed, Shared Wireless Infrastructure segment. References in this section to "We", "Us", or "Our" refer to the Company, Towerstream Corporation, as a whole. In this section, "its" refers to Hetnets on a business segment operating basis. Risks associated with Hetnets and its focus on shared wireless infrastructure include:

We have limited experience operating a shared wireless infrastructure company.

Our recently formed subsidiary, Hetnets, has operated as a shared wireless infrastructure enterprise for a limited time period, since January 2013. We may decide to operate Hetnets as a stand-alone business with its own management and board. For the near term, the management and board of directors are expected to be composed entirely of Towerstream officers and directors which could raise conflicts of interest. There is no assurance that we will be able to execute our business plan for Hetnets. We may not be able to operate Hetnets successfully, including generating revenues and achieving profitability.

Hetnets is a new, untested business model that is similar to, yet different than, many traditional tower companies and for this reason is subject to many risks of tower companies and other risks which may not presently be known. If we are unable to execute our business strategy, or are unable to attract customers or capital either as a result of the risks identified herein or for any other reason, our business, results of operations, and financial condition could be materially and adversely affected and we may be forced to terminate operations related to Hetnets, which could have a material adverse effect on the business, results of operations and financial condition of the Company as a whole.

Hetnets has limited operating history and this lack of experience may impede our ability to successfully manage the Hetnets business.

Key members of our management team responsible for leadership roles in the Hetnets business have limited experience operating a business that is solely engaged in the Shared Wireless Infrastructure business. We do not believe there is any existing business that is dedicated primarily to establishing a dominant position in shared wireless infrastructure to be offered for use by others and as such both management and the business face uncertain risks. Hetnets has no operating history as a separate company. We cannot assure you that our past experience will be sufficient to successfully operate Hetnets as a separate business.

For a period of time, we will utilize shared resources of Towerstream for Hetnets' business and operations. If our management, sales, finance and accounting staff is unable for any reason to respond adequately to the increased demands that will result from separate operations, we may be forced to incur additional administrative and other costs to avoid experiencing deficiencies or material weaknesses in our disclosure controls and procedures or our internal control over financial reporting. We have not yet established processes or procedures for operating Hetnets as a separate business unit.

Hetnets has a history of operating losses and we expect to continue incurring losses for the foreseeable future.

Our Shared Wireless Infrastructure business was launched in 2013, has incurred losses in each year of operation and we expect it to continue to incur losses for the foreseeable future. We cannot anticipate when, if ever, Hetnets' operations will become profitable. We expect that Hetnets will incur significant net losses as we pursue our business strategy. We intend to invest significantly in Hetnets before we expect cash flow from operations to be adequate to cover its operating expenses.

We may be unable to successfully execute any of the business opportunities we have identified for Hetnets to pursue.

In order for Hetnets to pursue business opportunities, we will need to build an effective company infrastructure and establish operational capabilities. Our ability to accomplish these objectives could be affected by any one of the following factors:

- the ability of Hetnets equipment, our equipment suppliers or our service providers to perform as we expect;

- the ability of Hetnets to grow and integrate new Small Cell antennae and shared wireless networks into our business;
- the ability of Hetnets to identify suitable locations and negotiate acceptable agreements with building owners so that it can establish new rooftop locations;
- the ability of Hetnets to effectively manage the growth and expansion of its business operations without incurring excessive costs, high employee turnover or damage to business relationships;
- the ability of Hetnets to attract and retain qualified personnel which may be affected by the significant competition in our industry for individuals experienced in network operations and engineering;
- the ability of Hetnets to accurately predict and respond to the rapid technological changes in its industry and the evolving demands of the markets it serves and plans to serve; and
- our ability to raise additional capital to fund Hetnets' growth and to support its operations until it reaches profitability.

The failure of Hetnets to adequately address any one or more of the above factors could have a significant adverse impact on its ability to execute its business plan and may adversely affect its and our business, results of operations and financial condition.

Many of the potential customers of Hetnets have substantially greater assets than the Company and may invest in developing their own shared or dedicated wireless infrastructure. Our competition may include businesses that are also potential customers. Either of these developments could have a material adverse effect on Hetnets and its business, results of operations and financial condition. Our competition may include businesses that are also potential customers of Hetnets.

Our plans for Hetnets may include financing or joint ventures on a stand-alone basis or a spinoff of all or a portion of the ownership of Hetnets.

Our plans for Hetnets may include financing for Hetnets on a stand-alone basis, joint venture arrangements with strategic partners or financial investors, spinning all or a portion of Hetnets off to our stockholders, or a public offering of a portion of the equity of Hetnets, although such actions have not yet been approved by the Company and may change. Any of these actions could have a material adverse effect on our business, results of operations, and financial condition.

We depend on the continued availability of leases for our Hetnets shared wireless infrastructure business.

We intend to seek to obtain five year initial terms for our leases with renewal options of three to five years each, although there can be no assurance that we will be able to do so. Such renewal options are exercisable generally 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 with us in the future, we could be forced to seek alternative arrangements with other building owners. If we are unable to continue to renew or replace our shared wireless infrastructure leases on satisfactory terms, Hetnets' and our business, results of operations and financial condition could be materially and adversely affected.

We are a new entrant in an industry which is dominated by very large companies and which is subject to long sales cycles and market volatility .

We expect long lead times from our prospective customers prior to establishing predictable, recurring revenue streams for our Hetnets segment due to the long-term nature of purchasing and commitment decisions of large organizations. We also expect to experience delays in converting our customer trials into purchase orders from our prospective customers. The nature and duration of adoption and commitment delays is unpredictable. We depend on the willingness of our prospective customers to transact business with a new entrant in the tower industry offering shared wireless infrastructure, which technologies have not been fully proven or adopted by the industry. In addition, we will continue to be subject to the financial strength and creditworthiness of our customers. Wireless service providers and other prospective customers operate with substantial leverage and have in the past filed for bankruptcy. As a small company, we may be more vulnerable than larger companies to client credit issues, payment delays and bankruptcies. In economic down cycles, necessary capital raising activities by our customers may be thwarted and cause further delays or impact new technology deployment which could adversely affect us. Each of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Hetnets will rely on a limited number of suppliers that manufacture carrier-class shared wireless infrastructure equipment.

Hetnets depends on a limited number of third party suppliers for carrier-class equipment required for its shared wireless infrastructure. It also depends on a limited number of third parties to install and maintain its infrastructure equipment. Hetnets does not maintain any long term supply contracts with these manufacturers. If a manufacturer or other provider does not satisfy Hetnets' requirements, it may not have sufficient equipment for the installation of new network locations or the maintenance of existing locations. Such developments could force it to suspend the deployment of its shared wireless infrastructure and may impair its growth. This could have a material adverse effect on our business, results of operations and financial condition.

If data security controls employed by Hetnets are breached, customers may perceive that its shared wireless infrastructure is not secure which may adversely affect its ability to attract and retain customers, and expose Hetnets to liability.

Wireless infrastructure security and the authentication of customer credentials are designed to protect unauthorized access to data on our shared wireless infrastructure. Because techniques used to prevent unauthorized access to or to sabotage wireless infrastructure change frequently and may not be recognized until launched against a target, Hetnets may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Consequently, unauthorized parties may overcome Hetnets' encryption and security systems, and gain access to data on its wireless infrastructure. In addition, because Hetnets operates and controls its shared wireless infrastructure and our customers' Internet connectivity, unauthorized access or sabotage of the Hetnets shared wireless infrastructure could result in damage to Hetnets' shared wireless infrastructure and to the computers or other devices used by its customers. An actual or perceived breach of shared wireless infrastructure security, regardless of whether the breach is the fault of Hetnets, could harm public perception of the effectiveness of its security controls, adversely affect its ability to attract and retain customers, expose it to significant liability and adversely affect its business prospects. This could have a material adverse effect on Hetnets' and, accordingly, our business, results of operations and financial condition.

The technology used by Hetnets may infringe on the intellectual property rights of others which may result in costly litigation, substantial damages and prohibit it from operating.

Third parties may assert infringement or other intellectual property claims against Hetnets related to its trademarks, services or the technology it uses or may use in the future to operate its shared wireless infrastructure. Hetnets may have to pay substantial damages, including damages for past infringement, if it is determined that its shared wireless infrastructure infringe a third party's proprietary rights. Further, it may be prohibited from maintaining the infringing shared wireless infrastructure or portions thereof or be required to pay substantial royalties or licensing fees to maintain it. 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 it could materially and adversely affect our business, results of operations and financial condition. We do not maintain insurance coverage for intellectual property claims nor have we established any reserves for potential intellectual property claims.

Hetnets may experience difficulties constructing, upgrading and maintaining its shared wireless infrastructure which could impair its ability to provide services to its customers and may reduce its revenues.

Hetnets' success depends on developing and providing services that give customers access to high quality shared wireless infrastructure. If the number of customers using its shared wireless infrastructure increases, it may require more infrastructure and network resources to maintain the quality of its services. Consequently, it may be required to make substantial investments to improve its facilities and equipment, and to upgrade its technology and infrastructure. If Hetnets does not accomplish these objectives successfully, or experiences inefficiencies, operational failures or unforeseen costs, the quality of its shared wireless infrastructure could decline.

Hetnets may experience quality deficiencies, cost overruns and delays in implementing its shared wireless infrastructure, improvements and expansion and in maintenance and upgrade projects, including the portions of those projects not within its control or the control of its contractors. The development of shared wireless infrastructure may require securing permits and approvals from numerous governmental bodies including municipalities and zoning boards. Such bodies often limit the installation of rooftop and similar transmission equipment. Failure to receive approvals in a timely fashion can delay system rollouts and raise the cost of completing projects. In addition, Hetnets is required to obtain rights from building owners to install its equipment. We may not be able to obtain, on terms acceptable to us, or at all, the rights necessary to install, expand, upgrade or maintain our shared wireless infrastructure. A failure in any of these areas could materially and adversely affect Hetnets' and our business, results of operations and financial condition.

Hetnets relies on backhaul services from Towerstream's Fixed Wireless segment and others to support its shared wireless infrastructure.

Hetnets relies on the availability of backhaul services from Towerstream's Fixed Wireless segment and others to support its shared wireless infrastructure. Any delay or failure regarding the availability of backhaul services could have a material adverse effect on the operation of Hetnets' or the costs incurred to operate its shared wireless infrastructure if it is required to obtain backhaul services from other providers or if such services otherwise are unavailable. This could have a material adverse effect on Hetnets' and our business, results of operations and financial condition.

Hetnets utilizes unlicensed spectrum which is subject to intense competition, low barriers of entry and slowdowns due to multiple users.

Hetnets' shared wireless infrastructure presently utilizes unlicensed spectrum in all of its markets. 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 maintain our shared wireless infrastructure. Moreover, the prevalence of unlicensed spectrum creates low barriers of entry in our industry which naturally creates the potential for increased competition for network availability, which could have a material and adverse effect on Hetnets' and our business, results of operations and financial condition.

Regulation of the unlicensed spectrum used by Hetnets could have an adverse effect .

If the FCC or another governing agency determines to regulate the unlicensed spectrum that we presently use, then the additional regulations and costs could have a material adverse effect on Hetnets' and our business, results of operations and financial condition.

Interruption or failure of its shared wireless infrastructure systems could damage Hetnets' reputation and adversely affect its operating results.

The business of Hetnets depends on the continuing operation of its shared wireless infrastructure systems with minimal interruptions of service. Hetnets may experience service interruptions or system failures in the future. Any service interruption could adversely affect its customers' ability to operate their businesses and could result in their immediate loss of revenues. If Hetnets experiences frequent or persistent infrastructure failures, its reputation could be permanently harmed and customers may be reluctant to contract for access to its shared wireless infrastructure. Hetnets may need to make significant capital expenditures to increase the reliability of its shared wireless infrastructure and it may not have sufficient funds to cover such expenditures. This could have a material and adverse effect on our business, results of operations, and financial condition.

A small number of customers could account for a significant percentage of Hetnets' revenue.

Hetnets currently expects to depend upon a relatively small number of potential customers for a significant percentage of its revenue. As a result, its business, financial condition and results of operations could be adversely affected if (i) it loses one or more of its larger customers, (ii) such customers significantly reduce their business with Hetnets, (iii) these customers fail to make payments or delay making payments, or (iv) Hetnets chooses not to enforce, or to enforce less vigorously, any rights that it may have against these customers because of a desire to maintain its relationship with them.

Hetnets faces competition securing long term lease agreements for the rooftop space on which it operates its shared wireless infrastructure services.

Hetnets competes with numerous broadband, Wi-Fi, cellular, commercial and other wireless network operators, many of whom desire rooftop locations similar to ours in the same markets, as well as various other public and privately held companies that may provide rooftop utilization as part of a more expansive managed services offering. In addition, Hetnets may face competition from new entrants into the wireless network market. Some of Hetnets' competitors may have significant advantages, including longer operating histories, lower operating costs, pre-existing relationships with current or potential landlords, greater financial, marketing and other resources, and access to less expensive power. These advantages could allow competitors to respond more quickly to strategic opportunities or changes in its industries or markets. If Hetnets is unable to compete effectively, it may lose existing or potential rooftop locations, incur costs to improve its locations or be forced to reduce the coverage of its shared wireless infrastructure.

Hetnets attempts to secure long term agreements with the owners of the buildings on which it constructs its shared wireless infrastructure. These agreements are normally for an initial five year period with an option to renew for additional five year periods. Upon expiration, building owners may elect to not renew their leases or renew their leases at higher rates, or for shorter terms. If Hetnets is unable to successfully extend these leases or secure other comparable space when such leases expire, its business, results of operations, and financial condition could be adversely affected.

Hetnets is susceptible to catastrophic weather, business or other localized events because its shared wireless infrastructure is presently located in a limited geographic area.

Hetnets' shared wireless infrastructure is presently located in just four metropolitan areas. Therefore, it is susceptible to a wide range of localized events which could cause immediate adverse effects on its business, results of operations, and financial condition. These events could include weather events such as a hurricane, tornado, or blizzard which could render Hetnets unable to provide service for a period of time. Other localized events which could adversely effect Hetnets includes union strikes that limit access to the rooftops on which its infrastructure is located as well as power outages in the markets in which Hetnets operates.

Any failure of its shared wireless infrastructure could cause Hetnets to incur significant costs.

Hetnets' business depends on providing highly reliable shared wireless infrastructure services to its customers. The physical infrastructure may fail for a number of reasons, including:

- human error;
- unexpected equipment failure;
- power loss or telecommunications failures;
- improper building maintenance by landlords in the buildings where it maintains equipment;
- fire, tropical storm, hurricane, tornado, flood, earthquake and other natural disasters;
- water damage;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

If, as a result of any of these events, or other similar events beyond its control there is an infrastructure failure, and it is not corrected immediately, Hetnets ultimately may suffer a loss of revenue which could materially and adversely affect its business, results of operations, and financial condition.

Hetnets may have difficulty managing its growth.

Hetnets may rapidly and significantly expand if its initial network infrastructure generates customer demand. This would require it to increase significantly the number of its employees and, consequently, the entire size of Hetnets. Its growth may also significantly strain its management, operational and financial resources and systems. An inability to manage growth effectively or the increased strain on its management, resources and systems could materially adversely affect its business, results of operations, and financial condition.

Hetnets will require additional capital to fund its continued growth and such capital may not be available on commercially reasonable terms, or at all.

The continued growth and operation of Hetnets will likely require additional funding for working capital, any required upgrade of its networks, the construction of additional infrastructure to expand coverage, and possible acquisitions. Such funding may not be available when needed in adequate amounts or on acceptable terms, if at all. We may issue additional equity securities in public or private offerings in order to execute Hetnets' business strategy.

Any turbulence in the U.S. and other financial markets and economies may adversely affect Hetnets' ability to access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on its business, results of operations, and financial condition. Our access to third-party sources of capital also depends, in part, on:

- the market's perception of Hetnets' growth potential and operating performance;
- Hetnets' then current debt levels; and
- the market price per share of our common stock.

Additionally, Hetnets may raise capital independently of the Company, and potentially at a price lower than the market price or book value at the time of issuance. Any such issuances may result in substantial dilution to existing shareholders. Similarly, we may seek debt financing and may be forced to incur interest expense. If we cannot secure sufficient funding for Hetnets, we may be forced to forego strategic opportunities or delay, scale back or eliminate network deployments, operations, acquisitions, and other investments which could have a material adverse effect on our business, results of operations and financial condition.

The loss of any of our key personnel devoted to Hetnets, including executive officers or key sales associates, could adversely affect Hetnets' and our business, financial condition and results of operations.

The success of Hetnets will continue to depend to a significant extent on its executive officers and key sales personnel. Each of its executive officers has a national or regional industry reputation that attracts business and investment opportunities. The loss of key sales personnel could hinder its ability to continue to benefit from existing and potential customers. We cannot provide any assurance that Hetnets will be able to retain its current executive officers or key sales personnel. The loss of any of these individuals could materially and adversely affect its and our business, results of operations, and financial condition.

Hetnets operates in a rapidly evolving industry which makes it difficult to forecast its future prospects as its shared wireless infrastructure, or portions thereof, may become obsolete and it may not be able to develop replacement infrastructure on a timely basis or at all.

The wireless services industry is characterized by rapid technological change, competitive pricing, frequent new service introductions, and evolving industry standards and regulatory requirements. We believe that the success of Hetnets depends on its ability to anticipate and adapt to these challenges, and to offer competitive shared wireless infrastructure opportunities 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 network assets less profitable or obsolete.

Risks Relating to the Wireless Industry

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

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

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

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

- competition from service providers using more efficient, less expensive technologies including products not yet invented or developed;
- responding successfully to advances in competing technologies in a timely and cost-effective manner;

- migration toward standards-based technology which may require substantial capital expenditures; and
- existing, proposed or undeveloped technologies that may render our wireless broadband services less profitable or obsolete.

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

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

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

We are currently not required to register with the Universal Service Administrative Company (“USAC”) as a seller of telecommunications, nor are we required to collect Universal Service Fund (“USF”) fees from our customers or to pay USF fees directly. In October 2011, the FCC adopted an Order dramatically changing the USF program. In the next few months, the FCC is also expected to address USF contribution reform. On February 26, 2015, the FCC adopted an Open Internet order in which fixed and mobile broadband services is reclassified as telecommunications services governed by Title II of the Communications Act. This reclassification includes forbearance from applying many sections of the Communications Act and the FCC’s rules to broadband service providers. As part of the Title II reclassification, the FCC could adopt new regulations requiring broadband service providers to register and pay USF fees as well as submit to a significant amount of other common carrier regulations.

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

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

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

Risks Related to Our Indebtedness

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

In October 2014, we entered into a loan agreement which provided us with a five-year \$35 million term loan. The loan bears interest payable in cash at a rate equal to the greater of (i) the sum of the one month Libor rate on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind (“PIK”), or deferred, interest that accrues at 4% per annum. We paid \$591,111 of interest and accrued \$295,556 of PIK interest for the year ended December 31, 2014.

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

- make it difficult for us to satisfy our debt obligations;
- make us more vulnerable to general adverse economic and industry conditions;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements;

- expose us to interest rate fluctuations because the interest rate on our long-term debt is variable;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less debt and greater financial resources.

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

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

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

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

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

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

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

Risks Relating to Our Organization

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

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

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

Our officers and directors own a substantial amount of our common stock and, therefore, exercise significant control over our corporate governance and affairs which may result in their taking actions with which other shareholders do not agree.

Our executive officers and directors, and entities affiliated with them, control approximately 10% of our outstanding common stock (including shares of common stock underlying exercisable stock options). These shareholders, if they act together, may be able to exercise substantial influence over the outcome of all corporate actions requiring approval of our shareholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other shareholders do not agree. This concentration of ownership may also have the effect of delaying or preventing a change in control which might be in other shareholders' best interest but which might negatively affect the market price of our common stock.

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

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

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

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

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

Risks Relating to Our Common Stock

We may fail to qualify for continued listing on the NASDAQ Capital Market which could make it more difficult for investors to sell their shares.

In May 2007, our common stock was approved for listing on the NASDAQ Capital Market and our common stock continues to be listed on the NASDAQ Capital Market. There can be no assurance that trading of our common stock will be sustained or that we can meet NASDAQ's continued listing standards. In the event that our common stock fails to qualify for continued listing, our common stock could thereafter only be quoted on the OTC Bulletin Board or the "pink sheets." Under such circumstances, shareholders may find it more difficult to sell, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers such as financial institutions, hedge funds and other similar investors.

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We do not own any real property.

Our executive offices are located at 88 Silva Lane in Middletown, Rhode Island, where we lease approximately 29,000 square feet of space. The majority of our employees work at this location including our finance and administrative, engineering, information technology, customer care and retention, and sales and marketing personnel. Rent payments totaled approximately \$359,750 in 2014 and escalate by 3% annually reaching \$416,970 for 2019. Our lease expires on December 31, 2019 with an option to renew for an additional five year term through December 31, 2024.

In December 2014, the Company entered into a new lease agreement in Florida which includes 3,542 square feet for office space for a second sales center. The lease commenced in February 2015 for 38 months with an option to renew for an additional 60 month period. Total annual rent payments begin at \$53,130 and escalate by 3% annually.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

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

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

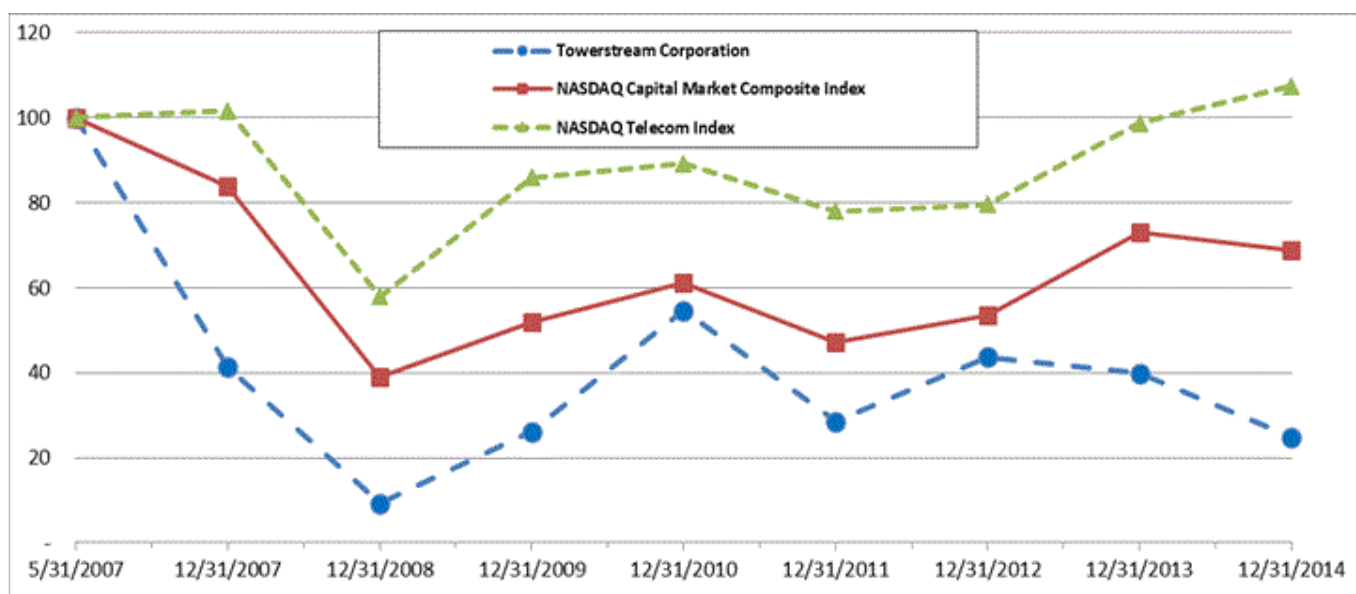
| FISCAL YEAR 2013 | HIGH | LOW |
|------------------|---------|---------|
| First Quarter | \$ 3.92 | \$ 2.12 |
| Second Quarter | \$ 2.71 | \$ 2.05 |
| Third Quarter | \$ 3.22 | \$ 2.21 |
| Fourth Quarter | \$ 3.00 | \$ 2.06 |

The last reported sales price of our common stock on the NASDAQ Capital Market on December 31, 2014 was \$1.85 and on March 9, 2015, the last reported sales price was \$2.20. According to the records of our transfer agent, as of March 9, 2015, there were approximately 35 holders of record of our common stock.

Performance Graph

On May 31, 2007, our shares of common stock began trading on the NASDAQ Capital Market. The chart below compares the annual percentage change in the cumulative total return on our common stock with the NASDAQ Capital Market Composite Index and the NASDAQ Telecom Index. The chart shows the value as of December 31, 2014, of \$100 invested on May 31, 2007, the day our common stock was first publicly traded on the NASDAQ Capital Market, in our common stock, the NASDAQ Capital Market Composite Index and the NASDAQ Telecom Index. The stock price performance below is not necessarily indicative of future performance.

**Comparison of Cumulative Total Returns Among Towerstream,
NASDAQ Capital Market Composite Index and NASDAQ Telecom Index**



| | 5/31/2007 | 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 | 12/31/2013 | 12/31/2014 |
|---------------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|
| Towerstream Corporation | \$ 100.00 | \$ 41.32 | \$ 9.29 | \$ 26.11 | \$ 54.64 | \$ 28.53 | \$ 43.74 | \$ 39.84 | \$ 24.90 |
| NASDAQ Capital Market Composite Index | \$ 100.00 | \$ 83.83 | \$ 38.91 | \$ 52.06 | \$ 61.12 | \$ 47.08 | \$ 53.44 | \$ 73.00 | \$ 68.91 |
| NASDAQ Telecom Index | \$ 100.00 | \$ 101.58 | \$ 57.91 | \$ 85.85 | \$ 89.22 | \$ 77.96 | \$ 79.52 | \$ 98.62 | \$ 107.41 |

Dividend Policy

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

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2014, securities issued and securities available for future issuance under our 2008 Non-Employee Directors Compensation Plan, our 2007 Equity Compensation Plan and our 2007 Incentive Stock Plan were as follows:

Equity Compensation Plan Information

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|--|---|---|--|
| Equity compensation plans approved by security holders | 3,997,695 | \$ 2.73 | 3,537,019 |
| Equity compensation plans not approved by security holders | - | \$ - | - |
| Total | 3,997,695 | \$ 2.73 | 3,537,019 |

Recent Sales of Unregistered Securities.

There were no unregistered securities sold by us during the year ended December 31, 2014 that were not otherwise disclosed by us during the year in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Recent Repurchases of Securities.

None.

Item 6. Selected Financial Data

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

| | Years Ended December 31, | | | | |
|--|---------------------------------|-----------------------|------------------------|------------------------|------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| CONSOLIDATED STATEMENT OF OPERATIONS DATA: | | | | | |
| Revenues | \$ 19,645,893 | \$ 26,494,737 | \$ 32,279,430 | \$ 33,433,284 | \$ 33,036,153 |
| Operating Expenses | | | | | |
| Cost of revenues (exclusive of depreciation) | 4,340,262 | 7,472,849 | 15,376,136 | 21,854,163 | 24,520,028 |
| Depreciation and amortization | 5,770,335 | 9,138,318 | 13,634,294 | 15,351,441 | 13,639,415 |
| Customer support services | 3,097,234 | 4,274,387 | 5,712,463 | 4,883,219 | 4,796,038 |
| Sales and marketing | 5,088,085 | 5,362,103 | 6,134,020 | 5,779,500 | 5,570,191 |
| General and administrative | 7,398,420 | 9,411,608 | 12,168,183 | 11,033,057 | 10,336,504 |
| Total Operating Expenses | <u>25,694,336</u> | <u>35,659,265</u> | <u>53,025,096</u> | <u>58,901,380</u> | <u>58,862,176</u> |
| Operating Loss | (6,048,443) | (9,164,528) | (20,745,666) | (25,468,096) | (25,826,023) |
| Other Income/(Expense) | | | | | |
| Interest expense, net | 3,922 | 35,486 | (63,714) | (217,741) | (1,672,846) |
| Gain on business acquisitions | 355,876 | 2,231,534 | (40,079) | 1,004,099 | - |
| Other income (expense), net | 85,638 | (9,581) | (13,860) | (15,020) | (14,349) |
| Total Other Income/ (Expense) | <u>445,436</u> | <u>2,257,439</u> | <u>(117,653)</u> | <u>771,338</u> | <u>(1,687,195)</u> |
| Loss before income taxes | (5,603,007) | (6,907,089) | (20,863,319) | (24,696,758) | (27,513,218) |
| Provision for income taxes | - | (118,018) | (126,256) | (78,531) | (78,532) |
| Net Loss | <u>\$ (5,603,007)</u> | <u>\$ (7,025,107)</u> | <u>\$ (20,989,575)</u> | <u>\$ (24,775,289)</u> | <u>\$ (27,591,750)</u> |
| Net loss per common share – basic and diluted | <u>\$ (0.16)</u> | <u>\$ (0.15)</u> | <u>\$ (0.39)</u> | <u>\$ (0.38)</u> | <u>\$ (0.41)</u> |
| Weighted average common shares outstanding – basic and diluted | 35,626,783 | 47,505,861 | 54,434,173 | 65,181,310 | 66,553,904 |
| CONSOLIDATED BALANCE SHEETS DATA (at December 31,): | | | | | |
| Cash and cash equivalents | \$ 23,173,352 | \$ 44,672,587 | \$ 15,152,226 | \$ 28,181,531 | \$ 38,027,509 |
| Property, plant and equipment, net | 15,266,056 | 27,531,273 | 41,982,210 | 38,484,858 | 33,905,286 |
| Total assets | 44,589,825 | 83,636,896 | 67,109,714 | 74,917,467 | 82,321,838 |
| Working capital | 20,184,121 | 40,231,504 | 10,087,917 | 23,697,158 | 35,067,152 |
| Stockholder's equity | 40,020,878 | 77,144,910 | 57,803,908 | 66,093,941 | 41,962,027 |
| OTHER FINANCIAL DATA: | | | | | |
| Capital expenditures | | | | | |
| Cash | \$ 5,304,434 | \$ 13,620,180 | \$ 20,722,510 | \$ 7,143,376 | \$ 7,306,942 |
| Accrued expenses | 355,268 | 658,144 | 1,240,774 | 867,311 | 524,280 |
| Capital leases | 152,164 | 769,882 | 2,915,580 | 80,894 | 339,652 |
| Other | - | - | 18,679 | - | - |
| Net cash provided by (used in) operating activities | 238,534 | 702,518 | (8,078,493) | (9,484,438) | (13,413,128) |
| Net cash used in investing activities | (8,057,744) | (18,218,729) | (21,343,128) | (7,562,464) | (7,036,756) |
| Net cash provided by (used in) financing activities | 16,951,723 | 39,015,446 | (98,740) | 30,076,207 | 30,295,862 |

In January 2013, we formed a wholly owned subsidiary, Hetnets Tower Corporation, to manage the business activities of a new business segment, Shared Wireless Infrastructure. We have provided supplemental segment information on the operating results of our Shared Wireless Infrastructure segment in Item 7 in this Annual Report on Form 10-K. We have also provided supplemental information on our Fixed Wireless segment, including the operating results of each market, in Item 7 in this Annual Report on Form 10-K.

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

Overview – Fixed Wireless

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

In December 2011, we completed the acquisition of certain customer relationships, network infrastructure and related assets of Color Broadband Communications, Inc. (“Color Broadband”), which is based in the Los Angeles area. The aggregate consideration for the acquisition included (i) approximately \$2.8 million in cash, (ii) 827,230 shares of our common stock with a fair value of approximately \$2.0 million, and (iii) approximately \$0.3 million in assumed liabilities. The acquisition of Color Broadband was a business combination accounted for under the acquisition method. In May 2012, we finalized the purchase price of Color Broadband. The final purchase price of \$5,098,996 was \$220,885, or 4%, lower than the initially reported purchase price of \$5,319,881. The finalization of the purchase price resulted in a reduction of approximately \$261,000 of identifiable net assets and a reduction in the gain on business acquisition of approximately \$40,000. The purchase price adjustment resulted in a decrease in the number of shares of common stock issued to Color Broadband of 98,506 from 925,736 to 827,230 shares. In addition, 45,600 shares of common stock were returned to the Company principally representing accounts receivable collections retained by Color Broadband during the post-closing transition services period.

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

Characteristics of our Revenues and Expenses

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

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

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

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

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

Market Information – Fixed Wireless

As of December 31, 2014, we operated in twelve metropolitan markets consisting of New York, Boston, Los Angeles, Chicago, San Francisco, Miami, Seattle, Dallas-Fort Worth, Houston, Philadelphia, Las Vegas-Reno and Providence-Newport. Although we provide services in multiple markets, these operations have been aggregated into one reportable segment based on the similar economic characteristics among all markets, including the nature of the services provided and the type of customers purchasing such services. The markets were launched at different times, and as a result, may have different operating metrics based on their size and stage of maturation. We incur significant up-front costs in order to establish a Network Presence in a new market. These costs include building PoPs and Network Costs. Other material costs include hiring and training sales and marketing personnel who will be dedicated to securing customers in that market. Once we have established a Network Presence in a new market, we are capable of servicing a significant number of customers. The rate of customer additions varies from market to market, and we are unable to predict how many customers will be added in a market during any specific period. We believe that providing operating information regarding each of our markets provides useful information to shareholders in understanding the leveraging potential of our business model and the operating performance of our mature markets. Set forth below is a summary of our operating performance on a per-market basis, and a description of how each category is determined.

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

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

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

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

Shared Wireless Infrastructure, net: Represents the net operating results for that business segment.

Non-Core Expenses: These costs related to our efforts in 2012 to develop other wireless technology solutions and services, and primarily consisted of rent payments for street level rooftops, costs associated with constructing an offload network and payroll costs for employees working on these projects. Beginning in 2013, these operating costs are reported under our Shared Wireless Infrastructure segment.

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

We entered the Houston market in February 2013 through the acquisition of Delos. We exited the Nashville market effective March 31, 2014.

Year Ended December 31, 2014

| Market | Revenues | Cost of Revenues | Gross Margin | Operating Costs | Adjusted Market EBITDA |
|--------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| Los Angeles | \$ 8,019,832 | \$ 2,259,611 | \$ 5,760,221 | \$ 1,932,611 | \$ 3,827,610 |
| New York | 7,810,019 | 2,785,827 | 5,024,192 | 1,328,111 | 3,696,081 |
| Boston | 5,663,256 | 1,598,896 | 4,064,360 | 823,425 | 3,240,935 |
| Chicago | 2,902,942 | 1,184,641 | 1,718,301 | 528,099 | 1,190,202 |
| Miami | 1,428,933 | 451,577 | 977,356 | 288,380 | 688,976 |
| Las-Vegas-Reno | 988,565 | 491,875 | 496,690 | 136,356 | 360,334 |
| Houston | 697,467 | 265,819 | 431,648 | 104,549 | 327,099 |
| San Francisco | 1,103,604 | 494,029 | 609,575 | 304,406 | 305,169 |
| Dallas-Fort Worth | 637,831 | 390,615 | 247,216 | 151,347 | 95,869 |
| Seattle | 301,679 | 191,019 | 110,660 | 38,077 | 72,583 |
| Providence-Newport | 258,992 | 208,882 | 50,110 | 14,007 | 36,103 |
| Nashville | 1,903 | 12,642 | (10,739) | 2,331 | (13,070) |
| Philadelphia | 121,158 | 99,602 | 21,556 | 55,696 | (34,140) |
| Total | \$ 29,936,181 | \$ 10,435,035 | \$ 19,501,146 | \$ 5,707,395 | \$ 13,793,751 |

Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure

| | |
|-------------------------------------|------------------------|
| Adjusted market EBITDA | \$ 13,793,751 |
| Fixed wireless, non-market specific | |
| Other expenses | (1,127,386) |
| Depreciation and amortization | (8,697,630) |
| Shared wireless infrastructure, net | (16,375,734) |
| Corporate | (13,419,024) |
| Other income (expense) | (1,687,195) |
| Provision for income taxes | (78,532) |
| Net loss | \$ (27,591,750) |

Year Ended December 31, 2013

| Market | Revenues | Cost of Revenues | Gross Margin | Operating Costs | Adjusted Market EBITDA |
|--------------------|----------------------|-------------------------|----------------------|------------------------|-------------------------------|
| Los Angeles | \$ 8,197,925 | \$ 2,146,194 | \$ 6,051,731 | \$ 1,675,298 | \$ 4,376,433 |
| Boston | 6,508,812 | 1,460,425 | 5,048,387 | 917,559 | 4,130,828 |
| New York | 7,715,840 | 2,562,328 | 5,153,512 | 1,345,250 | 3,808,262 |
| Chicago | 3,273,174 | 1,161,474 | 2,111,700 | 488,619 | 1,623,081 |
| Miami | 1,553,933 | 433,818 | 1,120,115 | 417,986 | 702,129 |
| Las Vegas-Reno | 1,148,540 | 529,974 | 618,566 | 189,991 | 428,575 |
| San Francisco | 1,248,608 | 491,057 | 757,551 | 366,195 | 391,356 |
| Houston | 554,606 | 215,085 | 339,521 | 100,443 | 239,078 |
| Providence-Newport | 441,115 | 201,570 | 239,545 | 59,805 | 179,740 |
| Seattle | 389,839 | 192,561 | 197,278 | 101,929 | 95,349 |
| Dallas-Fort Worth | 681,812 | 399,465 | 282,347 | 257,212 | 25,135 |
| Philadelphia | 157,342 | 82,607 | 74,735 | 88,162 | (13,427) |
| Nashville | 21,038 | 57,030 | (35,992) | 11,443 | (47,435) |
| Total | \$ 31,892,584 | \$ 9,933,588 | \$ 21,958,996 | \$ 6,019,892 | \$ 15,939,104 |

Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure

| | |
|-------------------------------------|------------------------|
| Adjusted market EBITDA | \$ 15,939,104 |
| Fixed wireless, non-market specific | |
| Other expenses | (943,412) |
| Depreciation and amortization | (11,062,809) |
| Shared wireless infrastructure, net | (15,519,932) |
| Corporate | (13,881,047) |
| Other income (expense) | 771,338 |
| Provision for income taxes | (78,531) |
| Net loss | \$ (24,775,289) |

Year Ended December 31, 2012

| Market | Revenues | Cost of Revenues | Gross Margin | Operating Costs | Adjusted Market EBITDA |
|--------------------|----------------------|-------------------------|----------------------|------------------------|-------------------------------|
| Boston | \$ 6,822,836 | \$ 1,384,383 | \$ 5,438,453 | \$ 1,053,816 | \$ 4,384,637 |
| Los Angeles | 7,946,272 | 2,244,487 | 5,701,785 | 1,571,248 | 4,130,537 |
| New York | 7,286,768 | 2,308,760 | 4,978,008 | 1,271,608 | 3,706,400 |
| Chicago | 3,704,547 | 1,123,586 | 2,580,961 | 728,868 | 1,852,093 |
| Miami | 1,662,264 | 412,382 | 1,249,882 | 368,597 | 881,285 |
| San Francisco | 1,541,928 | 396,226 | 1,145,702 | 357,233 | 788,469 |
| Las Vegas-Reno | 1,545,404 | 545,793 | 999,611 | 216,885 | 782,726 |
| Seattle | 485,484 | 188,285 | 297,199 | 128,176 | 169,023 |
| Providence-Newport | 488,871 | 205,752 | 283,119 | 116,575 | 166,544 |
| Dallas-Fort Worth | 643,174 | 345,136 | 298,038 | 341,295 | (43,257) |
| Nashville | 39,184 | 57,745 | (18,561) | 36,050 | (54,611) |
| Philadelphia | 112,698 | 71,924 | 40,774 | 106,972 | (66,198) |
| Total | \$ 32,279,430 | \$ 9,284,459 | \$ 22,994,971 | \$ 6,297,323 | \$ 16,697,648 |



Reconciliation of Non-GAAP Financial Measure to GAAP Financial Measure

| | |
|-------------------------------------|------------------------|
| Adjusted market EBITDA | \$ 16,697,648 |
| Fixed wireless, non-market specific | |
| Other expenses | (896,311) |
| Depreciation and amortization | (10,689,868) |
| Non-core expenses | (9,687,500) |
| Corporate | (16,169,635) |
| Other income (expense) | (117,653) |
| Provision for income taxes | (126,256) |
| Net loss | \$ (20,989,575) |

Overview - Shared Wireless Infrastructure

Our Shared Wireless Infrastructure segment offers a range of rental options on street level rooftops related to (i) the installation of customer owned Small Cells, (ii) Wi-Fi access and the offloading of mobile data, and (iii) backhaul, power and other related telecommunications. To date, our operating activities have been primarily focused in New York City, and to a lesser degree, San Francisco, Chicago, and Southern Florida. Costs incurred to establish and operate this business segment include (a) rent payments under lease agreements which provide us with the right to install wireless technology equipment and (b) construction of a carrier-class network to deliver the services being offered by our Shared Wireless segment.

In June 2013, we entered into the Wi-Fi service agreement with a major cable operator (the "Cable Operator"). The Wi-Fi Agreement provides leased access to certain access points, primarily within New York City. The Cable Operator has a limited right to expand access in other markets. The term of the Wi-Fi Agreement is for an initial three year period and provides for automatic renewals for two additional one year periods.

In August 2014, we executed a master licensing agreement ("MLA") with a carrier for small cell deployments. The MLA establishes the detailed terms and conditions under which individual orders are governed, and are generally designed to expedite the deployment process. The term of this agreement is for 25 years.

Supplemental Segment Information

Operating information about each segment in accordance with Generally Accepted Accounting Principles ("GAAP") is disclosed in Note 15 of the financial statements. In addition, we use other non-GAAP measurements to assess the operating performance of each segment. These non-GAAP financial measures are commonly used by investors, financial analysts, and rating agencies. Management believes that these non-GAAP financial measures should be available so that investors have the same data that management utilizes in assessing our overall operations. It is important to note, however, that non-GAAP financial measures as presented do not represent cash provided by or used in operating activities and may not be comparable to similarly titled measures reported by other companies. Neither should be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

We focus on Adjusted EBITDA as a principal indicator of the operating efficiency and overall financial performance of our business. We believe this information provides the users of our financial statements with valuable insight into our operating results. EBITDA, a non-GAAP financial measure, is calculated as net income (loss) before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as net income (loss) before interest, income taxes, depreciation and amortization expenses, excluding when applicable, stock-based compensation, deferred rent expense, other non-operating income or expenses as well as gain or loss on (i) disposal of property and equipment, (ii) nonmonetary transactions, and (iii) business acquisitions.

Net Cash Flow is another commonly used non-GAAP financial measure that we utilize. Net Cash Flow is defined as Adjusted EBITDA less capital expenditures.

Three Months Ended December 31, 2014

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Total |
|---|---------------------|--------------------------------------|-----------------------|-----------------------|
| Operating Income (Loss) | \$ 697,812 | \$ (4,239,627) | \$ (3,303,121) | \$ (6,844,936) |
| Depreciation and amortization | 2,098,737 | 1,025,192 | 220,614 | 3,344,543 |
| Stock-based compensation | - | - | 220,085 | 220,085 |
| Loss on nonmonetary transactions | 67,953 | - | - | 67,953 |
| Non-recurring expenses, primarily acquisition-related | - | - | 28,346 | 28,346 |
| Deferred rent | 60,206 | 54,006 | (8,807) | 105,405 |
| Adjusted EBITDA | 2,924,708 | (3,160,429) | (2,842,883) | (3,078,604) |
| Less: Capital expenditures | 1,523,831 | 202,310 | 43,473 | 1,769,614 |
| Net Cash Flow | <u>\$ 1,400,877</u> | <u>\$ (3,362,739)</u> | <u>\$ (2,886,356)</u> | <u>\$ (4,848,218)</u> |

Reconciliation of Adjusted EBITDA to Net Loss

| | |
|---|-----------------------|
| Adjusted EBITDA | \$ (3,078,604) |
| Depreciation and amortization | (3,344,543) |
| Non-recurring expenses, primarily acquisition-related | (28,346) |
| Stock-based compensation | (220,085) |
| Loss on nonmonetary transactions | (67,953) |
| Deferred rent | (105,405) |
| Operating Income (Loss) | (6,844,936) |
| Interest expense, net | (1,506,337) |
| Other income (expense), net | (3,459) |
| Provision for income taxes | (78,532) |
| Net loss | <u>\$ (8,433,264)</u> |

Reconciliation of Net Cash Flow to Net Cash Used in Operating Activities

| | |
|---|-----------------------|
| Net cash flow | \$ (4,848,218) |
| Capital expenditures | 1,769,614 |
| Non-recurring expenses, primarily acquisition-related | (28,346) |
| Changes in operating assets and liabilities, net | 600,562 |
| Other, net | (865,845) |
| Net cash used in operating activities | <u>\$ (3,372,233)</u> |

Three Months Ended December 31, 2013

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Total |
|----------------------------------|---------------------|--------------------------------------|-----------------------|-----------------------|
| Operating Income (Loss) | \$ 767,954 | \$ (4,242,749) | \$ (3,153,141) | \$ (6,627,936) |
| Depreciation and amortization | 2,651,546 | 875,471 | 170,869 | 3,697,886 |
| Stock-based compensation | - | - | 314,462 | 314,462 |
| Loss on property and equipment | 38,820 | - | - | 38,820 |
| Loss on nonmonetary transactions | 67,794 | - | - | 67,794 |
| Deferred rent | 230,160 | 432,201 | (86,820) | 575,541 |
| Adjusted EBITDA | 3,756,274 | (2,935,077) | (2,754,630) | (1,933,433) |
| Less: Capital expenditures | 1,160,116 | 1,264,893 | 908,796 | 3,333,805 |
| Net Cash Flow | <u>\$ 2,596,158</u> | <u>\$ (4,199,970)</u> | <u>\$ (3,663,426)</u> | <u>\$ (5,267,238)</u> |

Reconciliation of Adjusted EBITDA to Net Loss

| | |
|----------------------------------|-----------------------|
| Adjusted EBITDA | \$ (1,933,433) |
| Depreciation and amortization | (3,697,886) |
| Stock-based compensation | (314,462) |
| Loss on property and equipment | (38,820) |
| Loss on nonmonetary transactions | (67,794) |
| Deferred rent | (575,541) |
| Operating Income (Loss) | (6,627,936) |
| Interest expense, net | (63,844) |
| Other income (expense), net | (4,130) |
| Provision for income taxes | (78,531) |
| Net loss | <u>\$ (6,774,441)</u> |

Reconciliation of Net Cash Flow to Net Cash Used in Operating Activities

| | |
|--|-----------------------|
| Net cash flow | \$ (5,267,238) |
| Capital expenditures | 3,333,805 |
| Changes in operating assets and liabilities, net | 848,636 |
| Other, net | (33,947) |
| Net cash used in operating activities | <u>\$ (1,118,744)</u> |

Year Ended December 31, 2014

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Total |
|---|---------------------|-----------------------------------|------------------------|------------------------|
| Operating Income (Loss) | \$ 4,152,141 | \$ (16,559,140) | \$ (13,419,024) | \$ (25,826,023) |
| Depreciation and amortization | 8,697,630 | 3,957,784 | 984,001 | 13,639,415 |
| Stock-based compensation | - | - | 960,490 | 960,490 |
| Loss on nonmonetary transactions | 271,184 | - | - | 271,184 |
| Non-recurring expenses, primarily acquisition-related | - | - | 119,705 | 119,705 |
| Deferred rent | 153,634 | 258,453 | (35,227) | 376,860 |
| Adjusted EBITDA | 13,274,589 | (12,342,903) | (11,390,055) | (10,458,369) |
| Less: Capital expenditures | 5,567,966 | 2,220,644 | 382,264 | 8,170,874 |
| Net Cash Flow | <u>\$ 7,706,623</u> | <u>\$ (14,563,547)</u> | <u>\$ (11,772,319)</u> | <u>\$ (18,629,243)</u> |

Reconciliation of Adjusted EBITDA to Net Loss

| | |
|---|------------------------|
| Adjusted EBITDA | \$ (10,458,369) |
| Depreciation and amortization | (13,639,415) |
| Non-recurring expenses, primarily acquisition-related | (119,705) |
| Stock-based compensation | (960,490) |
| Loss on nonmonetary transactions | (271,184) |
| Deferred rent | (376,860) |
| Operating Income (Loss) | (25,826,023) |
| Interest expense, net | (1,672,846) |
| Other income (expense), net | (14,349) |
| Provision for income taxes | (78,532) |
| Net loss | <u>\$ (27,591,750)</u> |

Reconciliation of Net Cash Flow to Net Cash Used in Operating Activities

| | |
|---|------------------------|
| Net cash flow | \$ (18,629,243) |
| Capital expenditures | 8,170,874 |
| Non-recurring expenses, primarily acquisition-related | (119,705) |
| Changes in operating assets and liabilities, net | (1,780,579) |
| Other, net | (1,054,475) |
| Net cash used in operating activities | <u>\$ (13,413,128)</u> |



Year Ended December 31, 2013

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Total |
|---|-------------------|--------------------------------------|-----------------|-----------------|
| Operating Income (Loss) | \$ 4,115,979 | \$ (15,703,028) | \$ (13,881,047) | \$ (25,468,096) |
| Depreciation and amortization | 11,062,809 | 3,508,646 | 779,986 | 15,351,441 |
| Stock-based compensation | - | - | 1,253,661 | 1,253,661 |
| Loss on property and equipment | 112,442 | 8,202 | - | 120,644 |
| Loss on nonmonetary transactions | 272,347 | - | - | 272,347 |
| Non-recurring expenses, primarily acquisition-related | - | - | 112,815 | 112,815 |
| Deferred rent | 230,160 | 432,201 | (86,820) | 575,541 |
| Adjusted EBITDA | 15,793,737 | (11,753,979) | (11,821,405) | (7,781,647) |
| Less: Capital expenditures | 4,518,874 | 2,314,236 | 1,258,469 | 8,091,579 |
| Net Cash Flow | \$ 11,274,863 | \$ (14,068,215) | \$ (13,079,874) | \$ (15,873,226) |

Reconciliation of Adjusted EBITDA to Net Loss

| | |
|---|-----------------|
| Adjusted EBITDA | \$ (7,781,647) |
| Depreciation and amortization | (15,351,441) |
| Non-recurring expenses, primarily acquisition-related | (112,815) |
| Stock-based compensation | (1,253,661) |
| Loss on property and equipment | (120,644) |
| Loss on nonmonetary transactions | (272,347) |
| Deferred rent | (575,541) |
| Operating Income (Loss) | (25,468,096) |
| Interest expense, net | (217,741) |
| Gain on business acquisition | 1,004,099 |
| Other income (expense), net | (15,020) |
| Provision for income taxes | (78,531) |
| Net loss | \$ (24,775,289) |

Reconciliation of Net Cash Flow to Net Cash Used in Operating Activities

| | |
|---|-----------------|
| Net cash flow | \$ (15,873,226) |
| Capital expenditures | 8,091,579 |
| Non-recurring expenses, primarily acquisition-related | (112,815) |
| Changes in operating assets and liabilities, net | (1,169,868) |
| Other, net | (420,108) |
| Net cash used in operating activities | \$ (9,484,438) |

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

Revenues. Revenues totaled \$33,036,153 during the year ended December 31, 2014 compared to \$33,433,284 during the year ended December 31, 2013 representing a decrease of \$397,131, or 1%. Revenues for the Fixed Wireless segment totaled \$30,119,587 during the year ended December 31, 2014 compared to \$32,075,680 during the year ended December 31, 2013 representing a decrease of \$1,956,093, or 6%. The decrease principally related to an 8% decrease in the base of customers billed on a monthly recurring basis. New customer additions have been adversely impacted by a 14% decrease in the number of account executives which averaged 31 during the year ended December 31, 2014 compared to 36 during the year ended December 31, 2013. In March 2015, we opened a second sales office in Florida and believe that our ability to recruit talent from an additional geographic area will increase the number of account executives and improve sales productivity levels. Revenues for the Shared Wireless segment totaled \$3,099,972 during the year ended December 31, 2014 compared to \$1,540,700 during the year ended December 31, 2013 representing an increase of \$1,559,272 or greater than 100%. The increase was primarily related to a full year of revenues recognized in 2014 under a large cable company customer contract which commenced in July 2013.

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

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

Cost of Revenues. Cost of revenues totaled \$24,520,028 during the year ended December 31, 2014 compared to \$21,854,163 during the year ended December 31, 2013 representing an increase of \$2,665,865 or 12%. On a consolidated basis, higher rent expense represented approximately 107% of the increase with rents for PoPs for the Fixed Wireless segment increasing by approximately \$593,000 and rents for street level rooftops for the Shared Wireless segment increasing by approximately \$2,282,000. The number of street level rooftops for the Shared Wireless segment were approximately 12% higher at December 31, 2014 compared to December 31, 2013. Other cost of revenues, including bandwidth and customer network costs, totaled \$2,839,792 during the year ended December 31, 2014 as compared to \$3,048,857 during the year ended December 31, 2013 representing a decrease of \$209,065, or 7%. On a consolidated basis, gross margin was 26% for the year ended December 31, 2014 as compared to 35% for the year ended December 31, 2013 representing a decrease of 9 percentage points with the Shared Wireless and Fixed Wireless segments accounting for 7 and 2 of the percentage point decreases, respectively. On a per market basis, approximately \$2,274,000, or 85%, of the increase in cost of revenues occurred in our New York City market which is the second largest market for our Fixed Wireless segment and where approximately 64% of the street level rooftops for our Shared Wireless segment are located.

Depreciation and Amortization. Depreciation and amortization totaled \$13,639,415 during the year ended December 31, 2014 compared to \$15,351,441 during the year ended December 31, 2013 representing a decrease of \$1,712,026 or 11%. Depreciation expense totaled \$12,750,446 during the year ended December 31, 2014 compared to \$12,257,624 during the year ended December 31, 2013 representing an increase of \$492,822, or 4%. The base of depreciable assets increased approximately 10% during 2014, however, newly acquired assets will not have a full year of depreciation in the year of acquisition which lessens the impact of a higher base on depreciation expense. The increase in the depreciable base during the year ended December 31, 2014 reflects continued growth in our fixed wireless network (approximately \$5,871,000), spending on our shared wireless infrastructure (approximately \$1,916,000) and additions resulting from other expenditures (approximately \$384,000).

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

Customer Support Services. Customer support services totaled \$4,796,038 during the year ended December 31, 2014 compared to \$4,883,219 during the year ended December 31, 2013 representing a decrease of \$87,181 or 2%. The decrease was primarily related to lower payroll costs as average headcount decreased 3% to 69 during 2014 as compared to 71 during 2013.

Sales and Marketing. Sales and marketing expenses totaled \$5,570,191 during the year ended December 31, 2014 compared to \$5,779,500 during the year ended December 31, 2013 representing a decrease of \$209,309, or 4%. Compensation related costs, including sales commissions, totaled \$3,815,222 during the 2014 period as compared to \$4,170,511 during the 2013 period representing a decrease of \$355,289, or 9%. Average headcount totaled 41 during the 2014 period compared to 48 during the 2013 period representing a decrease of 7, or 15%. Channel commissions totaled \$440,281 during the 2014 period as compared to \$385,049 during the 2013 period representing an increase of \$55,232, or 14%. Advertising costs totaled \$1,132,845 during the 2014 period as compared to \$1,100,353 during the 2013 period representing an increase of \$32,492, or 3%. Other costs, including travel, entertainment, dues, and subscriptions totaled \$181,843 during the 2014 period as compared to \$123,588 during the 2013 period representing an increase of \$58,255, or 47%.

General and Administrative. General and administrative expenses totaled \$10,336,504 during the year ended December 31, 2014 compared to \$11,033,057 during the year ended December 31, 2013 representing a decrease of \$696,553, or 6%. Payroll costs totaled \$3,702,328 during 2014 compared to \$4,049,344 during 2013 representing a decrease of \$347,016, or 9%. Average headcount totaled 34 during the 2014 period compared to 37 during the 2013 period representing a decrease of 3, or 8%. Stock-based compensation totaled \$960,490 during 2014 compared to \$1,253,661 during 2013 representing a decrease of \$293,171 or 23%. Stock-based compensation can fluctuate significantly from period to period depending on the timing, quantity and valuation of stock option grants. Facilities expense totaled \$408,490 during the 2014 period compared to \$654,613 during the 2013 period representing a decrease of \$246,123, or 38%. Office expense totaled \$495,837 during the 2014 period compared to \$582,355 during the 2013 period representing a decrease of \$86,518, or 15%. The Company consolidated its corporate offices from two buildings to one building which has lowered its facilities costs and office expenses. Insurance expense totaled \$468,583 during the 2014 period compared to \$278,899 during the 2013 period representing an increase of \$189,684, or 68%. The increase primarily related to higher workers' compensation premiums. Bad debt expense totaled \$322,000 during the 2014 period compared to \$85,000 during the 2013 period representing an increase of \$237,000, or greater than 100%. Approximately two thirds of the increase related to a temporary link customer and one third related to a shared wireless customer which had paid for fifteen months of service prior to ceasing operations.

Interest Expense, Net. Interest expense, net totaled \$1,672,846 during the year ended December 31, 2014 compared to \$217,741 during the year ended December 31, 2013 representing an increase of \$1,455,105, or greater than 100%. The increase related to the \$35 million secured term loan which closed in October 2014. Cash and non-cash interest expense in 2014 totaled \$591,111 and \$877,461, respectively. Non-cash interest expense included payment-in-kind interest, and the amortization of (i) debt issuance costs, and (ii) discounts associated with (a) original issuance pricing and (b) fair value of warrants issued in connection with the financing.

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

Net Loss. Net loss totaled \$27,591,750 during the year ended December 31, 2014 compared to \$24,775,289 during the year ended December 31, 2013 representing an increase of \$2,816,461, or 11%. The increase was not related to operating results as revenues decreased by \$397,131, or 1%, while operating expenses decreased by \$39,204 or less than 1%. Instead, the increase related to items included in other income (expense). Interest expense totaled \$1,710,825 in 2014 related to the Company's \$35 million debt financing completed in October 2014 as compared to interest expense of \$220,634 recognized in 2013 resulting in a net increase of \$1,490,191. In addition, the Company recognized a gain on acquisition of \$1,004,099 in 2013 as compared to zero in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues. Revenues totaled \$33,433,284 during the year ended December 31, 2013 compared to \$32,279,430 during the year ended December 31, 2012 representing an increase of \$1,153,854, or 4%. Substantially all of the revenue increase was attributable to our Shared Wireless segment. Fixed wireless revenues increased by \$171,786, or 1%, primarily related to an increase in Average Revenue Per User ("ARPU") from \$717 in the 2012 period to \$761 in the 2013 period. The increase in ARPU was offset by higher than normal churn levels.

ARPU for the Fixed Wireless segment totaled \$761 as of December 31, 2013 compared to \$717 as of December 31, 2012 representing an increase of \$44, or 6%. The increase in ARPU primarily related to customers upgrading to higher bandwidth service which generates higher monthly recurring revenue. ARPU for new customers totaled \$663 during the year ended December 31, 2013 compared to \$531 during the year ended December 31, 2012 representing an increase of \$132, or 25%.

Customer churn, calculated as a percent of revenue lost on a monthly basis from customers terminating service or reducing their service level, totaled 1.86% during the year ended December 31, 2013 compared to 1.58% during the year ended December 31, 2012. Our goal is to maintain churn levels between 1.40% and 1.70% which we believe is below industry averages of approximately 2.00%. Churn levels can fluctuate from period to period depending upon whether customers move to a location not serviced by the Company, go out of business, or a myriad of other reasons. Churn has averaged 1.63% over the past 36 months and we do not believe that the slightly higher than targeted churn level is indicative of any long term business developments or trends.

Cost of Revenues. Cost of revenues totaled \$21,854,163 during the year ended December 31, 2013 compared to \$15,376,136 during the year ended December 31, 2012 representing an increase of \$6,478,027, or 42%. On a consolidated basis, gross margin during the year ended December 31, 2013 was 35% as compared to 52% during the year ended December 31, 2012 representing a decrease of 17 percentage points. Higher rent expense associated with both PoPs for the Fixed Wireless network and street level rooftops for the Shared Wireless Infrastructure network increased cost of revenues by \$1,322,208 and \$6,008,015, respectively, and reduced gross margin by 4 and 18 percentage points, respectively. Increases in rent expense for the Fixed Wireless network primarily related to an increase in the number of PoPs in 2013 including those acquired in the Delos acquisition as well as base rent increases associated with increasing the number of antenna on our PoPs. Increases in rent expense for the Shared Wireless network primarily related to a higher number of lease agreements in the 2013 period as compared to the 2012 period. These increases were partially offset by lower Customer Network and other costs which decreased by \$852,196 and benefited gross margin by 3 percentage points.

Depreciation and Amortization. Depreciation and amortization totaled \$15,351,441 during the year ended December 31, 2013 compared to \$13,634,294 during the year ended December 31, 2012 representing an increase of \$1,717,147 or 13%. Depreciation expense totaled \$12,257,624 during the year ended December 31, 2013 compared to \$10,262,526 during the year ended December 31, 2012 representing an increase of \$1,995,098, or 19%. The gross base of depreciable assets as of December 31, 2013 increased by \$7,615,000, or 10%, compared to December 31, 2012. The increase in the depreciable base during the year ended December 31, 2013 reflects continued growth in our fixed wireless network (approximately \$3,662,000), spending on our shared wireless infrastructure (approximately \$1,895,000) and additions resulting from acquisitions (approximately \$808,000).

Amortization expense totaled \$3,093,817 during the year ended December 31, 2013 compared to \$3,371,768 during the year ended December 31, 2012 representing a decrease of \$277,951, or 8%. Amortization expense relates to customer related intangible assets recorded in connection with acquisitions, and can fluctuate significantly from period to period depending upon the timing of acquisitions, the relative amounts of intangible assets recorded, and the amortization periods. The decrease was primarily related to amortization associated with the acquisition of Pipeline Wireless LLC ("Pipeline") which became fully amortized in May 2012. This decrease was partially offset by amortization expense associated with the Delos acquisition which began in February 2013.

Customer Support Services. Customer support services totaled \$4,883,219 during the year ended December 31, 2013 compared to \$5,712,463 during the year ended December 31, 2012 representing a decrease of \$829,244, or 15%. The decrease was primarily related to lower payroll costs as average headcount totaled 71 during the 2013 period as compared to 81 during the 2012 period representing a decrease of 10, or 12%

Sales and Marketing. Sales and marketing expenses totaled \$5,779,500 during the year ended December 31, 2013 compared to \$6,134,020 during the year ended December 31, 2012 representing a decrease of \$354,520, or 6%. Average headcount totaled 48 during the 2013 period as compared to 55 during the 2012 period representing a decrease of 7, or 13%. In addition, channel commissions totaled \$385,049 during 2013 compared to \$307,574 during 2012 representing an increase of \$77,475, or 25%.

General and Administrative. General and administrative expenses totaled \$11,033,057 during the year ended December 31, 2013 compared to \$12,168,183 during the year ended December 31, 2012 representing a decrease of \$1,135,126, or 9%. Payroll costs totaled \$4,049,344 during 2013 compared to \$4,410,287 during 2012 representing a decrease of \$360,943, or 8%. In November 2012, the Chief Operating Officer resigned and was not replaced. Stock-based compensation totaled \$1,253,661 during 2013 compared to \$1,658,200 during 2012 representing a decrease of \$404,539, or 24%. Acquisition expenses totaled \$62,953 during 2013 compared to \$330,869 during 2012 representing a decrease of \$267,916, or 81%. Finally, bad debt expense totaled \$85,000 during 2013 compared to \$219,082 during 2012 representing a decrease of \$134,082, or 61%. The decrease in bad debt expense was consistent with a more than 50% improvement in receivable balances greater than 90 days outstanding.

Interest Expense, net. Interest expense, net totaled \$217,741 during the year ended December 31, 2013 compared to \$63,714 during the year ended December 31, 2012 representing an increase of \$154,027 or greater than 100%. In total, we entered into six capital leases between June 2011 and April 2013 for equipment totaling approximately \$3.7 million. We incurred interest expense on these six leases of \$161,452 and \$55,828 in 2013 and 2012, respectively. In addition, interest income decreased by \$38,368 in the 2013 period compared to the 2012 period related to a decision to apply earnings credits against bank charges rather than be paid interest income as it yielded a higher net benefit to the Company.

Gain on Business Acquisitions. Gain on business acquisitions totaled \$1,004,099 during the year ended December 31, 2013 compared to a loss of \$40,079 during the year ended December 31, 2012 representing an increase of \$1,044,178, or greater than 100%. The gain recognized in the 2013 period relates to the acquisition of Delos in February 2013. The loss recognized in the 2012 period represents the final purchase price adjustment related to the acquisition of Color Broadband Communications ("Color Broadband") in May 2012. The final purchase price for the Color Broadband acquisition resulted in an adjusted gain on business acquisition of \$1,146,011. The challenging economic environment during 2012 made it difficult for smaller companies like Delos and Color Broadband to raise sufficient capital to sustain their growth. As a result, we were able to acquire the customer relationships and wireless network of Delos and Color Broadband at a discounted price.

Provision for Income Taxes. Provision for income taxes totaled \$78,531 during the year ended December 31, 2013 compared to \$126,256 during the year ended December 31, 2012 representing a decrease of \$47,725, or 38%. The expense recognized in the periods related to deferred tax liabilities associated with FCC licenses and goodwill which are amortized for tax purposes but not for book purposes.

Net Loss. Net loss totaled \$24,775,289 during the year ended December 31, 2013 compared to \$20,989,575 during the year ended December 31, 2012 representing an increase of \$3,785,714, or 18%. Revenues increased by \$1,153,854, or 4%, while operating expenses increased by \$5,876,284 or 11%. In addition, non-operating income, primarily related to gain on a business acquisition, totaled \$771,338 for the year ended December 31, 2013 compared to non-operating expense of \$117,653 for the year ended December 31, 2012.

Liquidity and Capital Resources

We have historically met our liquidity and capital requirements primarily through the public sale and private placement of equity securities and debt financing. Changes in capital resources during the year ended December 31, 2014 and 2013 are described below. At February 28, 2015, we had cash and cash equivalents totaling approximately \$34,074,000.

Net Cash Used In Operating Activities. Net cash used in operating activities for the year ended December 31, 2014 totaled \$13,413,128 compared to \$9,484,438 for the year ended December 31, 2013 representing an increase of \$3,928,690, or 41%. Cash used in operations for the year ended December 31, 2014 totaled \$11,632,549 as compared to \$8,314,570 for the year ended December 31, 2013 representing an increase of \$3,317,979, or 40%. The increase primarily related to higher cost of revenues in the 2014 period related to increased rent expense for both business segments. Changes in operating assets and liabilities generally represent timing differences regarding payments and receipts, and are normally not indicative of operating results. Changes in operating assets and liabilities used cash of \$1,780,579 during the year ended December 31, 2014 as compared to \$1,169,868 for the year ended December 31, 2013 representing an increase of \$610,711, or 52%.

Net cash used in operating activities for the year ended December 31, 2013 totaled \$9,484,438 compared to \$8,078,493 for the year ended December 31, 2012 representing an increase of \$1,405,945, or 17%. Cash used in operations for the year ended December 31, 2013 totaled \$8,314,570 as compared to \$5,244,641 for the year ended December 31, 2012 representing an increase of \$3,069,929, or 59%. Changes in operating assets and liabilities generally represent timing differences regarding payments and receipts, and are normally not indicative of operating results. Changes in operating assets and liabilities used cash of \$1,169,868 during the year ended December 31, 2013 as compared to using cash of \$2,833,852 during the year ended December 31, 2012 representing a decrease of \$1,663,984, or 59%.

Net Cash Used in Investing Activities. Net cash used in investing activities for the year ended December 31, 2014 totaled \$7,036,756 compared to \$7,562,464 for the year ended December 31, 2013 representing a decrease of \$525,708 or 7%. Cash capital expenditures for the Fixed Wireless segment increased from \$4,256,335 in the 2013 period to \$4,803,272 in the 2014 period representing an increase of \$546,937, or 13%. Cash capital expenditures for the Shared Wireless Infrastructure segment increased from \$1,890,861 in the 2013 period to \$2,188,220 in the 2014 period representing an increase of \$297,359, or 16%. Capital expenditures for both business segments can fluctuate from period to period depending upon the number of customer additions and upgrades, network construction activity related to increasing capacity or coverage, and other related reasons. In addition, we received an incentive payment of \$380,000 in the 2014 period from our landlord in connection with entering a new lease agreement for our corporate offices. These funds were used to pay for qualified leasehold improvements to the facility. Finally, we paid cash of \$225,000 for the acquisition of Delos in the 2013 period. There were no acquisitions in the 2014 period.

Net cash used in investing activities for the year ended December 31, 2013 totaled \$7,562,464 compared to \$21,343,128 for the year ended December 31, 2012 representing a decrease of \$13,780,664 or 65%. Capital expenditures for the Fixed Wireless segment decreased from \$10,982,881 in the 2012 period to \$4,256,335 in the 2013 period representing a reduction of \$6,726,546, or 61%. During the 2012 period, we upgraded the fixed wireless network acquired in connection with the acquisition of Color Broadband and also added additional capacity in order to be able to provide backhaul services to the shared wireless infrastructure network. Capital expenditures for the Shared Wireless Infrastructure segment decreased from \$9,900,974 in the 2012 period to \$1,890,861 in the 2013 period representing a reduction of \$8,010,113, or 81%. During the 2012 period, the construction of a carrier class network to offload data traffic and offer access for small cells was substantially completed. Finally, we paid cash of \$225,000 for the acquisition of Delos Internet. There were no acquisitions in the 2012 period.

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

Net cash provided by financing activities for the year ended December 31, 2013 totaled \$30,076,207 compared to net cash used in financing activities of \$98,740 for the year ended December 31, 2012, representing an increase of \$30,174,947, or greater than 100%. The increase is primarily related to net proceeds of \$30,499,336 received in the first quarter of 2013 from the sale of 11,000,000 shares of our common stock at a public offering price of \$3.00 per share.

Acquisition of Color Broadband. In December 2011, we completed the acquisition of certain customer relationships, network infrastructure and related assets of Color Broadband which was based in the Los Angeles area. The aggregate consideration for the acquisition included (i) approximately \$2.8 million in cash, (ii) 827,230 shares of common stock with a fair value of approximately \$2.0 million, and (iii) approximately \$0.3 million in assumed liabilities. The acquisition of Color Broadband was a business combination accounted for under the acquisition method.

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

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

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

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

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

In connection with the Loan Agreement and pursuant to a Warrant and Registration Rights Agreement, we issued warrants (the “Warrants”) to purchase 3.6 million shares of common stock of which two-thirds have an exercise price of \$1.26 and one-third have an exercise price of \$0.01, subject to standard antidilution provisions. The Warrants have a term of seven and a half years. We have agreed to include the shares of common stock underlying the Warrants in a registration statement that must be filed no later than the one year anniversary of the Loan Agreement. If, following the one year anniversary, the registration statement is not declared effective, we will pay the warrant holders liquidated damages in the aggregate amount of \$5,000 per month, with maximum liquidated damages of \$50,000, until the registration statement has become effective.

Capital Resources. As of December 31, 2014, we had cash and cash equivalents of \$38,027,509 and working capital of \$35,067,152. Based on our current operating activities and plans, we believe our capital resources at the end of December 31, 2014 will enable us to meet our anticipated cash requirements for at least the next twelve months.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and other commitments as of December 31, 2014:

| | Total | Payments due by period | | | | | Thereafter |
|-------------------|---------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | |
| Operating leases | \$ 64,296,796 | \$20,885,399 | \$19,548,552 | \$13,793,190 | \$ 6,281,442 | \$ 2,758,765 | \$ 1,029,448 |
| Long-term debt | 35,295,556 | - | - | - | - | 35,295,556 | - |
| Capital leases | 2,404,928 | 1,042,934 | 790,345 | 517,727 | 53,922 | - | - |
| Deferred payments | 11,969 | 11,627 | 342 | - | - | - | - |
| Other | 121,415 | 121,415 | - | - | - | - | - |
| Total | \$102,130,664 | \$22,061,375 | \$20,339,239 | \$14,310,917 | \$ 6,335,364 | \$38,054,321 | \$ 1,029,448 |

Operating Leases. We have entered into operating leases related to roof rights, cellular towers, office space, and equipment leases under various non-cancelable agreements expiring through August 2023. Certain of these operating leases include extensions, at our option, for additional terms ranging from 1 to 25 years. Amounts associated with the extension periods have not been included in the table above as it is not presently determinable which options, if any, we will elect to exercise.

Long-Term Debt. We have entered into a loan agreement with Melody Business Finance, LLC. The \$35 million term loan becomes due in October 2019. We had \$295,556 of accrued PIK interest as of December 31, 2014.

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

Other. During the fourth quarter of 2013, we renewed a one year information technology infrastructure support agreement which became effective at the end of the first quarter of 2014. Payments of approximately \$121,000 are due quarterly through the first quarter of 2015.

Impact of Inflation, Changing Prices and Economic Conditions

Pricing for many technology products and services have historically decreased over time due to the effect of product and process improvements and enhancements. In addition, economic conditions can affect the buying patterns of customers. In 2014, our customer base continued to upgrade to higher bandwidth products as business conditions and the general economy continued to improve. Customers continued to place a premium on value and performance. Pricing of services continued to be a focus for prospective buyers with multi-point and midrange product pricing remaining steady while competition for high capacity links intensified. In part, pressure on high capacity links was due to decreased costs for equipment and some competitors willing to sacrifice margins. We believe that our customers will continue to upgrade their bandwidth service. The continued migration of many business activities and functions to the Internet, and growing use of cloud computing should also result in increased bandwidth requirements over the long term. Inflation has remained relatively modest and has not had a material impact on our business in recent years.

Critical Accounting Policies

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

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

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

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

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

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

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

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

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09 (“ASU 2014-09”), “Revenue from Contracts with Customers,” which requires an entity to recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity’s contracts with customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

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

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

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 2014, 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 | 43 |
| Consolidated Balance Sheets | 44 |
| Consolidated Statements of Operations | 45 |
| Consolidated Statements of Stockholders' Equity | 46 |
| Consolidated Statements of Cash Flows | 47 |
| Notes to Consolidated Financial Statements | 48 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Towerstream Corporation and Subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders’ equity and cash flows for the years ended December 31, 2014, 2013 and 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Towerstream Corporation and Subsidiaries as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years ended December 31, 2014, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Towerstream Corporation and Subsidiaries’ internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and our report dated, March 12, 2015, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Marcum LLP
Marcum LLP
New York, NY
March 12, 2015

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | As of December 31, | |
|--|----------------------|----------------------|
| | 2014 | 2013 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 38,027,509 | \$ 28,181,531 |
| Accounts receivable, net | 1,310,647 | 611,548 |
| Prepaid expenses and other current assets | 926,699 | 925,587 |
| Total Current Assets | 40,264,855 | 29,718,666 |
| Property and equipment, net | 33,905,286 | 38,484,858 |
| Intangible assets, net | 2,199,858 | 3,088,827 |
| Goodwill | 1,674,281 | 1,674,281 |
| Other assets | 4,277,558 | 1,950,835 |
| Total Assets | \$ 82,321,838 | \$ 74,917,467 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 871,251 | \$ 1,241,743 |
| Accrued expenses | 2,038,696 | 2,532,679 |
| Deferred revenues | 1,384,846 | 1,396,780 |
| Current maturities of capital lease obligations | 845,668 | 783,051 |
| Other | 57,242 | 67,255 |
| Total Current Liabilities | 5,197,703 | 6,021,508 |
| Long-Term Liabilities | | |
| Long-term debt, net of debt discount of \$3,194,147 | 32,101,409 | - |
| Capital lease obligations, net of current maturities | 1,285,858 | 1,805,336 |
| Other | 1,774,841 | 996,682 |
| Total Long-Term Liabilities | 35,162,108 | 2,802,018 |
| Total Liabilities | 40,359,811 | 8,823,526 |
| Commitments (Note 14) | | |
| Stockholders' Equity | | |
| Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued | - | - |
| Common stock, par value \$0.001; 95,000,000 shares authorized; 66,656,789 and 66,424,561 shares issued and outstanding, respectively | 66,657 | 66,425 |
| Additional paid-in-capital | 157,631,299 | 154,171,695 |
| Accumulated deficit | (115,735,929) | (88,144,179) |
| Total Stockholders' Equity | 41,962,027 | 66,093,941 |
| Total Liabilities and Stockholders' Equity | \$ 82,321,838 | \$ 74,917,467 |

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, | | |
|--|----------------------------------|------------------------|------------------------|
| | 2014 | 2013 | 2012 |
| Revenues | \$ 33,036,153 | \$ 33,433,284 | \$ 32,279,430 |
| Operating Expenses | | | |
| Cost of revenues (exclusive of depreciation) | 24,520,028 | 21,854,163 | 15,376,136 |
| Depreciation and amortization | 13,639,415 | 15,351,441 | 13,634,294 |
| Customer support services | 4,796,038 | 4,883,219 | 5,712,463 |
| Sales and marketing | 5,570,191 | 5,779,500 | 6,134,020 |
| General and administrative | 10,336,504 | 11,033,057 | 12,168,183 |
| Total Operating Expenses | <u>58,862,176</u> | <u>58,901,380</u> | <u>53,025,096</u> |
| Operating Loss | <u>(25,826,023)</u> | <u>(25,468,096)</u> | <u>(20,745,666)</u> |
| Other Income/(Expense) | | | |
| Interest expense, net | (1,672,846) | (217,741) | (63,714) |
| Gain on business acquisitions | - | 1,004,099 | (40,079) |
| Other income (expense), net | (14,349) | (15,020) | (13,860) |
| Total Other Income/(Expense) | <u>(1,687,195)</u> | <u>771,338</u> | <u>(117,653)</u> |
| Loss before income taxes | (27,513,218) | (24,696,758) | (20,863,319) |
| Provision for income taxes | (78,532) | (78,531) | (126,256) |
| Net Loss | <u>\$ (27,591,750)</u> | <u>\$ (24,775,289)</u> | <u>\$ (20,989,575)</u> |
| Net loss per common share – basic and diluted | <u>\$ (0.41)</u> | <u>\$ (0.38)</u> | <u>\$ (0.39)</u> |
| Weighted average common shares outstanding – basic and diluted | <u>66,803,767</u> | <u>65,181,310</u> | <u>54,434,173</u> |

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2014, 2013 and 2012

| | Common Stock | | Additional Paid-In- Capital | Accumulated Deficit | Total |
|---|--------------|-----------|-----------------------------------|------------------------|---------------|
| | Shares | Amount | | | |
| Balance at December 31, 2011 | 54,256,083 | \$ 54,256 | \$ 119,469,969 | \$ (42,379,315) | \$ 77,144,910 |
| Cashless exercise of options | 162,884 | 163 | (163) | - | - |
| Exercise of options | 337,128 | 337 | 328,704 | - | 329,041 |
| Issuance of common stock under employee stock purchase plan | 28,723 | 29 | 117,222 | - | 117,251 |
| Issuance of common stock upon vesting of restricted stock awards | 30,000 | 30 | (30) | - | - |
| Stock-based compensation for options | - | - | 1,532,282 | - | 1,532,282 |
| Stock-based compensation for restricted stock | - | - | 108,350 | - | 108,350 |
| Adjustment to common stock issued for business acquisitions | (144,106) | (144) | (403,222) | - | (403,366) |
| Fair value of options repurchased | - | - | (34,985) | - | (34,985) |
| Net loss | - | - | - | (20,989,575) | (20,989,575) |
| Balance at December 31, 2012 | 54,670,712 | 54,671 | 121,118,127 | (63,368,890) | 57,803,908 |
| Cashless exercise of options | 37,770 | 38 | (38) | - | - |
| Exercise of options | 284,688 | 285 | 292,104 | - | 292,389 |
| Issuance of common stock under employee stock purchase plan | 31,267 | 31 | 80,687 | - | 80,718 |
| Issuance of common stock upon vesting of restricted stock awards | 15,000 | 15 | (15) | - | - |
| Net proceeds from issuance of common stock | 11,000,000 | 11,000 | 30,488,336 | - | 30,499,336 |
| Issuance of common stock for business acquisitions | 385,124 | 385 | 950,871 | - | 951,256 |
| Stock-based compensation for options | - | - | 1,182,523 | - | 1,182,523 |
| Stock-based compensation for restricted stock | - | - | 59,100 | - | 59,100 |
| Net loss | - | - | - | (24,775,289) | (24,775,289) |
| Balance at December 31, 2013 | 66,424,561 | 66,425 | 154,171,695 | (88,144,179) | 66,093,941 |
| Cashless exercise of options | 192,270 | 192 | (192) | - | - |
| Issuance of common stock under employee stock purchase plan | 24,958 | 25 | 46,903 | - | 46,928 |
| Issuance of common stock upon vesting of restricted stock awards | 15,000 | 15 | (15) | - | - |
| Stock-based compensation for options | - | - | 953,470 | - | 953,470 |
| Fair value of options repurchased | - | - | (3,793) | - | (3,793) |
| Debt discount associated with warrants issued in connection with issuance of debt | - | - | 2,463,231 | - | 2,463,231 |
| Net loss | - | - | - | (27,591,750) | (27,591,750) |
| Balance at December 31, 2014 | 66,656,789 | \$ 66,657 | \$ 157,631,299 | \$ (115,735,929) | \$ 41,962,027 |

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, | | |
|---|----------------------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 |
| Cash Flows from Operating Activities | | | |
| Net Loss | \$ (27,591,750) | \$ (24,775,289) | \$ (20,989,575) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Deferred income taxes | 78,532 | 78,531 | 126,256 |
| Provision for doubtful accounts | 322,000 | 85,000 | 219,082 |
| Depreciation for property, plant and equipment | 12,750,446 | 12,257,624 | 10,262,526 |
| Amortization for customer based intangibles | 888,969 | 3,093,817 | 3,371,768 |
| Amortization of debt issuance costs | 262,820 | - | - |
| Amortization of debt discount | 319,084 | - | - |
| Stock-based compensation | 960,490 | 1,253,661 | 1,658,200 |
| Gain on business acquisitions | - | (1,004,099) | 40,079 |
| Loss on sale and disposition of property and equipment | - | 120,644 | 171,230 |
| Deferred rent | 376,860 | 575,541 | (104,207) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (1,021,099) | (8,007) | (202,051) |
| Prepaid expenses and other current assets | (1,112) | 17,834 | (537,609) |
| Other assets | 346,765 | 302,780 | (1,289,698) |
| Account payable | (370,492) | 48,766 | (280,477) |
| Accrued expenses | (1,018,263) | (1,410,582) | (169,467) |
| Deferred revenues | (11,934) | (120,659) | (354,550) |
| Accrued interest | 295,556 | - | - |
| Total Adjustments | 14,178,622 | 15,290,851 | 12,911,082 |
| Net Cash Used In Operating Activities | (13,413,128) | (9,484,438) | (8,078,493) |
| Cash Flows From Investing Activities | | | |
| Acquisitions of property and equipment | (7,306,942) | (7,143,376) | (20,722,510) |
| Lease incentive payment from landlord | 380,000 | - | - |
| Acquisition of a business, net of cash acquired | - | (222,942) | - |
| Proceeds from sale of property and equipment | - | 18,365 | 12,850 |
| Payments of security deposits | (42,568) | (51,524) | (345,129) |
| Deferred acquisition payments | (67,246) | (162,987) | (288,339) |
| Net Cash Used In Investing Activities | (7,036,756) | (7,562,464) | (21,343,128) |
| Cash Flows From Financing Activities | | | |
| Payments on capital leases | (796,513) | (784,198) | (492,479) |
| Proceeds upon exercise of options | - | 292,389 | 329,041 |
| Issuance of common stock under employee stock purchase plan | 39,908 | 68,680 | 99,683 |
| Net proceeds from debt financing | 31,056,260 | - | - |
| Fair value of options repurchased | (3,793) | - | (34,985) |
| Net proceeds from sale of common stock | - | 30,499,336 | - |
| Net Cash Provided By (Used In) Financing Activities | 30,295,862 | 30,076,207 | (98,740) |
| Net Increase (Decrease) In Cash and Cash Equivalents | 9,845,978 | 13,029,305 | (29,520,361) |
| Cash and Cash Equivalents – Beginning of year | 28,181,531 | 15,152,226 | 44,672,587 |
| Cash and Cash Equivalents – Ending of year | \$ 38,027,509 | \$ 28,181,531 | \$ 15,152,226 |
| Supplemental Disclosures of Cash Flow Information | | | |
| Cash paid during the periods for: | | | |
| Interest | \$ 833,364 | \$ 220,634 | \$ 105,245 |
| Taxes | \$ 24,609 | \$ 21,619 | \$ 19,993 |
| Non-cash investing and financing activities: | | | |
| Fair value of common stock (returned)/ issued in connection with acquisitions | \$ - | \$ 951,256 | \$ (403,366) |
| Acquisition of property and equipment: | | | |
| Under capital leases | \$ 339,652 | \$ 80,894 | \$ 2,915,580 |
| Included in accrued expenses | \$ 524,280 | \$ 867,311 | \$ 1,240,774 |
| Other | \$ - | \$ - | \$ 18,679 |

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Nature of Business

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

In January 2013, the Company incorporated a wholly-owned subsidiary, Hetnets Tower Corporation (“Hetnets”). Hetnets was formed to operate a new shared wireless infrastructure platform that emerged from the Company's efforts to identify opportunities to leverage its fixed wireless network in urban markets to provide other wireless technology solutions and services. Hetnets operates a carrier-class network which has been constructed on “street level rooftops” which are closer to the ground (where Wi-Fi and small cell can operate with less interference from the macro cell) than the Company's traditional fixed wireless network. The Company believes that the wireless communications industry is experiencing a fundamental shift from its traditional macro-cellular architecture to densified small cell architecture where existing cell sites will be supplemented by many smaller base stations operating near street level. Hetnets is structured to operate like a tower company and expects to generate rental income from four separate sources including (i) rental of space on street level rooftops for the installation of customer owned small cells which includes Wi-Fi antennae, Distributed Antenna System (“DAS”), and Metro and Pico cells, (ii) rental of a channel on Hetnets’ Wi-Fi network for Internet access and the offloading of mobile data, (iii) rental of a port for backhaul or transport, and (iv) power and other related services. The Company refers to the activities of Hetnets as its “Shared Wireless Infrastructure” (or “Shared Wireless”) business.

In June 2013, Hetnets entered into a Wi-Fi service agreement (the “Wi-Fi Agreement”) with a major cable operator (the “Cable Operator”). The Wi-Fi Agreement provides leased access to certain access points, primarily within New York City. The Cable Operator has a limited right to expand access in other Hetnets’ markets. The term of the Wi-Fi Agreement is for an initial three year period and provides for automatic annual renewals for two additional one year periods.

In August 2014, the Company executed a master licensing agreement (“MLA”) with a carrier for small cell deployments. The MLA establishes the detailed terms and conditions under which individual orders are governed, and are generally designed to expedite the deployment process. The term of this agreement is for 25 years.

Note 2. Summary of Significant Accounting Policies

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

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Actual results could differ from those estimates.

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

Concentration of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. At times, the Company’s cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2014, the Company had cash and cash equivalent balances of approximately \$37,506,000 in excess of the federally insured limit of \$250,000.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

| | Years Ended December 31, | |
|---------------------|---------------------------------|------------------|
| | 2014 | 2013 |
| Beginning of period | \$ 81,009 | \$ 190,109 |
| Additions | 322,000 | 85,000 |
| Deductions | (343,736) | (194,100) |
| End of period | <u>\$ 59,273</u> | <u>\$ 81,009</u> |

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

Expenditures for maintenance and repairs which do not extend the useful life of the assets are charged to expense as incurred. Gains or losses on disposals of property and equipment are reflected in general and administrative expenses in the statement 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 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 Company has determined that there were no impairments of property and equipment or intangible assets during the years ended December 31, 2014 and 2013.

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

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

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of identifiable net assets acquired in an acquisition. Goodwill is not amortized but rather is reviewed annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The Company initially performs a qualitative assessment of goodwill which considers macro-economic conditions, industry and market trends, and the current and projected financial performance of the reporting unit. No further analysis is required if it is determined that there is a less than 50 percent likelihood that the carrying value is greater than the fair value. The Company completed a qualitative assessment and determined that there was no impairment of goodwill as of December 31, 2014 and 2013, respectively.

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

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

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

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

Advertising Costs. The Company charges advertising costs to expense as incurred. Advertising costs for the years ended December 31, 2014, 2013 and 2012 were approximately \$1,133,000, \$1,100,000 and \$1,096,000, respectively, and are included in sales and marketing expenses in the Company's consolidated statements of operations.

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

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

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following common stock equivalents were excluded from the computation of diluted net loss per common share because they were anti-dilutive. The exercise of these common stock equivalents would dilute earnings per shares if the Company becomes profitable in the future. The exercise of the stock options and warrants outstanding at December 31, 2014 would generate proceeds up to approximately \$16,203,000.

| | Years Ended December 31, | | |
|---------------|--------------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| Stock options | 3,997,695 | 4,055,016 | 3,916,045 |
| Warrants | 2,850,000 | 450,000 | 450,000 |
| Total | 6,847,695 | 4,505,016 | 4,366,045 |

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

Recent Accounting Pronouncements. In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," which requires an entity to recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is intended to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. ASU 2014-09 will replace most existing revenue recognition guidance in Generally Accepted Accounting Principles ("GAAP") when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The Company is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

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

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

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

Note 3. Business Acquisitions

Delos Internet

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

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

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

During the years ended December 31, 2013 and 2012, respectively, the Company incurred approximately \$99,000 and \$59,000 of third-party costs in connection with the Delos acquisition. These expenses are included in the general and administrative expenses in the Company's consolidated statements of operations.

Color Broadband Communications

In December 2011, the Company completed the acquisition of Color Broadband Communications ("Color Broadband") and determined that it was a business combination to be accounted for under the acquisition method. The following table summarizes the consideration transferred and the amounts of identified assets acquired and liabilities assumed at the acquisition date. The number of shares issued was based on the closing price of the Company's common stock on the December 2, 2011 closing date which was \$2.47.

| | <u>Original</u> | <u>Adjustments</u> | <u>Final</u> |
|--|-----------------|--------------------|--------------|
| Fair value of consideration transferred: | | | |
| Cash | \$ 2,800,000 | \$ - | \$ 2,800,000 |
| Common stock | 2,286,567 | (243,309) | 2,043,258 |
| Other liabilities assumed | 121,777 | - | 121,777 |
| Capital lease obligations assumed | 111,537 | 22,424 | 133,961 |
| Total consideration transferred | 5,319,881 | (220,885) | 5,098,996 |
| Fair value of identifiable assets acquired and liabilities assumed: | | | |
| Customer relationships | 4,584,756 | (39,816) | 4,544,940 |
| Property and equipment | 1,976,852 | - | 1,976,852 |
| Accounts receivable | 383,947 | (420) | 383,527 |
| Security deposits | 7,506 | - | 7,506 |
| Prepaid expenses and other current assets | 48,425 | - | 48,425 |

| | | | |
|-------------------------------|--------------|-------------|--------------|
| Accounts payable | (5,984) | - | (5,984) |
| Deferred revenue | (488,875) | (4,106) | (492,981) |
| Customer credits | (656) | (216,622) | (217,278) |
| Total identifiable net assets | 6,505,971 | (260,964) | 6,245,007 |
| Gain on business acquisition | \$ 1,186,090 | \$ (40,079) | \$ 1,146,011 |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The Company recognized a gain on business acquisition of \$1,146,011 which is included in other income (expense) in the Company's consolidated statements of operations of which \$1,186,090 was recognized in the year ended December 31, 2011 and subsequently adjusted by \$40,079 in the year ended December 31, 2012. The challenging economic environment during 2011 made it difficult for smaller companies like Color Broadband to raise sufficient capital to sustain their growth. As a result, the Company was able to acquire the customer relationships and wireless network of Color Broadband at a discounted price.

In May 2012, the Company finalized the purchase price of Color Broadband which resulted in a reduction of approximately \$261,000 of identifiable net assets and a reduction in the gain on business acquisition of approximately \$40,000. The purchase price adjustment resulted in a decrease in the number of shares of common stock issued to Color Broadband of 98,506 from 925,736 to 827,230 shares. In addition, 45,600 shares of common stock were returned to the Company principally representing accounts receivable collections retained by Color Broadband during the post-closing transition services period.

During the year ended December 31, 2012, the Company incurred approximately \$359,000 of third-party costs in connection with the Color Broadband acquisition. These expenses are included in the general and administrative expenses in the Company's consolidated statements of operations.

Pro Forma Information

The following table reflects the unaudited pro forma consolidated results of operations had the Delos acquisition taken place at the beginning of the 2013 and 2012 periods:

| | Years Ended December 31, | |
|--------------------------|---------------------------------|---------------|
| | 2013 | 2012 |
| Revenues | \$ 33,545,854 | \$ 32,954,850 |
| Amortization expense | 3,159,196 | 3,764,041 |
| Total operating expenses | 59,073,359 | 54,056,970 |
| Net loss | (24,756,167) | (21,219,773) |
| Basic net loss per share | \$ (0.38) | \$ (0.39) |

The pro forma information presented above does not purport to present what actual results would have been had the Delos acquisition actually occurred at the beginning of 2013 and 2012 nor does the information project results for any future period.

Note 4. Property and Equipment

Property and equipment is comprised of:

| | As of December 31, | |
|------------------------------------|---------------------------|---------------|
| | 2014 | 2013 |
| Network and base station equipment | \$ 35,836,469 | \$ 32,233,262 |
| Customer premise equipment | 26,511,691 | 24,244,017 |
| Shared wireless infrastructure | 21,044,189 | 19,128,064 |
| Information technology | 4,628,555 | 4,417,869 |
| Furniture, fixtures and other | 1,669,340 | 1,661,567 |
| Leasehold improvements | 1,599,393 | 1,433,984 |
| | 91,289,637 | 83,118,763 |
| Less: accumulated depreciation | 57,384,351 | 44,633,905 |
| Property and equipment, net | \$ 33,905,286 | \$ 38,484,858 |

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

| | As of December 31, | |
|---|---------------------------|--------------|
| | 2014 | 2013 |
| Network and base station equipment | \$ 1,003,875 | \$ 828,027 |
| Shared wireless infrastructure | 1,230,305 | 1,216,142 |
| Customer premise equipment | 246,484 | 96,843 |
| Information technology | 1,860,028 | 1,860,028 |
| | 4,340,692 | 4,001,040 |
| Less: accumulated depreciation | 2,135,534 | 1,333,666 |
| Property acquired through capital leases, net | \$ 2,205,158 | \$ 2,667,374 |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 5. Intangible Assets

Intangible assets consist of the following:

| | As of December 31, | |
|--|---------------------------|---------------------|
| | 2014 | 2013 |
| Goodwill | \$ 1,674,281 | \$ 1,674,281 |
| Customer relationships | \$ 11,856,127 | \$ 11,856,127 |
| Less: accumulated amortization of customer relationships | 10,940,824 | 10,051,855 |
| Customer relationships, net | 915,303 | 1,804,272 |
| FCC licenses | 1,284,555 | 1,284,555 |
| Intangible assets, net | <u>\$ 2,199,858</u> | <u>\$ 3,088,827</u> |

Amortization expense for the years ended December 31, 2014, 2013 and 2012 was \$888,969, \$3,093,817 and \$3,371,768, respectively. The customer contracts acquired in December 2010 for the Pipeline Wireless LLC acquisition were amortized over a 17 month period which ended May 2012. The customer contracts acquired in May 2011 for the One Velocity, Inc. acquisition were amortized over a 30 month period ending November 2013. The customer contracts acquired in the Color Broadband acquisition were amortized over a 28 month period ending April 2014. The customer contracts acquired in the Delos acquisition are being amortized over a 50 month period ending April 2017. As of December 31, 2014, the remaining amortization period for the Delos acquisition was 28 months. Balances related to the Company's other acquisitions have been fully amortized. Future amortization expense is as follows:

Years Ending December 31,

| | |
|------|-------------------|
| 2015 | \$ 392,272 |
| 2016 | 392,272 |
| 2017 | 130,759 |
| | <u>\$ 915,303</u> |

The Company's licenses with the FCC are not subject to amortization as they have an indefinite useful life.

Note 6. Accrued Expenses

Accrued expenses consist of the following:

| | As of December 31, | |
|------------------------|---------------------------|---------------------|
| | 2014 | 2013 |
| Payroll and related | \$ 726,917 | \$ 937,624 |
| Property and equipment | 524,280 | 867,311 |
| Other | 280,413 | 293,402 |
| Professional services | 256,534 | 186,917 |
| Network | 187,440 | 138,684 |
| Marketing | 63,112 | 108,741 |
| Total | <u>\$ 2,038,696</u> | <u>\$ 2,532,679</u> |

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

Note 7. Other Liabilities

Other liabilities consist of the following:

| | As of December 31, | |
|-------------------------------|---------------------------|-------------------|
| | 2014 | 2013 |
| Current | | |
| Deferred rent | \$ 46,058 | \$ - |
| Deferred acquisition payments | 11,184 | 67,255 |
| Total | <u>\$ 57,242</u> | <u>\$ 67,255</u> |
| Long-Term | | |
| Deferred rent | \$ 1,373,163 | \$ 662,361 |
| Deferred acquisition payments | 341 | 11,516 |
| Deferred taxes | 401,337 | 322,805 |
| Total | <u>\$ 1,774,841</u> | <u>\$ 996,682</u> |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Deferred acquisition payments related to Delos totaled \$11,525 at December 31, 2014 and bear interest at a rate of 7%. In May 2014, the Company made its last deferred acquisition payment of \$16,630 related to the acquisition of Pipeline Wireless LLC.

Note 8. Long-Term Debt

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

The loan bears interest payable in cash at a rate equal to the greater of (i) the sum of the one month Libor rate on each payment date plus 7% or (ii) 8% per annum, and additional paid in kind ("PIK"), or deferred, interest that accrues at 4% per annum. The Company paid \$591,111 of interest and accrued \$295,556 of PIK interest for the year ended December 31, 2014.

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

The Loan Agreement also contains representations and warranties by the Company and the Lender, certain indemnification provisions in favor of the Lender and customary covenants (including limitations on other debt, liens, acquisitions, investments and dividends), and events of default (including payment defaults, breaches of covenants, a material impairment in the Lender's security interest or in the collateral, and events relating to bankruptcy or insolvency). Upon the occurrence of an event of default, an additional 5% interest rate will be applied to the outstanding loan balances, and the Lender may terminate its lending commitment, declare all outstanding obligations immediately due and payable, and take such other actions as set forth in the Loan Agreement. As of December 31, 2014, the Company was in compliance with all of the debt covenants.

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

The warrant holders have piggyback registration rights requiring the inclusion of the shares of common stock issuable upon exercise of the Warrants (the "Warrant Shares") in any registration statement filed by the Company. In addition, the Company has agreed to file a registration statement to register for resale all of the Warrant Shares and cause the registration statement to become effective by October 16, 2015 (the "Required Registration Statement"). If the Required Registration Statement is not declared effective by the required date, then (i) the Warrants may be exercised on a cashless basis until the Required Registration Statement becomes effective and the Warrant Shares are listed for trading and (ii) the Company shall pay the holders liquidated damages in the aggregate amount of \$5,000 per month, up to \$50,000 in total, until both the Required Registration Statement has become effective and the Warrant Shares are listed.

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

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 9. Capital Stock

The Company is authorized to issue 5,000,000 shares of preferred stock at a par value of \$0.001. There was no preferred stock outstanding as of December 31, 2014 and 2013, respectively.

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

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

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

| | For the Years Ended December 31, | | |
|------------------------------|---|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Cash basis: | | | |
| Total options exercised | - | 284,688 | 337,128 |
| Total proceeds received | \$ - | \$ 292,389 | \$ 329,041 |
| Cashless basis: | | | |
| Total options exercised | 340,906 | 135,471 | 256,955 |
| Net issuance of common stock | 192,270 | 37,770 | 162,884 |

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

In December 2011, the Company issued 925,736 shares of common stock to Color Broadband as part of the consideration paid for the acquisition. The fair value of the common stock issued was \$2,286,567. In May 2012, the Company reduced the number of shares of common stock issued to Color Broadband by 98,506 as a result of an adjustment to the purchase price. In addition, 45,600 shares of common stock were returned to the Company principally representing accounts receivable collections retained by Color Broadband during the post-closing transition services period. The reduction of common stock had a fair value of \$403,366.

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

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

Note 10. Stock Option Plans and Warrants

Stock Options Plans

The 2007 Equity Compensation Plan (the "2007 Plan") became effective in January 2007 and provides for the issuance of options, restricted stock and other stock-based instruments to officers and employees, consultants and directors of the Company. The total number of shares of common stock issuable under the 2007 Plan is 2,403,922. A total of 1,828,063 stock options or common stock have been issued under the 2007 Plan as of December 31, 2014.



TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The 2007 Incentive Stock Plan became effective in May 2007 and provides for the issuance of up to 2,500,000 shares of common stock in the form of options or restricted stock (the “2007 Incentive Stock Plan”). Shareholders approved an increase in the number of authorized shares of common stock issuable under the 2007 Incentive Stock Plan from 2,500,000 to 5,000,000 in November 2012. A total of 2,838,840 stock options, common stock or restricted stock have been issued under the 2007 Incentive Stock Plan as of December 31, 2014.

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, 2014 under the 2007 Plan and the 2007 Incentive Stock Plan combined is 2,737,019 shares.

The 2008 Non-Employee Directors Compensation Plan (the “2008 Directors Plan”) became effective in August 2008 and provides for the issuance of up to 1,000,000 shares of common stock in the form of options or restricted stock. In November 2013, shareholders approved an increase in the number of shares of common stock issuable under the 2008 Directors Plan to 2,000,000. A total of 1,200,000 stock options or common stock have been issued under the 2008 Directors Plan as of December 31, 2014. 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, 2014 under the 2008 Directors Plan is 800,000 shares.

The Company uses the Black-Scholes model to value options granted to employees, directors and consultants. Compensation expense, including the effect of forfeitures, is recognized over the period of service, generally the vesting period. Stock-based compensation for the amortization of stock options granted under the Company’s stock option plans totaled \$953,470, \$1,182,523, and \$1,532,282 for the years ended December 31, 2014, 2013, and 2012, 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 \$1,075,893 as of December 31, 2014 which will be recognized over a weighted-average period of 1.6 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, | | |
|--------------------------|--------------------------|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Risk-free interest rate | 1.1% - 1.8% | 0.8% - 1.9% | 0.6% - 1.0% |
| Expected volatility | 47% - 60% | 65% - 68% | 65% - 74% |
| Expected life (in years) | 4.1 - 5.3 | 5.0 - 6.5 | 5.0 - 5.3 |
| Expected dividend yield | 0% | 0% | 0% |

The risk-free interest rate was based on rates established by the Federal Reserve. The Company’s expected volatility was based upon the historical volatility for its common stock. The expected life of the Company’s options was determined using the simplified method as a result of limited historical data regarding the Company’s activity. Beginning in the fourth quarter of 2014, the Company began utilizing its historical data regarding the Company’s activity as it relates to the expected life of stock options. The dividend yield is based upon the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future.

During the first quarter of 2011, the Company issued 90,000 shares of restricted stock to two executives. The fair value of \$354,600 was based on the closing market price of the Company’s common stock on the date of grant. The restricted stock vested over a three year period, of which 60,000 shares were vested and 30,000 shares of restricted stock were forfeited due to the resignation of an executive in November 2012. Stock-based compensation for restricted stock totaled zero, \$59,100 and \$108,350 for the years ended December 31, 2014, 2013 and 2012, respectively. There was no unrecognized compensation cost at December 31, 2014.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Option transactions under the stock option plans during the years ended December 31, 2014, 2013 and 2012 were as follows:

| | Number of Options | Weighted Average Exercise Price |
|-------------------------------------|------------------------------|--|
| Outstanding as of January 1, 2012 | 4,635,624 | \$ 2.85 |
| Granted during 2012 | 250,000 | 3.62 |
| Exercised | (594,083) | 1.19 |
| Forfeited /expired | (375,496) | 6.04 |
| Outstanding as of December 31, 2012 | 3,916,045 | \$ 2.85 |
| Granted during 2013 | 950,000 | 2.40 |
| Exercised | (420,159) | 1.23 |
| Forfeited /expired | (390,870) | 5.07 |
| Outstanding as of December 31, 2013 | 4,055,016 | \$ 2.70 |
| Granted during 2014 | 737,073 | 1.42 |
| Exercised | (340,906) | 0.74 |
| Forfeited /expired | (453,488) | 1.78 |
| Outstanding as of December 31, 2014 | 3,997,695 | \$ 2.73 |
| Exercisable as of December 31, 2014 | 2,724,763 | \$ 2.84 |

Grants under the stock option plans were as follows:

| | For the Years Ended December 31, | | |
|------------------------------------|---|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Annual grants to outside directors | 200,000 | 200,000 | 200,000 |
| Executive grants | 172,073 | 125,000 | - |
| Employee grants | 315,000 | 625,000 | - |
| Non-employee grants | 50,000 | - | 50,000 |
| Total | 737,073 | 950,000 | 250,000 |

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

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

| | For the Years Ended December 31, | | |
|-----------------------|---|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Employee terminations | 185,208 | 390,870 | 281,746 |
| Expired | 254,030 | - | 75,000 |
| Repurchased | 14,250 | - | 18,750 |
| Total | 453,488 | 390,870 | 375,496 |

The weighted-average fair values of the options granted during 2014, 2013, and 2012 were \$0.67, \$1.44, and \$2.16, respectively. Outstanding options of 3,997,695 as of December 31, 2014 had exercise prices that ranged from \$0.68 to \$5.25 and had a weighted-average remaining contractual life of 6.3 years. Exercisable options of 2,724,763 as of December 31, 2014 had exercise prices that ranged from \$0.68 to \$5.25 and had a weighted-average remaining contractual life of 5.2 years.

The aggregate intrinsic value of outstanding and exercisable options totaled \$683,423 and \$361,785, respectively, as of December 31, 2014. The closing price of the Company's common stock at December 31, 2014, was \$1.85 per share.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Stock Warrants

Warrant transactions during the years ended December 31, 2014, 2013 and 2012 were as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|--|-----------------------|---------------------------------------|
| Outstanding as of December 31, 2012 and 2013 | 450,000 | \$ 5.00 |
| Granted during 2014 | 3,600,000 | \$ 0.84 |
| Outstanding as of December 31, 2014 | 4,050,000 | \$ 1.31 |

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

As of December 31, 2014, all warrants were exercisable and had a weighted average remaining contractual life of 6.7 years.

The aggregate intrinsic value associated with the warrants outstanding and exercisable as of December 31, 2014 was \$3,624,000. The closing price of the Company's common stock at December 31, 2014 was \$1.85 per share.

Note 11. 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, 2014, 2013 and 2012.

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP Plan"), participants can purchase shares of the Company's stock at a 15% discount. A maximum of 200,000 shares of common stock can be issued under the ESPP Plan of which 111,580 shares have been issued to date and 88,420 shares are available for future issuance. During the years ended December 31, 2014, 2013, and 2012 a total of 24,958, 31,267, and 28,723 shares were issued under the ESPP Plan with a fair value of \$46,928, \$80,718 and \$117,251 respectively. The Company recognized \$7,020, \$12,038, and \$17,568 of stock-based compensation related to the 15% discount for the years ended December 31, 2014, 2013, and 2012 respectively.

Note 12. Income Taxes

The provision for income taxes consists of the following:

| | Years Ended December 31, | | |
|-------------------------------|--------------------------|-------------|-------------|
| | 2014 | 2013 | 2012 |
| Current | | | |
| Federal | \$ - | \$ - | \$ - |
| State | - | - | - |
| Total current | - | - | - |
| Deferred | | | |
| Federal | (9,325,074) | (8,333,801) | (7,017,749) |
| State | (1,645,601) | (1,470,671) | (1,238,426) |
| Change in valuation allowance | 11,049,207 | 9,883,003 | 8,382,431 |
| Total deferred | 78,532 | 78,531 | 126,256 |
| Provision for income taxes | \$ 78,532 | \$ 78,531 | \$ 126,256 |

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, | | |
|-----------------------------|--------------------------|---------|---------|
| | 2014 | 2013 | 2012 |
| U.S. Federal statutory rate | (34.0)% | (34.0)% | (34.0)% |
| State taxes | (6.0)% | (6.0)% | (6.0)% |
| Permanent differences | 0.1% | 0.3% | 0.2% |
| Valuation allowance | 40.2% | 40.0% | 40.4% |
| Effective tax rate | 0.3% | 0.3% | 0.6% |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The Company files income tax returns for Towerstream Corporation and its subsidiaries in the U.S. federal and various state jurisdictions. As of December 31, 2014, the tax returns for Towerstream Corporation for the years 2011 through 2014 remain open to examination by the Internal Revenue Service and various state authorities.

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

| | Years Ended December 31, | |
|---|---------------------------------|---------------------|
| | 2014 | 2013 |
| Deferred tax assets | | |
| Net operating loss carryforwards | \$ 43,362,260 | \$ 33,757,218 |
| Stock-based compensation | 2,094,946 | 1,802,488 |
| Intangible assets | 2,583,348 | 2,441,722 |
| Debt discount | 252,788 | - |
| Allowance for doubtful accounts | 23,710 | 32,404 |
| Other | 32,716 | 184,811 |
| Total deferred tax assets | 48,349,768 | 38,218,643 |
| Valuation allowance | (45,195,445) | (34,146,238) |
| Deferred tax assets, net of valuation allowance | 3,154,323 | 4,072,405 |
| Deferred tax liabilities | | |
| Depreciation | (3,154,323) | (4,072,405) |
| Intangible assets | (401,337) | (322,805) |
| Total deferred tax liabilities | (3,555,660) | (4,395,210) |
| Net deferred tax liabilities | \$ (401,337) | \$ (322,805) |

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, 2014 and 2013, 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, 2014, 2013, and 2012. The Company does not expect its unrecognized tax benefit position to change during the next twelve months.

NOL Limitations

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

As of December 31, 2014, 2013 and 2012, the Company had approximately \$108,406,000, \$84,417,000, and \$60,388,000, respectively, of federal and state NOL carryovers. Federal NOLs will begin expiring in 2027. State NOLs began expiring in 2012.

Valuation Allowance

In assessing the realizability of deferred tax assets, the Company has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial reporting standards, the Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Since both goodwill and the FCC licenses are considered to be assets with indefinite lives for financial reporting purposes, the related deferred tax liabilities cannot be used as a source of future taxable income for purposes of determining the need for a valuation allowance. Based upon this evaluation, a full valuation allowance has been recorded as of December 31, 2014 and 2013. The change in valuation allowance was \$11,049,207 and \$9,883,003, respectively for the years ended December 31, 2014 and 2013.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 13. Fair Value Measurement

Valuation Hierarchy

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

Cash and cash equivalents are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short maturities. There were no changes in the valuation techniques during the year ended December 31, 2014.

| | Total Carrying Value | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|-------------------|-------------------------------------|--|--|--|
| December 31, 2014 | \$ 38,027,509 | \$ 38,027,509 | \$ - | \$ - |
| December 31, 2013 | \$ 28,181,531 | \$ 28,181,531 | \$ - | \$ - |

Note 14. Commitments

Operating Lease Obligations.

The Company has entered into operating leases related to roof rights, cellular towers, office space, and equipment leases under various non-cancelable agreements expiring through August 2023. Certain of these operating leases include extensions, at the Company's option, for additional terms ranging from 1 to 25 years. Amounts associated with the extension periods have not been included in the table below as it is not presently determinable which options, if any, the Company will elect to exercise. As of December 31, 2014, total future operating lease obligations were as follows:

Years Ending December 31,

| | |
|------------|----------------------|
| 2015 | \$ 20,885,399 |
| 2016 | 19,548,552 |
| 2017 | 13,793,190 |
| 2018 | 6,281,442 |
| 2019 | 2,758,765 |
| Thereafter | 1,029,448 |
| | <u>\$ 64,296,796</u> |

Rent expenses were as follows:

| | Year Ended December 31 , | | |
|-----------------------|---------------------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 |
| Points of Presence | \$ 7,746,573 | \$ 7,128,778 | \$ 5,823,961 |
| Street level rooftops | 13,183,209 | 11,067,316 | 5,313,649 |
| Corporate offices | 336,437 | 518,245 | 493,111 |
| Other | 362,281 | 437,718 | 389,461 |
| | <u>\$ 21,628,500</u> | <u>\$ 19,152,057</u> | <u>\$ 12,020,182</u> |

Rent expenses related to Points of Presence, street level rooftops and other were included in cost of revenues in the Company's consolidated statements of operations. Rent expense related to the Company's corporate offices was included in general and administrative expenses in the Company's consolidated statements of operations.

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

Capital Lease Obligations

The Company has entered into capital leases to acquire property and equipment expiring through March 2018. As of December 31, 2014, total future capital lease obligations were as follows:

Years Ending December 31,

| | | |
|--|-----------|------------------|
| 2015 | \$ | 1,042,934 |
| 2016 | | 790,345 |
| 2017 | | 517,727 |
| 2018 | | 53,922 |
| | \$ | 2,404,928 |
| Less: Interest expense | | 273,402 |
| Total capital lease obligations | \$ | 2,131,526 |
| Current | \$ | 845,668 |
| Long-Term | \$ | 1,285,858 |

Other. During the fourth quarter of 2013, the Company renewed a one year information technology infrastructure support agreement. The agreement becomes effective at the end of the first quarter of 2014. Payments of approximately \$121,000 are due quarterly through the first quarter of 2015.

Note 15. Segment Information

The Company has two reportable segments: Fixed Wireless and Shared Wireless Infrastructure. Management evaluates performance and allocates resources based on the operating performance of each segment as well as the long-term growth potential for each segment. Costs reported for each segment include costs directly associated with a segment's operations. Intersegment revenues and expenses are eliminated in consolidation.

The balance of the Company's operations is in the Corporate group which includes centralized operations. This group includes operations related to corporate overhead and centralized activities which support the Company's overall operations. Corporate overhead includes administrative personnel, including executive management, and other support functions such as information technology and facilities. Centralized operations includes network operations, customer care, and the management of network assets. The Corporate group is treated as a separate segment consistent with how management monitors and analyzes financial results. Corporate costs are not allocated to the segments because such costs are managed and controlled on a functional basis that encompasses all markets, with centralized, functional management held accountable for corporate results. Management also believes that not allocating these centralized costs provides a better reflection of the direct operating performance of each segment. The table below presents information about the Company's operating segments:

| | Three Months Ended December 31, 2014 (Unaudited) | | | | |
|--|---|---|------------------|---------------------|-------------------|
| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Eliminations | Total |
| Revenues | \$ 7,308,005 | \$ 827,289 | \$ - | \$ (45,499) | \$ 8,089,795 |
| Operating Expenses | | | | | |
| Cost of revenues (exclusive of depreciation) | 2,684,310 | 3,708,024 | 4,417 | (45,499) | 6,351,252 |
| Depreciation and amortization | 2,098,737 | 1,025,192 | 220,614 | - | 3,344,543 |
| Customer support services | 326,465 | 180,866 | 725,136 | - | 1,232,467 |
| Sales and marketing | 1,274,405 | 51,139 | 70,944 | - | 1,396,488 |
| General and administrative | 226,276 | 101,695 | 2,282,010 | - | 2,609,981 |
| Total Operating Expenses | 6,610,193 | 5,066,916 | 3,303,121 | (45,499) | 14,934,731 |

| | | | | | |
|--------------------------------|--------------|----------------|----------------|------|----------------|
| Operating Income (Loss) | \$ 697,812 | \$ (4,239,627) | \$ (3,303,121) | \$ - | \$ (6,844,936) |
| Capital expenditures | \$ 1,523,831 | \$ 202,310 | \$ 43,473 | \$ - | \$ 1,769,614 |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three Months Ended December 31, 2013 (Unaudited)

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Eliminations | Total |
|--|---------------------------|---|-----------------------|---------------------|-----------------------|
| Revenues | \$ 7,917,411 | \$ 649,781 | \$ - | \$ (45,969) | \$ 8,521,223 |
| Operating Expenses | | | | | |
| Cost of revenues (exclusive of depreciation) | 2,704,120 | 3,575,172 | 28,949 | (45,969) | 6,262,272 |
| Depreciation and amortization | 2,651,546 | 875,471 | 170,869 | - | 3,697,886 |
| Customer support services | 342,850 | 197,391 | 543,291 | - | 1,083,532 |
| Sales and marketing | 1,302,457 | 62,365 | 81,390 | - | 1,446,212 |
| General and administrative | 148,484 | 182,131 | 2,328,642 | - | 2,659,257 |
| Total Operating Expenses | 7,149,457 | 4,892,530 | 3,153,141 | (45,969) | 15,149,159 |
| Operating Income (Loss) | \$ 767,954 | \$ (4,242,749) | \$ (3,153,141) | \$ - | \$ (6,627,936) |
| Capital expenditures | \$ 1,160,116 | \$ 1,264,893 | \$ 908,796 | \$ - | \$ 3,333,805 |

Year Ended December 31, 2014

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Eliminations | Total |
|--|---------------------------|---|------------------------|---------------------|------------------------|
| Revenues | \$ 30,119,587 | \$ 3,099,972 | \$ - | \$ (183,406) | \$ 33,036,153 |
| Operating Expenses | | | | | |
| Cost of revenues (exclusive of depreciation) | 10,435,035 | 14,220,122 | 48,277 | (183,406) | 24,520,028 |
| Depreciation and amortization | 8,697,630 | 3,957,784 | 984,001 | - | 13,639,415 |
| Customer support services | 1,205,229 | 683,208 | 2,907,601 | - | 4,796,038 |
| Sales and marketing | 5,029,112 | 229,013 | 312,066 | - | 5,570,191 |
| General and administrative | 600,440 | 568,985 | 9,167,079 | - | 10,336,504 |
| Total Operating Expenses | 25,967,446 | 19,659,112 | 13,419,024 | (183,406) | 58,862,176 |
| Operating Income (Loss) | \$ 4,152,141 | \$ (16,559,140) | \$ (13,419,024) | \$ - | \$ (25,826,023) |
| Capital expenditures | \$ 5,567,966 | \$ 2,220,644 | \$ 382,264 | \$ - | \$ 8,170,874 |

As of December 31, 2014

| | | | | | |
|-----------------------------|---------------|---------------|---------------|------|---------------|
| Property and equipment, net | \$ 21,036,228 | \$ 10,758,309 | \$ 2,110,749 | \$ - | \$ 33,905,286 |
| Total assets | \$ 25,809,743 | \$ 13,333,467 | \$ 43,178,628 | \$ - | \$ 82,321,838 |

Year Ended December 31, 2013

| | Fixed Wireless | Shared Wireless Infrastructure | Corporate | Eliminations | Total |
|--|---------------------------|---|------------------------|---------------------|------------------------|
| Revenues | \$ 32,075,680 | \$ 1,540,700 | \$ - | \$ (183,096) | \$ 33,433,284 |
| Operating Expenses | | | | | |
| Cost of revenues (exclusive of depreciation) | 9,933,588 | 11,980,098 | 123,573 | (183,096) | 21,854,163 |
| Depreciation and amortization | 11,062,809 | 3,508,646 | 779,986 | - | 15,351,441 |
| Customer support services | 1,243,201 | 784,779 | 2,855,239 | - | 4,883,219 |
| Sales and marketing | 5,127,756 | 301,578 | 350,166 | - | 5,779,500 |
| General and administrative | 592,347 | 668,627 | 9,772,083 | - | 11,033,057 |
| Total Operating Expenses | 27,959,701 | 17,243,728 | 13,881,047 | (183,096) | 58,901,380 |
| Operating Income (Loss) | \$ 4,115,979 | \$ (15,703,028) | \$ (13,881,047) | \$ - | \$ (25,468,096) |
| Capital expenditures | \$ 4,518,874 | \$ 2,314,236 | \$ 1,258,469 | \$ - | \$ 8,091,579 |

As of December 31, 2013

| | | | | | |
|-----------------------------|---------------|---------------|---------------|------|---------------|
| Property and equipment, net | \$ 23,069,396 | \$ 12,802,647 | \$ 2,612,815 | \$ - | \$ 38,484,858 |
| Total assets | \$ 28,885,389 | \$ 15,130,388 | \$ 30,901,690 | \$ - | \$ 74,917,467 |

TOWERSTREAM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 16. Quarterly Financial Information (unaudited)

| | Three Months Ended | | | |
|---|---------------------------|--------------------------|-----------------------------------|------------------------------|
| | March 31, 2014 | June 30, 2014 | September 30, 2014 | December 31, 2014 |
| Revenues | \$ 8,379,906 | \$ 8,264,848 | \$ 8,301,604 | \$ 8,089,795 |
| Operating Expenses | 14,823,032 | 14,596,336 | 14,508,077 | 14,934,731 |
| Operating Loss | (6,443,126) | (6,331,488) | (6,206,473) | (6,844,936) |
| Net Loss | (6,509,807) | (6,394,606) | (6,254,073) | (8,433,264) |
| Net Loss per common share – basic and diluted | (0.10) | (0.10) | (0.09) | (0.12) |
| Weighted average number of shares outstanding – basic and diluted | 66,439,061 | 66,478,686 | 66,643,804 | 67,642,056 |

| | Three Months Ended | | | |
|---|---------------------------|--------------------------|-----------------------------------|------------------------------|
| | March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 |
| Revenues | \$ 8,299,223 | \$ 8,212,175 | \$ 8,400,664 | \$ 8,521,223 |
| Operating Expenses | 14,827,742 | 14,443,667 | 14,480,814 | 15,149,159 |
| Operating Loss | (6,528,519) | (6,231,492) | (6,080,150) | (6,627,936) |
| Net Loss | (5,626,306) | (6,231,150) | (6,143,393) | (6,774,441) |
| Net Loss per common share – basic and diluted | (0.09) | (0.09) | (0.09) | (0.10) |
| Weighted average number of shares outstanding – basic and diluted | 61,464,706 | 66,370,789 | 66,402,499 | 66,419,380 |

| | Three Months Ended | | | |
|---|---------------------------|--------------------------|-----------------------------------|------------------------------|
| | March 31, 2012 | June 30, 2012 | September 30, 2012 | December 31, 2012 |
| Revenues | \$ 7,819,059 | \$ 8,103,321 | \$ 8,127,507 | \$ 8,229,543 |
| Operating Expenses | 12,189,123 | 12,817,112 | 13,507,490 | 14,511,371 |
| Operating Loss | (4,370,064) | (4,713,791) | (5,379,983) | (6,281,828) |
| Net Loss | (4,380,132) | (4,758,659) | (5,408,234) | (6,442,550) |
| Net Loss per common share – basic and diluted | (0.08) | (0.09) | (0.10) | (0.12) |
| Weighted average number of shares outstanding – basic and diluted | 54,312,066 | 54,369,177 | 54,403,237 | 54,648,241 |

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective, as of December 31, 2014, in ensuring that material information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our system of internal control over financial reporting during the fourth quarter of the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. 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, 2014, our internal control over financial reporting is effective based on those criteria.

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

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

We have audited Towerstream Corporation and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Towerstream Corporation and Subsidiaries maintained, in all material aspects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013 and 2012 of the Company and our report dated March 12, 2015 expressed an unqualified opinion on those financial statements.

/s/ Marcum LLP
Marcum LLP
New York, NY
March 12, 2015

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table sets forth the names, ages, and positions of the current directors and executive officers of Towerstream Corporation (“Towerstream”, “we”, “us”, “our” or the “Company”). Our directors hold office for one-year terms until the following annual meeting of stockholders and until his or her successor has been elected and qualified or until the director’s earlier resignation or removal. Officers are elected annually by the Board of Directors (the “Board”) and serve at the discretion of the Board.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|------------------------------------|------------|---|
| Jeffrey M. Thompson | 50 | President, Chief Executive Officer and Director |
| Philip Urso | 55 | Chairman of the Board of Directors |
| Joseph P. Hernon | 54 | Chief Financial Officer |
| Howard L. Haronian, M.D. (1)(2)(3) | 53 | Director |
| Paul Koehler (1)(3) | 55 | Director |
| William J. Bush (1)(2) | 49 | Director |

(1) Member of our Audit Committee.

(2) Member of our Compensation Committee.

(3) Member of our Nominating Committee.

The biographies below include information related to service by the persons below to Towerstream Corporation and our subsidiary, Towerstream I, Inc. On January 4, 2007, we merged with and into a wholly-owned Delaware subsidiary for the sole purpose of changing our state of incorporation to Delaware. On January 12, 2007, a wholly-owned subsidiary of ours completed a reverse merger with and into a private company, Towerstream Corporation, with Towerstream Corporation (the private company) being the surviving company and becoming a wholly-owned subsidiary of ours. 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 newly acquired subsidiary, Towerstream Corporation, changed its name to Towerstream I, Inc.

Jeffrey M. Thompson co-founded Towerstream I, Inc. in December 1999 with Philip Urso. Mr. Thompson has served as a director since inception and as chief operating officer from inception until November 2005 when Mr. Thompson became president and chief executive officer. Since becoming a public entity in January 2007, Mr. Thompson has been our president, chief executive officer and a director. In 1995, Mr. Thompson co-founded and was vice president of operations of EdgeNet Inc., a privately held Internet service provider (which was sold to Citadel Broadcasting Corporation in 1997 and became eFortress (“eFortress”)) through 1999. Mr. Thompson holds a B.S. degree from the University of Massachusetts. Mr. Thompson was appointed to the Board due to his significant experience in the wireless broadband industry, his familiarity with the Company, as well as his extensive business management expertise.

Philip Urso co-founded Towerstream I, Inc. in December 1999 with Jeffrey M. Thompson. Mr. Urso has served as a director and chairman since inception and as chief executive officer from inception until November 2005. Since becoming a public entity in January 2007, Mr. Urso has been our chairman and a director. In 1995, Mr. Urso co-founded eFortress and served as its president through 1999. From 1983 until 1997, Mr. Urso owned and operated a group of radio stations. In addition, Mr. Urso co-founded the regional cell-tower company, MCF Communications, Inc. Mr. Urso was appointed to the Board due to his significant experience in the wireless broadband and tower industries, his familiarity with the Company, as well as his extensive business management expertise.

Joseph P. Hernon has been our chief financial officer, principal financial officer and principal accounting officer since joining Towerstream Corporation in May 2008. From November 2007 until May 2008, Mr. Hernon was a financial consultant to a high technology company. From November 2005 until October 2007, Mr. Hernon served as the chief financial officer of Aqua Bounty Technologies Inc., a biotechnology company dedicated to the improvement of productivity in the aquaculture industry. From August 1996 until October 2005, Mr. Hernon served as vice president, chief financial officer and secretary of Boston Life Sciences Inc., a biotechnology company focused on developing therapeutics and diagnostics for central nervous system diseases. From January 1987 until August 1996, Mr. Hernon held various positions while employed at PriceWaterhouseCoopers LLP, an international accounting firm. Mr. Hernon is a certified public accountant and holds a B.S. degree in Business Administration from the University of Lowell, Massachusetts and a M.S. degree in Accounting from Bentley College in Waltham, MA.

Howard L. Haronian, M.D., has served as a director of Towerstream I, Inc. since inception in December 1999. Since becoming a public entity in January 2007, Dr. Haronian has been a director. Dr. Haronian is an interventional cardiologist and has been president of Cardiology Specialists, Ltd. of Rhode Island since 1994. Dr. Haronian has served on the clinical faculty of the Yale School of Medicine since 1994. Dr. Haronian graduated from the Yale School of Management Program for Physicians in 1999. Dr. Haronian has directed the Cardiac Catheterization program at The Westerly Hospital since founding the program in 2003. Dr. Haronian was appointed to the Board due to his extensive knowledge of the Company's operations since its founding and his executive level experience at other organizations.

Paul Koehler has been a director since January 2007. Mr. Koehler has served as vice president of corporate development of Pacific Ethanol, Inc. (NasdaqGM: PEIX) since June 2005. Mr. Koehler has over twenty-five years of experience in the power and renewable fuels industries and in marketing, trading and project development. Prior to working for Pacific Ethanol Inc., from 2001 to 2005, Mr. Koehler developed wind power projects for PPM Energy Inc., a wind power producer and marketer. Mr. Koehler was president and co-founder of Kinergy LLC, a consulting firm focused on renewable energy, project development and risk management from 1993 to 2003. During the 1990s, Mr. Koehler worked for Portland General Electric Company and Enron Corp. in power marketing and energy trading. Mr. Koehler holds a B.A. degree from the Honors College at the University of Oregon. Mr. Koehler currently serves on the board of directors of Oregon College of Art and Craft Foundation since 2011. Mr. Koehler also served on the board of directors of Oregon College of Art and Craft, a private art college from 1998 to 2007 and again from 2009 to 2012. Mr. Koehler was appointed to the Board due to his experience as an executive at other public companies and as a director of other organizations.

William J. Bush has been a director since January 2007. Since January 2010, Mr. Bush has served as the chief financial officer of Borrego Solar Systems, Inc., which is one of the nation's leading financiers, designers and installers of commercial and government grid-connected solar electric power systems. From October 2008 to December 2009, Mr. Bush served as the chief financial officer of Solar Semiconductor, Ltd., a private vertically integrated manufacturer and distributor of quality photovoltaic modules and systems targeted for use in industrial, commercial and residential applications with operations in India helping it reach \$100 million in sales in its first 15 months of operation. Prior to that, Mr. Bush served as chief financial officer and corporate controller for a number of high growth software and online media companies as well as being one of the founding members of Buzzsaw.com, Inc., a spinoff of Autodesk, Inc. Prior to his work at Buzzsaw.com, Mr. Bush served as corporate controller for Autodesk, Inc. (NasdaqGM: ADSK), the fourth largest software applications company in the world. His prior experience includes seven years in public accounting with Ernst & Young, and Price Waterhouse. Mr. Bush holds a B.S. degree in Business Administration from U.C. Berkeley and is a certified public accountant. Mr. Bush was appointed to the Board because he has significant experience in finance.

Board Leadership Structure and Risk Oversight

Currently, the positions of Chief Executive Officer and Chairman of the Board are held by two different individuals. Jeffrey M. Thompson currently serves as President, Chief Executive Officer and as a member of the Board and Philip Urso serves as Chairman of the Board. Although no formal policy currently exists, the Board determined that the separation of these positions would allow Mr. Thompson to devote his time to the daily execution of the Company's business strategies and Mr. Urso to devote his time to the long-term strategic direction of the Company.

Our Audit Committee is primarily responsible for overseeing our risk management processes on behalf of our Board. The Audit Committee receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our Company's assessment of risks. In addition, the Audit Committee reports regularly to the full Board which also considers our risk profile. The Audit Committee and the full Board focus on the most significant risks facing our Company and our Company's general risk management strategy, and also ensure that risks undertaken by our Company are consistent with the Board's tolerance for risk. While the Board oversees our Company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach to address the risks facing our Company.

Directorships

Except as otherwise reported above, none of our directors held directorships in other reporting companies or registered investment companies at any time during the past five years.

Family Relationships

Except for Howard L. Haronian, M.D. and Philip Urso, who are cousins, there are no family relationships among our directors or executive officers.

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our directors and executive officers (including those of our subsidiaries) has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission (the “SEC”), or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been the subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Board Committees

Since January 2007, the standing committees of our Board consist of an Audit Committee, a Compensation Committee and a Nominating Committee. Each member of our committees is “independent” as such term is defined under and required by the federal securities laws and the rules of the NASDAQ Stock Market. The charters of each of the committees have been approved by our Board and are available on our website at www.towerstream.com.

Audit Committee

The Audit Committee is comprised of three directors: William J. Bush, Howard L. Haronian, M.D., and Paul Koehler. Mr. Bush is the Chairman of the Audit Committee. The Audit Committee’s duties include recommending to our Board the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The Audit Committee reviews the scope, timing and fees for the annual audit and the results of audit examinations performed by independent public accountants, including their recommendations to improve our system of accounting and our internal control over financial reporting. The Audit Committee oversees the independent auditors, including their independence and objectivity. However, the committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The Audit Committee is empowered to retain independent legal counsel and other advisors as it deems necessary or appropriate to assist the Audit Committee in fulfilling its responsibilities, and to approve the fees and other retention terms of the advisors. Each of our Audit Committee members possesses an understanding of financial statements and generally accepted accounting principles. The Board has determined that Mr. Bush is an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. The designation of Mr. Bush as an “audit committee financial expert” will not impose on him any duties, obligations or liability that are greater than those that are generally imposed on him as a member of our Audit Committee and Board, and his designation as an “audit committee financial expert” will not affect the duties, obligations or liability of any other member of our Audit Committee or Board.

Compensation Committee

The Compensation Committee is comprised of two directors: Howard L. Haronian, M.D., and William J. Bush. Dr. Haronian is the Chairman of the Compensation Committee. The Compensation Committee has certain duties and powers as described in its charter, including but not limited to periodically reviewing and approving our salary and benefits policies, compensation of executive officers, administering our stock option plans and recommending and approving grants of stock options under such plans.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is an officer or employee of our Company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

Nominating Committee

The Nominating Committee is comprised of two directors: Howard L. Haronian, M.D., and Paul Koehler. Dr. Haronian is Chairman of the Nominating Committee. The Nominating Committee considers and makes recommendations on matters related to the practices, policies and procedures of the Board and takes a leadership role in shaping our corporate governance. As part of its duties, the Nominating Committee assesses the size, structure and composition of the Board and its committees, and coordinates the evaluation of Board performance. The Nominating Committee also acts as a screening and nominating committee for candidates considered for election to the Board.

Changes in Nominating Process

There are no material changes to the procedures by which security holders may recommend nominees to our Board.

Compensation of Directors

The following table summarizes the compensation awarded during the fiscal year ended December 31, 2014 to our directors who are not named executive officers in the summary compensation table below:

| Name | Fees Earned or Paid in Cash | Option Awards (1)(2) | Total |
|--------------------------|--------------------------------|-------------------------|------------|
| Philip Urso | \$ 60,000 | \$ 42,159 | \$ 102,159 |
| Howard L. Haronian, M.D. | \$ 55,000 | \$ 42,159 | \$ 97,159 |
| Paul Koehler | \$ 50,000 | \$ 42,159 | \$ 92,159 |
| William J. Bush | \$ 55,000 | \$ 42,159 | \$ 97,159 |

- (1) Based upon the aggregate grant date fair value calculated in accordance with the Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification. Our policy and assumptions made in the valuation of share-based payments are contained in Note 10 to our December 31, 2014 financial statements.
- (2) Option awards relate to the issuance in 2014 of options to purchase 50,000 shares at an exercise price of \$1.93 each for Messrs. Urso, Koehler and Bush, and Dr. Haronian.

Pursuant to the 2008 Non-Employee Directors Compensation Plan, each non-employee director is entitled to receive periodic grants of ten-year options to purchase 50,000 shares of our common stock at an exercise price equal to the fair market value of our common stock on the date of grant and that vests monthly over a one year period. An initial grant is made upon such non-employee director's election or appointment to our Board and thereafter annually on the first business day in June, subject to such director remaining on the Board. Non-employee directors also receive \$50,000 per annum in cash. In connection with the additional responsibilities associated with such positions, the Chairman of the Board will receive an additional \$10,000 per year, and the Chairman of the Audit and Compensation Committees will each receive an additional \$5,000 per year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our executive officers and directors, and persons who beneficially own more than 10% of our equity securities, to file reports of ownership and changes in ownership with the SEC. Based solely on our review of copies of such reports and representations from our executive officers and directors, we believe that our executive officers and directors complied with all Section 16(a) filing requirements during the year ended December 31, 2014, except that Jeffrey M. Thompson, our Chief Executive Officer, failed by one day to timely file a Form 4 reporting the sale of common stock on September 23, 2014 and failed to timely file a Form 4 for the grant of stock options to purchase shares of our common stock in July and September 2014, and Joseph P. Herson, our Chief Financial Officer, failed to timely file a Form 4 for the conversion of a portion of his options in June 2014 and the grant of stock options to purchase shares of our common stock in July and September 2014.

Code of Ethics and Business Conduct

Our Board has adopted a code of ethics and business conduct that establishes the standards of ethical conduct applicable to all directors, officers and employees of Towerstream Corporation. The code of ethics and business conduct addresses, among other things, conflicts of interest, compliance with disclosure controls and procedures, and internal control over financial reporting, corporate opportunities and confidentiality requirements. The Audit Committee is responsible for applying and interpreting our code of ethics and business conduct in situations where questions are presented to it. There were no amendments or waivers to the code of ethics and business conduct in fiscal 2014. Our code of ethics and business conduct is available for review on our website at www.towerstream.com. We will provide a copy of our code of ethics and business conduct free of charge to any person who requests a copy. Requests should be directed by e-mail to Joseph P. Herson, our Chief Financial Officer, at jherson@towerstream.com, or by mail to Towerstream Corporation, 88 Silva Lane, Middletown, Rhode Island 02842, or by telephone at (401) 848-5848.



Item 11. Executive Compensation.

Compensation Committee Report

Under the rules of the Securities and Exchange Commission ("SEC"), this Compensation Committee Report is not deemed to be incorporated by reference by any general statement incorporating this Annual Report by reference into any filings with the SEC.

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Compensation Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Submitted by the Compensation Committee

Howard L. Haronian, M.D., Chairman

William J. Bush

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our named executive officers for 2014 should be read together with the compensation tables and related disclosures set forth below.

We believe our success depends on the continued contributions of our named executive officers. Personal relationships and experience are very important in our industry. Our named executive officers are primarily responsible for many of our critical business development relationships. The maintenance of these relationships is critical to ensuring our future success as is experience in managing these relationships. Therefore, it is important to our success that we retain the services of these individuals and prevent them from competing with us should their employment with us terminate.

General Philosophy

Our overall compensation philosophy is to provide an executive compensation package that enables us to attract, retain and motivate executive officers to achieve our short-term and long-term business goals. The goals of our compensation program are to align remuneration with business objectives and performance, and to enable us to retain and competitively reward executive officers who contribute to the long-term success of the Company. We attempt to pay our executive officers competitively in order that we will be able to retain the most capable people in the industry. In making executive compensation and other employment compensation decisions, the Compensation Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee. Awards to executive officers are based on achievement of Company and individual performance criteria.

The Compensation Committee will evaluate our compensation policies on an ongoing basis to determine whether they enable us to attract, retain and motivate key personnel. To meet these objectives, the Compensation Committee may from time to time increase salaries, award additional stock grants or provide other short and long-term incentive compensation to executive officers and other employees.

Compensation Program & Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary, bonus, equity incentives and participation in benefit plans generally available to other employees. In setting total compensation, the Compensation Committee considers individual and company performance, as well as market information regarding compensation paid by other companies in our industry.

Base Salary. Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the industry for individuals of similar education and background to the executive officers being recruited. We also consider the individual's experience, reputation in his industry and expected contributions to the Company. Base salary is continuously evaluated by competitive pay and individual job performance. In each case, we take into account the results achieved by the executive, his future potential, scope of responsibilities and experience, and competitive salary practices. At times, our executive officers have elected to take less than market salaries. These salaries were subject to increases to base salary that is comparable with his role and responsibilities when compared to companies of comparable size in similar locations.

Bonuses. We design our bonus programs to be both affordable and competitive in relation to the market. Our bonus program is designed to motivate employees to achieve overall goals. Our programs are designed to avoid entitlements, to align actual payouts with the actual results achieved and to be easy to understand and administer. The Compensation Committee and the executive officer work together to establish targets and goals for the executive officer. Upon completion of the fiscal year, the Compensation Committee assesses the executive officer's performance and with input from management determines the achievement of the bonus targets and the amount to be awarded within the parameters of the executive officer's agreement with us.

Equity-Based Rewards

We design our equity programs to be both affordable and competitive in relation to the market. We monitor the market and applicable accounting, corporate, securities and tax laws and regulations, and adjust our equity programs as needed. Stock options and other forms of equity compensation are designed to reflect and reward a high level of sustained individual performance over time. We design our equity programs to align employees' interests with those of our stockholders.

Timing of Equity Awards

The Board has authorized the Compensation Committee to approve stock option grants to our executive officers. Stock options are generally granted at scheduled meetings of the Compensation Committee. The exercise price of a newly granted option is the closing price of our common stock on the date of grant.

Benefits Programs

We design our benefits programs to be both affordable and competitive in relation to the market while conforming with local laws and practices. We monitor the market, local laws and practices and adjust our benefits programs as needed. We design our benefits programs to provide an element of core benefits, and to the extent possible, offer options for additional benefits, and balance costs and cost sharing between us and our employees.

Tax and Accounting Considerations

In the review and establishment of our compensation programs, we consider the anticipated accounting and tax implications to us and our executives.

Section 162(m) of the Internal Revenue Code imposes a limit on the amount of compensation that we may deduct in any one year with respect to our chief executive officer and each of our next four most highly compensated executive officers, unless certain specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Internal Revenue Code, is fully deductible if the programs are approved by stockholders and meet other requirements. We believe that grants of equity awards under our incentive-based equity option plans may qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting us to receive a federal income tax deduction, if applicable, in connection with such awards. In general, we have determined that we will not seek to limit executive compensation so that it is deductible under Section 162(m). However, from time to time, we monitor whether it might be in our interests to structure our compensation programs to satisfy the requirements of Section 162(m). We seek to maintain flexibility in compensating our executives in a manner designed to promote our corporate goals and therefore our Compensation Committee has not adopted a policy requiring all compensation to be deductible. Our Compensation Committee will continue to assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate.

Role of Executives in Executive Compensation Decisions

The Board and our Compensation Committee generally seek input from our executive officers when discussing the performance of and compensation levels for executives. The Compensation Committee also works with our Chief Executive Officer and our Chief Financial Officer to evaluate the financial, accounting, tax and retention implications of our various compensation programs. None of our executives participates in deliberations relating to his compensation.

2014 Bonus Payments

Mr. Thompson. Mr. Thompson was awarded bonus payments totaling \$240,800 in recognition of services performed during 2014. The bonus payments, constituting approximately 65% of Mr. Thompson's salary, were awarded on a discretionary basis by our Compensation Committee. In 2013, the Compensation Committee migrated to a simplified process of awarding executive bonuses, in part as a result of the departure of the Company's Chief Operating Officer during the fourth quarter of 2012 and the additional responsibilities assumed by both the Chief Executive Officer and the Chief Financial Officer. The Compensation Committee awarded the bonuses in 2014 as a result of Mr. Thompson's contributions in assisting the Company towards achieving its financial and operational goals, which included the execution of a Wi-Fi lease with a national carrier in the third quarter of 2014 and the completion of a debt financing in the fourth quarter of 2014.

Mr. Hernon . Mr. Hernon was awarded bonus payments totaling \$108,125 in recognition of services performed during 2014. The bonus payments, constituting approximately 39% of Mr. Hernon’s salary, were awarded on a discretionary basis by our Compensation Committee. In 2013, the Compensation Committee migrated to a simplified process of awarding executive bonuses, in part as a result of the departure of the Company’s Chief Operating Officer during the fourth quarter of 2012 and the additional responsibilities assumed by both the Chief Executive Officer and the Chief Financial Officer. The Compensation Committee awarded the bonuses in 2014 as a result of Mr. Hernon’s contributions in assisting the Company towards achieving its financial and operational goals, which included the execution of a Wi-Fi lease with a national carrier in the third quarter of 2014 and the completion of a debt financing in the fourth quarter of 2014.

See “Employment Agreements and Change-in-Control Agreements” below for a discussion of our employment agreement with Mr. Thompson and our employment arrangement with Mr. Hernon.

2015 Bonus Criteria

Bonus criteria for executive officers has historically been based on performance-related targets including revenue and adjusted EBITDA, and awarded on a quarterly basis after an analysis of actual results against the targets. In 2013, the Compensation Committee migrated to a simplified, discretionary process of awarding executive bonuses, in part as a result of the departure of the Company’s Chief Operating Officer during the fourth quarter of 2012 and the additional responsibilities assumed by both the Chief Executive Officer and the Chief Financial Officer. The Compensation Committee continued the policy of using a simplified, discretionary process in 2014. The Compensation Committee is presently evaluating the structure of the bonus program for 2015 which is expected to include measurable performance targets.

Compensation Risk Management

We have considered the risk associated with our compensation policies and practices for all employees, and we believe we have designed our compensation policies and practices in a manner that does not create incentives that could lead to excessive risk taking that would have a material adverse effect on us.

The Role of Stockholder Say-on-Pay Votes

The Company provides its stockholders with the opportunity to cast an advisory vote on executive compensation (a “say-on-pay proposal”). The Compensation Committee will consider the outcome of the Company’s say-on-pay votes when making future compensation decisions for the named executive officers.

Summary Compensation Table

The following table summarizes the annual and long-term compensation paid to our chief executive officer and our other most highly compensated executive officer who were serving at the end of 2014, whom we refer to collectively in this Annual Report on Form 10-K as the “named executive officers”:

| Name and Principal Position | Year | Salary | Bonus | Non-Equity Incentive Compensation | Option Awards(1) | Total |
|---------------------------------------|-------------|---------------|----------------|--|-------------------------|--------------|
| Jeffrey M. Thompson | 2014 | \$ 373,277 | \$ 240,800(2) | \$ - | \$ 79,992(3) | \$ 694,069 |
| President and Chief Executive Officer | 2013 | \$ 330,000 | \$ 297,500(4) | \$ - | \$ 73,209(5) | \$ 700,709 |
| | 2012 | \$ 330,000 | \$ 61,875(6) | \$ 190,034(7) | \$ - | \$ 581,909 |
| Joseph P. Hernon | 2014 | \$ 279,569 | \$ 108,125(8) | \$ - | \$ 48,945(9) | \$ 436,639 |
| Chief Financial Officer | 2013 | \$ 250,000 | \$ 170,000(10) | \$ - | \$ 115,570(11) | \$ 535,570 |
| | 2012 | \$ 243,750 | \$ 36,249(12) | \$ 115,548(13) | \$ - | \$ 395,547 |

- (1) Based upon the aggregate grant date fair value calculated in accordance with the Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification. Our policy and assumptions made in the valuation of share-based payments are contained in Note 10 to our December 31, 2014 financial statements.
- (2) Mr. Thompson was awarded a discretionary bonus as a result of his contributions in 2014 in assisting the Company towards achieving its financial and operational goals, which included the execution of a Wi-Fi lease with a national carrier in the third quarter of 2014 and the completion of a debt financing in the fourth quarter of 2014. The discretionary bonus of \$240,800 was awarded in 2014 in recognition of services performed during 2014.
- (3) On July 22, 2014, Mr. Thompson received a ten-year option to purchase 31,267 shares of our common stock at an exercise price of \$1.67 per share in recognition of services performed during 2014, which vest monthly over a two year period, with the first tranche vesting on August 22, 2014.

On September 26, 2014, Mr. Thompson received a ten-year option to purchase 75,000 shares of our common stock at an exercise price of \$1.34 per share in recognition of services performed during 2014, which vest quarterly over a two year period, with the first tranche vesting on December 26, 2014.

- (4) Mr. Thompson was awarded a discretionary bonus as a result of his contributions in 2013 in assisting the Company towards achieving its financial and operational goals, which included a public offering and an acquisition in the first quarter of 2013 and the execution of a Wi-Fi lease with a major cable operator in the second quarter of 2013. The discretionary bonus of \$297,500 consisted of \$125,000 which was awarded in 2013 in recognition of services performed during 2013 and \$172,500 which was awarded in January 2014 in recognition of services performed in 2013.
- (5) On February 25, 2013, Mr. Thompson received a ten-year option to purchase 50,000 shares of our common stock at an exercise price of \$2.62 per share in recognition of services performed during 2013, which is fully vested and exercisable upon issuance.
- (6) At the beginning of 2012, the Compensation Committee (the "Committee") determined that 75% of Mr. Thompson's bonus would be based on financial performance goals and 25% would be awarded at the discretion of the Committee. Mr. Thompson was awarded the full amount of his discretionary bonus based on the determination that the Company had met its financial performance goals as well other operating objectives including the development of its shared wireless network. The discretionary bonus of \$61,875 consisted of \$15,469 which was awarded in 2012 in recognition of services performed during 2012 and \$46,406 which was awarded in May 2013 in recognition of services performed in 2012.
- (7) This compensation represents the financial performance component of Mr. Thompson's annual bonus. The Committee established a scaled payout structure under which attainment of 90% of a budgeted target would result in a 50% payout of the total amount allocated for that target. Other levels of the scaled payout structure included a 100% payout for 100% attainment of the budgeted target, 115% payout for 120% of the target, and 130% payout for 150% of the target.

During the first quarter of 2012, Mr. Thompson was awarded a bonus of \$47,334 based on the following (revenue and EBITDA dollars are in thousands):

| Metric | Actual | Budget | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|----------|----------|-----------------------|-----------------|--------------------------|-----------------------|
| Churn | 1.58% | 1.54% | 97.3% | 20% | 50% | \$ 4,641 |
| Revenue | \$ 7,785 | \$ 7,683 | 101.3% | 40% | 100% | \$ 18,563 |
| EBITDA | \$ 1,382 | \$ 833 | 165.9% | 40% | 130% | \$ 24,130 |

During the second and third quarters of 2012, the Committee determined that Mr. Thompson's quarterly financial performance goal would be based on the Company's success in building Wi-Fi hotspots through its recently formed subsidiary, Hetnets Tower Corporation. The Committee established a scaled payout structure under which attainment of 100% of the target would result in a 100% payout of the eligible quarterly bonus and attainment of 120% of the budget would result in a 115% payout. During the second quarter of 2012, the Company constructed 571 hotzones which equaled 102% of the target goal of 558. As a result, the Committee authorized a payment of \$46,406 to Mr. Thompson representing 100% of his quarter financial performance bonus. During the third quarter of 2012, the Company constructed 984 hotzones which equaled 102% of the target goal of 967. As a result, the Committee authorized a payment of \$46,407 to Mr. Thompson representing 100% of his quarter financial performance bonus.

During the fourth quarter of 2012, the Committee reverted to a program similar to the first quarter as construction activity on Wi-Fi hotspots was not significant. Mr. Thompson was awarded a bonus of \$49,887 based on the following metrics:

| Metric | Actual (in 000s) | Budget (in 000s) | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|------------------|------------------|-----------------------|-----------------|--------------------------|-----------------------|
| Revenue | \$ 8,229 | \$ 7,874 | 104.5% | 50% | 100% | \$ 23,203 |
| EBITDA | \$ 1,512 | \$ 1,017 | 148.7% | 50% | 115% | \$ 26,684 |

There is no comparable disclosure for 2014 and 2013 since the bonuses granted in 2014 and 2013 were discretionary.

- (8) Mr. Hernon was awarded a discretionary bonus as a result of his contributions in 2014 in assisting the Company towards achieving its financial and operational goals, which included the execution of a Wi-Fi lease with a national carrier in the third quarter of 2014 and the completion of a debt financing in the fourth quarter of 2014. The discretionary bonus of \$108,125 was awarded in 2014 in recognition of services performed during 2014.

- (9) On July 22, 2014, Mr. Hernon received a ten-year option to purchase 15,806 shares of our common stock at an exercise price of \$1.67 per share in recognition of services performed during 2014, which vest monthly over a two year period, with the first tranche vesting on August 22, 2014.

On September 26, 2014, Mr. Hernon received a ten-year option to purchase 50,000 shares of our common stock at an exercise price of \$1.34 per share in recognition of services performed during 2014, which vest quarterly over a two year period, with the first tranche vesting on December 26, 2014.

- (10) Mr. Hernon was awarded a discretionary bonus as a result of his contributions in 2013 in assisting the Company towards achieving its financial and operational goals, which included a public offering and an acquisition in the first quarter of 2013 and the execution of a Wi-Fi lease with a major cable operator in the second quarter of 2013. The discretionary bonus of \$170,000 consisted of \$60,000 which was awarded in 2013 in recognition of services performed during 2013 and \$110,000 which was awarded in January 2014 in recognition of services performed in 2013.

- (11) On February 25, 2013, Mr. Hernon received a ten-year option to purchase 25,000 shares of our common stock at an exercise price of \$2.62 per share in recognition of services performed during 2013, which is fully vested and exercisable upon issuance.

On June 3, 2013, Mr. Hernon received a ten-year option to purchase 50,000 shares of our common stock at an exercise price of \$2.56 per share in recognition of services performed during 2013, with the options vesting annually over a five year period, with the first tranche vesting on June 3, 2014.

- (12) At the beginning of 2012, the Committee determined that 75% of Mr. Hernon's bonus would be based on financial performance goals and 25% would be awarded at the discretion of the Committee. Mr. Hernon was awarded the full amount of his discretionary bonus based on the determination that the Company had met its financial performance goals as well other operating objectives including the development of its shared wireless network. The discretionary bonus of \$36,249 consisted of \$9,062 which was awarded in 2012 in recognition of services performed during 2012 and \$27,187 which was awarded in May 2013 in recognition of services performed in 2012.

- (13) This compensation represents the financial performance component of Mr. Hernon's annual bonus. The Committee established a scaled payout structure under which attainment of 90% of a budgeted target would result in a 50% payout of the total amount allocated for that target. Other levels of the scaled payout structure included a 100% payout for 100% attainment of the budgeted target, 115% payout for 120% of the target, and 130% payout for 150% of the target.

During the first quarter of 2012, Mr. Hernon was awarded a bonus of \$27,867 based on the following (revenue and EBITDA dollars in thousands):

| Metric | Actual | Budget | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|----------|----------|-----------------------|-----------------|--------------------------|-----------------------|
| Churn | 1.58% | 1.54% | 97.3% | 25% | 50% | \$ 3,398 |
| Revenue | \$ 7,785 | \$ 7,683 | 101.3% | 25% | 100% | \$ 6,797 |
| EBITDA | \$ 1,382 | \$ 833 | 165.9% | 50% | 130% | \$ 17,672 |

During the second quarter of 2012, Mr. Hernon was awarded a bonus of \$29,227 based on the following:

| Metric | Actual (in 000s) | Budget (in 000s) | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|------------------|------------------|-----------------------|-----------------|--------------------------|-----------------------|
| Revenue | \$ 8,103 | \$ 7,746 | 104.6% | 50% | 100% | \$ 13,594 |
| EBITDA | \$ 1,305 | \$ 907 | 143.9% | 50% | 115% | \$ 15,633 |

During the third quarter of 2012, Mr. Hernon was awarded a bonus of \$29,227, based on the following:

| Metric | Actual (in 000s) | Budget (in 000s) | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|---------------------|---------------------|--------------------------|--------------------|-----------------------------|--------------------------|
| Revenue | \$ 8,031 | \$ 7,809 | 102.8% | 50% | 100% | \$ 13,594 |
| EBITDA | \$ 1,451 | \$ 987 | 147.0% | 50% | 115% | \$ 15,633 |

During the fourth quarter of 2012, Mr. Hernon was awarded a bonus of \$29,227, based on the following:

| Metric | Actual (in 000s) | Budget (in 000s) | Achievement of Budget | Bonus Weighting | Scaled Payout Percentage | Scaled Payout Dollars |
|---------|---------------------|---------------------|--------------------------|--------------------|-----------------------------|--------------------------|
| Revenue | \$ 8,229 | \$ 7,874 | 104.5% | 50% | 100% | \$ 13,594 |
| EBITDA | \$ 1,512 | \$ 1,017 | 148.7% | 50% | 115% | \$ 15,633 |

There is no comparable disclosure for 2014 and 2013 since the bonuses granted in 2014 and 2013 were discretionary.

Grants of Plan-Based Awards

The following table summarizes the stock option awards granted to our named executive officers during the year ended December 31, 2014:

| Name | Grant Date | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards (\$/Share)(1) | Grant Date Fair Value of Stock and Option Awards\$(2) |
|---------------------|------------|--|---|---|
| Jeffrey M. Thompson | 7/22/14 | 31,267 | \$ 1.67 | \$ 27,200 |
| | 9/26/14 | 75,000 | \$ 1.34 | \$ 52,792 |
| Joseph P. Hernon | 7/22/14 | 15,806 | \$ 1.67 | \$ 13,750 |
| | 9/26/14 | 50,000 | \$ 1.34 | \$ 35,195 |

- (1) The exercise price of the stock options awarded was determined in accordance with the stock option plans, which provides that the exercise price for an option granted be the closing sale price for our common stock as quoted on the NASDAQ Capital Market on the date of grant.
- (2) Based upon the aggregate grant date fair value calculated in accordance with the Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification. Our policy and assumptions made in the valuation of share-based payments are contained in Note 10 to our December 31, 2014 financial statements.

There were no restricted stock awards granted to our named executive officers during the year ended December 31, 2014.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding equity awards to our named executive officers as of December 31, 2014:

| Name | Option Awards | | | | |
|---------------------|---|---|-----|-----------------------|------------------------|
| | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options Unexercisable | | Option Exercise Price | Option Expiration Date |
| Jeffrey M. Thompson | 175,193 | – | | \$ 1.43 | 4/28/15 |
| | 12,010 | – | | \$ 2.00 | 12/2/17 |
| | 11,032 | – | | \$ 2.00 | 3/2/18 |
| | 100,000 | – | | \$ 4.94 | 6/23/21 |
| | 41,250 | 90,750 | (1) | \$ 5.25 | 7/6/21 |
| | 84,375 | 71,875 | (2) | \$ 5.25 | 7/6/21 |
| | 50,000 | – | | \$ 2.62 | 2/24/23 |
| | 6,515 | 24,752 | (3) | \$ 1.67 | 7/21/24 |
| | 9,375 | 65,625 | (4) | \$ 1.34 | 9/25/24 |
| Joseph P. Hernon | 103,426 | – | | \$ 1.45 | 6/1/18 |
| | 60,000 | – | | \$ 4.94 | 6/23/21 |
| | 20,668 | 67,332 | (5) | \$ 5.25 | 7/6/21 |
| | 41,877 | 34,374 | (6) | \$ 5.25 | 7/6/21 |
| | 25,000 | – | | \$ 2.62 | 2/24/23 |
| | 10,000 | 40,000 | (7) | \$ 2.56 | 6/2/23 |
| | 3,295 | 12,511 | (3) | \$ 1.67 | 7/21/24 |
| | 6,250 | 43,750 | (4) | \$ 1.34 | 9/25/24 |

- (1) 88,000 of the options were granted in four tranches of 22,000. Each tranche will begin to vest in sequential order only when and if the Company completes four (4) acquisitions prior to the expiration date. Each tranche will vest in quarterly installments over a two year period once each respective acquisition is closed. The remaining 2,750 will become vested in February 2015.
- (2) 25,000 of the options will begin to vest only when and if the Company executes a backhaul contract prior to the expiration date. These options will vest in quarterly installments over a two year period once a backhaul contract is executed. The remaining options unexercisable began vesting upon the previous execution of backhaul contracts of which (i) 6,250 of the options will vest in quarterly installments of 3,125 and become fully vested in June 2015, (ii) 18,750 of the options will vest in quarterly installments of 3,125 and become fully vested in April 2016 and (iii) 21,875 of the options will vest in quarterly installments of 3,125 and become fully vested in August 2016.
- (3) Such option vests monthly over a two year period, with the first tranche vesting on August 22, 2014.
- (4) Such option vests quarterly over a two year period, with the first tranche vesting on December 26, 2014.
- (5) 64,000 of the options were granted in four tranches of 16,000. Each tranche will begin to vest in sequential order only when and if the Company completes four (4) acquisitions prior to the expiration date. Each tranche will vest as to one-third on the one year anniversary of the completed acquisition with the remaining two-thirds vesting ratably on a quarterly basis over the following two years once each respective acquisition is closed. The remaining 3,332 will become vested in February 2016.
- (6) 12,500 of the options will begin to vest only when and if the Company executes a backhaul contract prior to the expiration date. These options will vest in quarterly installments over a two year period once a backhaul contract is executed. The remaining options unexercisable began vesting upon the previous execution of backhaul contracts of which (i) 1,562 of the options will vest in quarterly installments of 781 and become fully vested in June 2015, (ii) 9,374 of the options will vest in quarterly installments of 1,562 and become fully vested in April 2016 and (iii) 10,938 of the options will vest in quarterly installments of 1,562 and become fully vested in August 2016.
- (7) Such option vests as to one-fifth of the shares subject to the option annually, commencing June 3, 2014.

Option Exercises and Stock Vested

The following table summarizes, with respect to our named executive officers, all options that were exercised and restricted stock vested during fiscal 2014:

| Name | Option Awards | | Restricted Stock | |
|---------------------|--|---------------------------------|-----------------------------|--------------------------------|
| | Number of Shares Acquired on Exercise(#) | Value Realized on Exercise (\$) | Number of Shares Vested (#) | Value Realized on Vesting (\$) |
| Jeffrey M. Thompson | 75,000 | \$ 122,250 | | |
| | 18,406 | \$ 30,002 | | |
| | 125,000 | \$ 203,750 | | |
| Joseph P. Hernon | | | 15,000 | \$ 45,000 |

Employment Agreements and Change-in-Control Agreements

In December 2007, we entered into an employment agreement with Jeffrey M. Thompson, our principal executive officer, which was amended in December 2011. Pursuant to the terms of the amended agreement, Mr. Thompson agreed to serve as our chief executive officer and president for a period of two years, with automatic one-year renewals, subject to either party electing not to renew. In December 2014, we entered into a second amendment of Mr. Thompson's employment agreement that provides for annual compensation of \$475,000, effective as of November 18, 2014, and a one-time cash bonus of \$175,000 for services provided to the Company in 2014. Mr. Thompson shall be eligible to receive options to purchase up to 250,000 shares of common stock during the fiscal year ending December 31, 2015 and shall also be entitled to additional bonus compensation as determined from time to time by the Company's Compensation Committee of the Board of Directors. The second amendment provides for customary clawback rights upon the occurrence of certain events. Under his initial employment agreement, Mr. Thompson's base salary was \$225,000 which was subsequently adjusted to \$248,063 effective January 1, 2010, to \$300,000 effective December 16, 2010 and to \$363,000 effective February 5, 2014. Under the first amendment, Mr. Thompson was awarded special bonuses totaling \$75,000, which included (i) \$25,000 on the effective date of the amended agreement, (ii) \$25,000 related to the closing of the acquisition of Color Broadband and (iii) \$25,000 upon the execution of an agreement with a large technology company. In addition, we will pay 100% of all costs associated with Mr. Thompson's employee benefits, including without limitation, health insurance.

If Mr. Thompson's employment is terminated (i) by us without "cause," (ii) by him for "good reason" or (iii) by us within two years of a "change of control" (as such terms are defined in the agreement), then (a) we will be required to pay Mr. Thompson twenty-four months base salary in monthly installments, (b) any unvested options to purchase shares of our common stock would immediately vest and become exercisable and any restrictions on restricted stock would immediately lapse, and (c) we must continue to provide employee benefits, including health insurance, for a period of five years following such termination.

During Mr. Thompson's employment with us, and for a period of twelve months following his termination (the "Restricted Period"), except for a termination by Mr. Thompson for "good reason," he is prohibited from engaging in any line of business in which we were engaged or had a formal plan to enter during the period of his employment with us. We will continue to pay Mr. Thompson his base salary then in effect, in accordance with our customary payroll practices for the duration of any such Restricted Period in the event that Mr. Thompson's employment is terminated voluntarily by him, except for "good reason," or by us for "cause."

In May 2008, Joseph P. Hernon joined the Company as Chief Financial Officer. His employment offer provided for a base annual salary of \$190,000 and bonus payments up to 58% of base salary, as determined by the Board. Effective April 1, 2010, Mr. Hernon's base salary was increased to \$199,500. Effective December 16, 2010, Mr. Hernon's base salary was increased to \$225,000. Effective April 1, 2012, Mr. Hernon's base salary was increased to \$250,000. Effective February 5, 2014, Mr. Hernon's base salary was increased to \$275,000. Effective November 18, 2014, Mr. Hernon's base salary was increased to \$325,000. Upon joining the Company, Mr. Hernon was granted options to purchase 150,000 shares of common stock at an exercise price of \$1.45 per share, vesting in three annual installments commencing upon the first anniversary of the grant. He has received subsequent awards and is eligible to receive additional stock-based awards at the discretion of the Board and as provided under the Company's stock-based incentive plans. The Company pays 100% of Mr. Hernon's health insurance. He is also eligible to participate in the Company's health and other employee benefit plans. Mr. Hernon is an employee at will.

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

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 9, 2015 by:

- each person known by us to beneficially own more than 5% of our common stock (based solely on our review of SEC filings);
- each of our directors;
- each of our named executive officers listed in the section entitled "Summary Compensation Table" under Item 11. Executive Compensation; and
- all of our directors and executive officers as a group.

The percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of, with respect to the security. Except as indicated in the footnotes to this table, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned and each person's address is c/o Towerstream Corporation, 88 Silva Lane, Middletown, Rhode Island 02842, unless otherwise indicated. As of March 9, 2015, there were 66,656,789 shares of our common stock outstanding.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Percent of Class (1) |
|--|---|-------------------------|
| 5% Stockholders: | | |
| Melody Capital Partners, LP (2) 717 Fifth Avenue, 12 th Floor New York, NY 10022 | 3,600,000(3) | 5.1% |
| Columbia Acorn Fund (4) 227 West Monroe Street Suite 3000 Chicago, IL 60606 | 4,000,000 | 6.0% |
| Directors and Named Executive Officers: | | |
| Philip Urso | 1,632,050(5) | 2.4% |
| William J. Bush | 342,942(6) | * |
| Howard L. Haronian, M.D. | 1,379,396(7) | 2.1% |
| Paul Koehler | 305,834(8) | * |
| Jeffrey M. Thompson | 2,508,369(9) | 3.7% |
| Joseph P. Hernon | 427,057(10) | * |
| All directors and executive officers as a group (6 persons) | 6,595,648(5)(6)(7)(8)(9)(10) | 9.6% |

* Less than 1%.

- (1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assumes the exercise of all options, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of March 9, 2015. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days are deemed outstanding and held by the holder of such options or warrants for computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.
- (2) Based on a Schedule 13G filed with the SEC on October 27, 2014. Melody Capital Partners LP (“Melody”), as the investment manager of Melody Special Situations Offshore Credit Mini-Master Fund, L.P. (“Special Situations”), Melody Capital Partners Offshore Credit Mini-Master Fund, L.P. (“Capital Partners Offshore”) and Melody Capital Partners Onshore Credit Fund, L.P. (“Capital Partners Onshore”) and as the investment manager with respect to certain managed accounts, has the shared power to vote and dispose of the securities of the Company held by each such fund. Melody Capital Advisors, LLC, as the general partner of Melody, has the shared power to vote and dispose of securities of the Company beneficially held by Melody.
- (3) Based on a Schedule 13G filed with the SEC on October 27, 2014. Represents (i) 602,077 shares of common stock underlying warrants with an exercise price of \$0.01 per share (the “A Warrants”) held by Special Situations and 1,204,154 shares of common stock underlying warrants with an exercise price of \$1.26 per share (the “B Warrants”) held by Special Situations, (ii) 227,188 shares of common stock underlying A Warrants held by Capital Partners Offshore and 454,375 shares of common stock underlying B Warrants held by Capital Partners Offshore, and (iii) 224,708 shares of common stock underlying A Warrants held by Capital Partners Onshore and 449,416 shares of common stock underlying B Warrants held by Capital Partners Onshore.
- (4) Based on a Schedule 13G/A filed with the SEC on February 11, 2015. Columbia Acorn Fund is a business trust managed by Columbia Wanger Asset Management, LLC (“CWAM”). As the investment advisor of Columbia Acorn Fund, CWAM may be deemed to beneficially own the shares reported by the Columbia Acorn Fund.
- (5) Includes 297,796 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days. Excludes 103,886 shares of common stock held in a trust for the benefit of Mr. Urso’s minor children, of which Mr. Urso is not a trustee. Mr. Urso disclaims beneficial ownership of the 103,886 shares held in trust.
- (6) Includes 308,334 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days. The remaining 34,608 shares are held in trust for the benefit of the Bush family. Mr. Bush is a trustee of this trust and disclaims beneficial ownership of such 34,608 shares.
- (7) Includes 10,000 shares of common stock held by Dr. Haronian’s wife, for which Dr. Haronian has an indirect interest in, and 320,873 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days.

(8) Includes 305,834 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days.

(9) Includes 522,712 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days.

(10) Includes 287,101 shares of common stock issuable upon the exercise of options that are currently exercisable or exercisable within 60 days.

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

Related parties can include any of our directors or executive officers, certain of our stockholders and their immediate family members. Each year, we prepare and require our directors and executive officers to complete Director and Officer Questionnaires identifying any transactions with us in which the officer or director or their family members have an interest. This helps us identify potential conflicts of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. Our code of ethics and business conduct requires all directors, officers and employees who may have a potential or apparent conflict of interest to immediately notify our Audit Committee of the Board of Directors, which is responsible for considering and reporting to the Board any questions of possible conflicts of interest of Board members. Our code of ethics and business conduct further requires pre-clearance before any employee, officer or director engages in any personal or business activity that may raise concerns about conflict, potential conflict or apparent conflict of interest. Copies of our code of ethics and business conduct and the Audit Committee charter are posted on the corporate governance section of our website at www.towerstream.com.

At no time during the last two fiscal years has any executive officer, director or any member of these individuals' immediate families, any corporation or organization with whom any of these individuals is an affiliate or any trust or estate in which any of these individuals serves as a trustee or in a similar capacity or has a substantial beneficial interest been indebted to the Company or was involved in any transaction in which the amount exceeded \$120,000 and such person had a direct or indirect material interest.

In evaluating related party transactions and potential conflicts of interest, our Chief Financial Officer and/or Chairman of the Audit Committee apply the same standards of good faith and fiduciary duty they apply to their general responsibilities. They will approve a related party transaction only when, in their good faith judgment, the transaction is in the best interest of the Company.

Director Independence

Each of William J. Bush, Howard L. Haronian, M.D., Paul Koehler and are independent directors, as provided in NASDAQ Marketplace Rule 5605(a)(2).

Item 14. Principal Accountant Fees and Services.

The following table sets forth the fees that the Company accrued or paid to Marcum LLP for the fiscal 2014 and fiscal 2013.

| | 2014 | 2013 |
|-----------------------|-------------------|-------------------|
| Audit Fees(1) | \$ 228,070 | \$ 301,470 |
| Audit-Related Fees(2) | - | - |
| Tax Fees(3) | - | - |
| All Other Fees | - | - |
| Total | <u>\$ 228,070</u> | <u>\$ 301,470</u> |

- (1) Audit fees relate to professional services rendered in connection with the audit of the Company's annual financial statements and internal control over financial reporting, quarterly review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and audit services provided in connection with other statutory and regulatory filings.
- (2) Audit-related fees relate to professional services rendered in connection with assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, including due diligence.
- (3) Tax fees relate to professional services rendered for tax compliance, tax advice and tax planning for the Company.

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). |
| 4.1 | Rights Agreement dated as of November 9, 2010 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on November 12, 2010). |
| 10.1* | Towerstream Corporation 2007 Equity Compensation Plan (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.2* | Form of 2007 Equity Compensation Plan Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.3* | Form of 2007 Equity Compensation Plan Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.4 | Form of Directors and Officers Indemnification Agreement (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on January 19, 2007). |
| 10.5* | Towerstream Corporation 2007 Incentive Stock Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 6, 2012). |
| 10.6 | Employment Agreement, dated December 21, 2007, between Towerstream Corporation and Jeffrey M. Thompson (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Towerstream Corporation filed with the Securities and Exchange Commission on December 31, 2007). |
| 10.7 | Office Lease Agreement dated March 21, 2007 between Tech 2, 3, & 4 LLC (Landlord) and Towerstream Corporation (Tenant) (Incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009). |
| 10.8 | First Amendment to Office Lease dated August 8, 2007, amending Office Lease Agreement dated March, 21 2007 (Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 18, 2009). |
| 10.9** | 2008 Non-Employee Directors Compensation Plan (Incorporated by reference to Exhibit B to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010). |
| 10.10** | Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to the Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 9, 2011). |
| 10.11** | Amendment to Employment Agreement of Jeffrey M. Thompson (Incorporated by reference to the Current Report on Form 8-K/A, filed with the Securities and Exchange Commission on January 13, 2012). |

- 10.12** 2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit A to the Proxy Statement on Schedule 14A of Towerstream Corporation filed with the Securities and Exchange Commission on September 14, 2010).
 - 10.13 Second Amendment to Office Lease Agreement dated September 12, 2013, amending Office Lease Agreement dated March, 21 2007. (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2014.)
 - 10.14 Loan Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc. and Hetnets Tower Corporation, as Borrowers, the financial institutions named therein as Lenders and Melody Business Finance, LLC, as Administrative Agent***
 - 10.15 Security Agreement dated October 16, 2014 by and among Towerstream Corporation, Towerstream I, Inc., Hetnets Tower Corporation, Alpha Communications Corp., Omega Communications Corp., and Towerstream Houston, Inc., as Grantors, in favor of Melody Business Finance LLC, as Administrative Agent ***
 - 10.16 Warrant and Registration Rights Agreement dated October 16, 2014 by and among Towerstream Corporation and the warrant holders named therein ***
 - 10.17 Form of A-Warrant Certificate ***
 - 10.18 Form of B-Warrant Certificate ***
 - 10.19** Second Amendment to Employment Agreement of Jeffrey M. Thompson***
 - 10.20 Office Lease Agreement dated December 12, 2014 between 6800 Broken Sound LLC (Landlord) and Towerstream Corporation***
 - 14.1 Code of Ethics and Business Conduct. (Incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2011).
 - 21.1 Subsidiaries of the Registrant. (Incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K of Towerstream Corporation filed with the Securities and Exchange Commission on March 17, 2014).
 - 23.1 Consent of Independent Registered Public Accounting Firm. ***
 - 31.1 Section 302 Certification of Principal Executive Officer. ***
 - 31.2 Section 302 Certification of Principal Financial Officer. ***
 - 32.1 Section 906 Certification of Principal Executive Officer. ***
 - 32.2 Section 906 Certification of Principal Financial Officer. ***
-
- 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

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

SIGNATURES

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

TOWERSTREAM CORPORATION

Date: March 12, 2015

By: /s/ Jeffrey M. Thompson

Jeffrey M. Thompson
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Joseph P. Heron

Joseph P. Heron
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.

| <u>Name</u> | <u>Capacity</u> | <u>Date</u> |
|---|--|----------------|
| <u>/s/ Jeffrey M. Thompson</u> Jeffrey M. Thompson | Director, Chief Executive Officer and President (Principal Executive Officer) | March 12, 2015 |
| <u>/s/ Joseph P. Heron</u> Joseph P. Heron | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | March 12, 2015 |
| <u>/s/ Philip Urso</u> Philip Urso | Director - Chairman of the Board of Directors | March 12, 2015 |
| <u>/s/ Howard L. Haronian, M.D.</u> Howard L. Haronian, M.D. | Director | March 12, 2015 |
| <u>/s/ William J. Bush</u> William J. Bush | Director | March 12, 2015 |
| <u>/s/ Paul Koehler</u> Paul Koehler | Director | March 12, 2015 |

LOAN AGREEMENT

by and among

**TOWERSTREAM CORPORATION,
TOWERSTREAM I, INC.,
and
HETNETS TOWER CORPORATION,
as Borrowers,**

**THE FINANCIAL INSTITUTIONS NAMED HEREIN
as Lenders,**

and

**MELODY BUSINESS FINANCE, LLC,
as Administrative Agent,**

Dated as of October 16 , 2014

TABLE OF CONTENTS

| | | |
|-----------|--|-----------|
| 1. | DEFINITIONS AND CONSTRUCTION | 1 |
| 1.1 | Definitions | 1 |
| 1.2 | Accounting Terms | 20 |
| 1.3 | Construction | 21 |
| 1.4 | Schedules and Exhibits | 22 |
| 2. | LOAN AND TERMS OF PAYMENT | 22 |
| 2.1 | Term Loans | 22 |
| 2.2 | Funding and Borrowings | 22 |
| 2.3 | Payments | 22 |
| 2.4 | Interest, Rates, Payments, and Calculations | 27 |
| 2.5 | Application of Collections | 28 |
| 2.6 | Intentionally Omitted | 29 |
| 2.7 | Maintenance of Loan Account; Statements of Obligations | 29 |
| 2.8 | Fees | 29 |
| 2.9 | Tax Provisions Applicable to the Loans | 29 |
| 2.10 | Noteless Agreement | 29 |
| 2.11 | Securitization | 30 |
| 3. | CONDITIONS; TERM OF AGREEMENT | 30 |
| 3.1 | Conditions Precedent to Loans | 30 |
| 3.2 | Effectiveness | 32 |
| 4. | TAXES | 32 |
| 4.1 | Taxes | 32 |
| 4.2 | Mitigation Obligations; Replacement of Lenders | 34 |
| 4.3 | Representations and Warranties and Covenants of the Lenders | 35 |
| 5. | REPRESENTATIONS AND WARRANTIES | 36 |
| 5.1 | No Encumbrances; Perfected Security Interests | 36 |
| 5.2 | Location of Chief Executive Office; Accounting Records; FEIN | 36 |
| 5.3 | Due Organization and Qualification; Subsidiaries | 36 |
| 5.4 | Due Authorization; No Conflict | 37 |
| 5.5 | Claims, Disputes, and Litigation | 38 |
| 5.6 | No Material Adverse Change | 38 |
| 5.7 | No Fraudulent Transfer | 38 |
| 5.8 | Employee Benefits | 38 |
| 5.9 | Environmental Condition | 38 |
| 5.10 | Compliance with the Law; Permits; Properties | 39 |
| 5.11 | Insurance | 39 |
| 5.12 | Hedging Agreements | 39 |
| 5.13 | Brokerage Fees | 39 |
| 5.14 | Intellectual Property | 39 |
| 5.15 | Significant Contracts; No Default or Burdensome Restrictions | 40 |
| 5.16 | Accounts | 40 |
| 5.17 | Complete Disclosure | 40 |
| 5.18 | Investment Company Status | 40 |
| 5.19 | Tax Returns and Payments | 40 |
| 5.20 | Labor Matters | 41 |
| 5.21 | Anti-Corruption Laws and OFAC | 41 |
| 5.22 | Solvency | 41 |

| | | |
|-----------|---|-----------|
| 5.23 | No Foreign Subsidiaries | 41 |
| 5.24 | Financial Statements | 41 |
| 5.25 | Absence of Defaults | 41 |
| 5.26 | Casualty Events | 41 |
| 5.27 | FCC Licenses | 41 |
| 6. | AFFIRMATIVE COVENANTS | 42 |
| 6.1 | Financial Reporting | 42 |
| 6.2 | Collateral Reporting | 44 |
| 6.3 | Notices of Material Events | 44 |
| 6.4 | Existence | 45 |
| 6.5 | Performance of Obligations under Loan Documents | 45 |
| 6.6 | Operation and Maintenance of Properties and Professional Staff | 45 |
| 6.7 | Taxes | 46 |
| 6.8 | Insurance | 46 |
| 6.9 | Compliance with Laws | 46 |
| 6.10 | Environmental Matters | 46 |
| 6.11 | Employee Benefits | 47 |
| 6.12 | Further Assurances | 48 |
| 6.13 | Payment of Trade Payables and Indebtedness | 48 |
| 6.14 | Inspection of Property and Books and Records | 48 |
| 6.15 | Observer Rights | 48 |
| 6.16 | Minimum Balances | 49 |
| 7. | NEGATIVE COVENANTS | 49 |
| 7.1 | Indebtedness | 49 |
| 7.2 | Liens | 49 |
| 7.3 | Restrictions on Fundamental Changes | 49 |
| 7.4 | Disposal of Assets | 50 |
| 7.5 | Organizational Changes | 50 |
| 7.6 | Guarantee | 51 |
| 7.7 | Nature of Business | 51 |
| 7.8 | Prepayments and Amendments of Indebtedness | 51 |
| 7.9 | Limitations on Dividends and Distributions | 51 |
| 7.10 | Limitations on Issuance of Capital Stock | 51 |
| 7.11 | Accounting Methods | 51 |
| 7.12 | Investments | 51 |
| 7.13 | Transactions with Affiliates | 52 |
| 7.14 | Use of Proceeds | 52 |
| 7.15 | No Prohibited Transactions under ERISA | 53 |
| 7.16 | Hedging Agreements; Amendments to Material Agreements and Governing Documents | |
| 7.17 | Negative Pledge; Restrictive Agreements | 53 |
| 7.18 | Intentionally Omitted | 53 |
| 7.19 | Subsidiaries; Guarantors | 53 |
| 8. | EVENTS OF DEFAULT | 54 |
| 9. | THE LENDER GROUP'S RIGHTS AND REMEDIES | 56 |
| 9.1 | Rights and Remedies | 56 |
| 9.2 | Remedies Cumulative | 57 |
| 9.3 | Lender Directed Remedies | 57 |

| | |
|---|-----------|
| 10. TAXES AND EXPENSES | 58 |
| 11. EXPENSES; INDEMNIFICATION; DAMAGE WAIVER | 58 |
| 11.1 Costs and Expenses | 58 |
| 11.2 Indemnification by Borrower | 59 |
| 11.3 Reimbursement by Lenders | 59 |
| 11.4 Observer Indemnification | 59 |
| 11.5 Consequential Damages, etc. | 60 |
| 11.6 Payments | 60 |
| 12. NOTICES | 60 |
| 12.1 Notices Generally | 60 |
| 12.2 Electronic Communications | 61 |
| 12.3 Change of Address, etc. | 61 |
| 13. CHOICE OF LAW; JURISDICTION; SERVICE OF PROCESS; JURY TRIAL WAIVER | 61 |
| 13.1 Choice of Law | 61 |
| 13.2 Jurisdiction | 61 |
| 13.3 Service of Process | 61 |
| 13.4 Jury Trial Waiver | 62 |
| 14. DESTRUCTION OF BORROWERS' DOCUMENTS | 62 |
| 15. SUCCESSORS AND ASSIGNS | 62 |
| 15.1 Successors and Assigns Generally | 62 |
| 15.2 Assignments by Lenders | 62 |
| 15.3 Register | 63 |
| 15.4 Participations | 64 |
| 15.5 Limitations upon Participant Rights | 64 |
| 15.6 Certain Pledges | 64 |
| 16. AMENDMENTS; WAIVERS | 64 |
| 16.1 Amendments and Waivers | 64 |
| 16.2 No Waivers; Cumulative Remedies | 65 |
| 16.3 Replacement of Holdout Lender | 65 |
| 17. AGENT; THE LENDER GROUP | 66 |
| 17.1 Appointment and Authorization of Administrative Agent | 66 |
| 17.2 Delegation of Duties | 66 |
| 17.3 Liability and Responsibility of Agents | 67 |
| 17.4 Reliance by Administrative Agent | 67 |
| 17.5 Notice of Default or Event of Default | 67 |
| 17.6 Credit Decision | 68 |
| 17.7 Costs and Expenses | 68 |
| 17.8 Administrative Agent in Individual Capacity | 68 |
| 17.9 Successor Administrative Agent | 69 |
| 17.10 Lender in Individual Capacity | 69 |
| 17.11 Collateral Matters | 69 |
| 17.12 Right of Setoff; Sharing of Payments | 70 |
| 17.13 Agency for Perfection | 71 |
| 17.14 Payments by Administrative Agent to Lenders | 71 |
| 17.15 Concerning the Collateral and Related Loan Documents | 71 |
| 17.16 Several Obligations; No Liability | 71 |

| | | |
|------------|---|-----------|
| 17.17 | Secured Parties | 72 |
| 18. | GENERAL PROVISIONS | 72 |
| 18.1 | Effectiveness | 72 |
| 18.2 | Joint and Several Obligations | 72 |
| 18.3 | Section Headings | 73 |
| 18.4 | Interpretation | 73 |
| 18.5 | Severability of Provisions | 73 |
| 18.6 | USA Patriot Act Notice | 73 |
| 18.7 | Counterparts; Facsimile Execution | 73 |
| 18.8 | Public Disclosure | 73 |
| 18.9 | Revival and Reinstatement of Obligations | 74 |
| 18.10 | Survival | 74 |
| 18.11 | Integration | 74 |
| 18.12 | Confidentiality | 74 |
| 19. | BORROWER REPRESENTATIVE | 75 |
| 19.1 | Appointment; Nature of Relationship | 75 |
| 19.2 | Powers | 76 |
| 19.3 | Employment of Agents | 76 |
| 19.4 | Notices | 76 |
| 19.5 | Successor Borrower Representative | 76 |
| 19.6 | Execution of Loan Documents; Certificates | 76 |

EXHIBITS AND SCHEDULES

| | |
|-----------------|---|
| Exhibit A | Form of Assignment and Assumption |
| Exhibit B | Form of Compliance Certificate |
| Exhibit C | Form of Borrowing Request |
| Exhibit D | Form of Guaranty |
| Exhibit E | Form of Security Agreement |
| Exhibit F | Form of Warrant and Registration Rights Agreement |
| Schedule 1.1(a) | Commitments |
| Schedule 1.1(b) | Existing Indebtedness |
| Schedule 1.1(c) | Existing Liens |
| Schedule 5.2 | Chief Executive Offices; Federal Tax Identification Numbers |
| Schedule 5.3(b) | Capital Stock |
| Schedule 5.5 | Litigation |
| Schedule 5.8 | ERISA Benefit Plans |
| Schedule 5.11 | Insurance |
| Schedule 5.13 | Brokerage Fees |
| Schedule 5.16 | DDAs; Securities Accounts, Commodities Accounts |
| Schedule 5.27 | FCC Licenses |
| Schedule 7.12 | Permitted Other Investments |

LOAN AGREEMENT

This LOAN AGREEMENT is entered into as of October 16, 2014, among TOWERSTREAM CORPORATION, a Delaware corporation (“**Parent**”), TOWERSTREAM I, INC., a Delaware corporation (“**Towerstream I**”), HETNETS TOWER CORPORATION, a Delaware corporation (“**Hetnets**”; collectively, with Parent and Towerstream I, the “**Borrowers**”), the financial institutions listed on the signature pages hereof (such financial institutions are hereinafter referred to individually as a “**Lender**” and collectively as the “**Lenders**”), and MELODY BUSINESS FINANCE, LLC, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, “**Administrative Agent**”).

RECITALS

Borrowers have requested, and Lenders have agreed, to make term loans to Borrowers on the terms and conditions of this Agreement.

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions**. As used in this Agreement, the following terms shall have the following definitions:

“**Accounts**” means all currently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to any Loan Party arising out of the sale or lease of goods, or the rendition of services by such Loan Party, irrespective of whether earned by performance, and any and all credit insurance, guaranties, or security therefor.

“**Acquisition Financing**” means any Indebtedness to be provided by any Person who is not a Lender, an Affiliate of a Lender, or a Related Fund to any Loan Party for the purpose of financing in whole or in part a Business Acquisition, other than a Business Acquisition permitted pursuant to Section 7.12(h).

“**Administrative Agent**” has the meaning set forth in the preamble to this Agreement.

“**Administrative Agent Account**” means an account at a bank designated by Administrative Agent from time to time as the account into which Borrowers shall make all payments to Administrative Agent for the benefit of Lender Group, and into which Lender Group shall make all payments to Administrative Agent, under this Agreement and the other Loan Documents.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by Administrative Agent.

“**Adverse Proceeding**” means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration at law or in equity, or before or by any Governmental Authority, domestic or foreign (including any Environmental Action) or other regulatory body or any arbitrator whether pending or, to the Knowledge of Borrowers, threatened against or affecting any Loan Party or any property of any Loan Party.

“**Affiliate**” means, as applied to any Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” means the possession, directly or indirectly, of the power to (a) direct the management and policies of a Person, whether through the ownership of Capital Stock, by contract, or otherwise or (b) vote ten percent (10%) or more of the Capital Stock of a Person. Notwithstanding anything to the contrary herein, in no event shall Agent, any Lender or any of their respective Affiliates be considered an “Affiliate” of any Loan Party. Each officer and director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person.

“ **Agent-Related Persons** ” means Administrative Agent and any successor Administrative Agent, together with their respective Affiliates, and the officers, directors, employees, counsel, agents, and attorneys-in-fact of such Persons and their Affiliates.

“ **Aggregate Commitment** ” means \$35,000,000.

“ **Aggregate Credit Exposure** ” means, as of any date of determination, the sum of the Credit Exposure of all of Lenders as of such date.

“ **Agreement** ” means this Loan Agreement.

“ **Anti-Corruption Laws** ” means all Legal Requirements applicable to Parent or its Subsidiaries from time to time concerning or relating to bribery or corruption, including the Foreign Corrupt Practices Act.

“ **Applicable Rate** ” means, as of any date, a per annum rate equal to the greater of (x) the sum of (1) One Month Libor as in effect on such date plus (2) 7%, and (y) 8% per annum; subject, however, to Section 2.4(a) .

“ **Assignment and Assumption** ” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 15.2), and accepted by Administrative Agent, in substantially the form of **Exhibit A** .

“ **Bankruptcy Code** ” means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.).

“ **Benefit Plan** ” means a “defined benefit plan” (as defined in Section 3(35) of ERISA) for which any Loan Party or any ERISA Affiliate has been an “employer” (as defined in Section 3(5) of ERISA) within the past six years.

“ **Books** ” means all of the Loan Parties’ books and records including: ledgers; records indicating, summarizing, or evidencing the Loan Parties’ properties or assets (including the Collateral) or liabilities; all information relating to the Loan Parties’ business operations or financial condition; and all computer programs, disk or tape files, printouts, runs, or other computer prepared information.

“ **Borrower Representative** ” has the meaning set forth in Section 19.1.

“ **Borrowers** ” has the meaning set forth in the preamble to this Agreement.

“ **Borrowing Request** ” has the meaning set forth in Section 2.2(a).

“ **Budgeted SG&A Expenses** ” has the meaning set forth in Section 6.1(a)(vii).

“ **Business Acquisition** ” means the acquisition by any Loan Party of all or substantially all the associated assets or operations or of Capital Stock of a Person (other than of another Loan Party) or of a business unit of such Person, regardless of the form or structure of such acquisition.

“ **Business Day** ” means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the State of New York.

“ **Capital Expenditures** ” means all liabilities incurred or expenditures made by any Loan Party for the acquisition of fixed assets, or any improvements, replacements, substitutions or additions thereto with a useful life of more than one year, each to the extent required to be capitalized in accordance with GAAP.

“ **Capital Lease** ” means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“ **Capital Stock** ” means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests, and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“ **Capitalized Lease Obligation** ” means any Indebtedness represented by obligations under a Capital Lease.

“ **Cash Equivalents** ” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within three years from the date of acquisition thereof, (b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from either S&P or Moody’s, (c) commercial paper maturing no more than 270 days from the date of acquisition thereof and, at the time of acquisition, having a rating of A-1 or P-1, or better, from S&P or Moody’s, and (d) certificates of deposit or bankers’ acceptances maturing within 1 year from the date of acquisition thereof either (i) issued by any bank organized under the laws of the United States or any state thereof which bank has a rating of A or A2, or better, from S&P or Moody’s, or (ii) certificates of deposit less than or equal to \$100,000 (or the insurance limitation then in effect for banks insured by the Federal Deposit Insurance Corporation) in the aggregate issued by any bank insured by the Federal Deposit Insurance Corporation.

“ **Cash Interest** ” has the meaning set forth in Section 2.4(a).

“ **Casualty Event** ” means any loss, casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any Property of any Loan Party having a fair market value in excess of \$150,000.

“ **Change of Control** ” means the occurrence of any of the following:

(a) Parent shall cease to own and control directly 100% of the economic and voting rights associated with all of the outstanding Capital Stock of Towerstream I and Hetnets, other than in connection with a Permitted Spin-Off;

(b) each Borrower other than Parent ceases to own and control 100% of the economic and voting rights associated with all of the outstanding Capital Stock of its Subsidiaries (provided that a disposition of any Subsidiary expressly permitted under this Agreement shall not result in a “Change of Control” hereunder);

(c) any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of Parent, sale or exchange of outstanding shares (or similar transaction or series of related transactions) of Parent in which the holders of Parent’s outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain shares representing more than fifty percent (50%) of the voting power of the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether Parent is the surviving entity; or

(d) the board of directors of Parent shall cease to consist of a majority of Continuing Directors .

“ **Closing Date** ” means October 16, 2014.

“ **COC Redemption Price** ” means, with respect to any outstanding Loans held by a Lender, (x) if the Prepayment Date of such Loans is on or before the Second Anniversary , the sum of (i) the aggregate principal amount of such Loans (including PIK Interest that has been added to such principal amount pursuant to Section 2.4(a)) *plus* (ii) the aggregate amount of accrued and unpaid interest on such Loans to the Prepayment Date, *plus* (iii) an amount determined by Administrative Agent as equal to the required interest payments due on such Loans from the Prepayment Date through the date immediately following the Second Anniversary; and (y) if the Prepayment Date of such Loans is after the Second Anniversary, the sum of (i) 101% of the aggregate principal amount of such Loans (including PIK Interest that has been added to such principal amount pursuant to Section 2.4(a)) *plus* (ii) the aggregate amount of accrued and unpaid interest on such Loans to the date of repayment of such Loans.

“ **Collateral** ” means all of each Loan Party’s right, title, and interest in and to all Property of such Loan Party, including equipment, Borrower’s equity in each Subsidiary of Borrower and each Subsidiary’s interest in its Subsidiaries, and any other assets of the Credit Parties described in the Security Agreements, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the Collateral, and other proceeds resulting from the sale, exchange, collection, or other disposition of any of the foregoing, or any portion thereof or interest therein; provided that the Collateral shall not include the Excluded Collateral (as defined in the Security Agreement).

“ **Collections** ” means all cash, checks, notes, instruments, and other items of payment (including, insurance proceeds, proceeds of cash sales, rental proceeds, and Tax refunds) of the Loan Parties.

“ **Collections Account** ” means Account No. 0095 1314 5580 maintained by Towerstream I with Bank of America.

“ **Commitment** ” means as to each Lender, the commitment of such Lender to make a Loan to Borrowers on the Closing Date, in the principal amount not to exceed the Dollar amount set forth opposite such Lender’s name on Schedule 1.1(a).

“ **Communications Act** ” means, collectively, the Communications Act of 1934, as amended by the Telecommunications Act of 1996.

“ **Competitor** ” means any Person that engages primarily in one or more of the Segments, as the same are described in the most recent Form 10-K or 10-Q filed by Parent prior to the date on which the determination of whether a Person is a “Competitor” is to be made for the purposes of this Agreement .

“ **Compliance Certificate** ” means a certificate substantially in the form of **Exhibit B** and delivered by a Financial Officer of Borrower Representative to Administrative Agent.

“ **Confidential Information** ” means items of Collateral and information provided to Administrative Agent and Lenders by the Loan Parties that are confidential and proprietary information of the Loan Parties, if and to the extent such information either (i) is marked as confidential by the Loan Parties at the time of disclosure, or (ii) should reasonably be understood to be confidential.

“ **Consolidated EBITDA** ” means, for any period, the sum of (i) Consolidated Net Income for such period, plus (ii) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (A) Consolidated Interest Expense, (B) total federal, state, local and foreign income, value added and similar taxes and (C) depreciation and amortization expense, in each case, of the Loan Parties on a consolidated basis for such period, as determined in accordance with GAAP.

“ **Consolidated Interest Expense** ” means, for any period, interest expense of the Loan Parties on a consolidated basis for such period, as determined in accordance with GAAP.

“ **Consolidated Net Income** ” means, for any period, net income (excluding extraordinary items) after taxes for such period of the Loan Parties on a consolidated basis, as determined in accordance with GAAP.

“ **Continuing Directors** ” means the directors of Parent on the Closing Date and each other director, if, in each case, such other director’s nomination for election to the board of directors of Parent is recommended by at least 66-2/3% of the then Continuing Directors.

“ **Control Agreement** ” means a control agreement, in form and substance reasonably satisfactory to Administrative Agent, among a Loan Party, Administrative Agent, and the applicable bank or securities intermediary with respect to a DDA or a securities account, as applicable.

“ **Credit Exposure** ” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans at such time.

“ **Daily Balance** ” means the amount of an Obligation owed at the end of a given day; provided, for the sake of clarity, that subject to Section 2.4(a), “Daily Balance” shall not include PIK Interest until the applicable Interest Payment Date or the Maturity Date, as the case may be.

“ **DDA** ” means any Deposit Account (as defined in the UCC) maintained by any Loan Party.

“ **Default** ” means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

“ **Default Rate** ” has the meaning set forth in Section 2.4(b).

“ **Defaulting Lender Rate** ” means the Reference Rate for the first three (3) days from and after the date the relevant payment is due and, thereafter, at the interest rate then applicable to Loans.

“ **Delisting** ” means that the shares of Parent’s common stock cease to be listed, traded or publicly quoted on the NASDAQ Capital Market for any reason and are not promptly thereafter re-listed, re-traded or re-quoted on another Principal Market.

“ **Disposition** ” has the meaning specified in Section 7.4(c). “Dispose” has a correlative meaning thereto.

“ **Disqualified Capital Stock** ” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof on or prior to October 16, 2020 for cash or is convertible into or exchangeable for debt securities of Parent or its Subsidiaries at any time prior to such anniversary.

“ **Dollars** ” or “ **\$** ” means United States dollars.

“ **Eligible Assignee** ” means (a) a Lender, (b) any Subsidiary or Affiliate of a Lender or any investor in a Lender, (c) a Related Fund, and (d) any other Person (other than a natural person) approved by Administrative Agent in its sole discretion (and, if applicable, by Borrower Representative pursuant to Section 15.2(c)); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include Borrowers or any of Borrowers’ Affiliates or Subsidiaries.

“ **Environmental Action** ” means any complaint, order, demand, citation or notice issued in writing to any Loan Party by any Person with regard to air emissions, water discharges, releases, or disposal of any Hazardous Material, noise emissions or any other environmental, human health or safety matter affecting any Loan Party or any of their respective Properties.

“ **Environmental Laws** ” means any and all Legal Requirements pertaining to human health or the environment in effect in any and all jurisdictions in which any Loan Party is conducting or at any time has conducted business, or where any Property of any Loan Party is located, including the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 (“ **CERCLA** ”), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 (“ **RCRA** ”), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. The term “ **release** ” (or “ **threatened release** ”) has the meaning specified in CERCLA, and the terms “ **solid waste** ” and “ **disposal** ” (or “ **disposed** ”) have the meanings specified in RCRA; provided, however, that (i) in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment, and (ii) to the extent the laws of the state in which any Property of any Loan Party is located establish a meaning for “oil,” “release,” “solid waste” or “disposal” which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply as to such Loan Party and the Property thereof located within that particular state.

“ **Environmental Liability** ” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ **Environmental Lien** ” means any Lien in favor of any Governmental Authority for any liabilities, monetary obligations, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand by any Governmental Authority or any third party, and which relate to any environmental action (whether remedial, preventative, investigatory or otherwise).

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1000 et seq., and regulations or guidance promulgated thereunder.

“ **ERISA Affiliate** ” means (a) any corporation subject to ERISA whose employees are treated as employed by the same employer as the employees of the Loan Parties under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of the Loan Parties under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which any Borrower is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any party subject to ERISA that is a party to an arrangement with any Loan Party and whose employees are aggregated with the employees of any Borrower under IRC Section 414(o).

“ **ERISA Event** ” means (a) a Reportable Event with respect to any Benefit Plan or Multiemployer Plan, (b) the withdrawal of any Loan Party or any ERISA Affiliate from a Benefit Plan during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Benefit Plan in a distress termination (as described in Section 4041(c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Benefit Plan or Multiemployer Plan, (e) any event or condition (i) that provides a basis under Section 4042(a) (1), (2), or (3) of ERISA for the termination of, or the appointment of a trustee to administer, any Benefit Plan or Multiemployer Plan, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA, or (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of any Borrower, any of its Subsidiaries or ERISA Affiliates from a Multiemployer Plan.

“ **Event of Default** ” has the meaning set forth in Article 8.

“ **Exchange Act** ” means the Securities Exchange Act of 1934.

“ **Excluded Taxes** ” means, with respect to Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of Borrowers hereunder, (a) Taxes imposed on or measured by its overall net income (however denominated), and franchise Taxes imposed on it (in lieu of net income Taxes) by any jurisdiction (or any political subdivision thereof) that imposes such Taxes as a result of a present or former connection between Administrative Agent, Lender or such other recipient, as the case may be, and such jurisdiction (other than any such connection arising solely from Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of Borrowers under any Loan Document having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document), (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction in which any Borrower is located, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by any Borrower under Section 4.2(b)), any withholding Tax imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new lending office) or that is attributable to such Foreign Lender’s failure or inability (other than as a result of a change in Tax law) to comply with Sections 4.1(f), except and only to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from any Borrower with respect to such withholding Tax pursuant to Section 4.1(a), and (d) any U.S. withholding Taxes that are imposed by FATCA.

“ **Extraordinary Proceeds** ” means any cash received by any Loan Party in connection with any Casualty Event, net of any reasonable expenses incurred in collecting such Extraordinary Proceeds.

“ **FATCA** ” means Sections 1471 through 1474 of the IRC and any regulations or official interpretations thereof.

“ **FCC** ” means the Federal Communications Commission.

“ **Fee Letter** ” means that certain letter agreement dated as of the Closing Date between Borrowers and Administrative Agent.

“ **FEIN** ” means Federal Employer Identification Number.

“ **Financial Officer** ” means any of the President, Chief Financial Officer, Controller, Vice President and Treasurer, or such other officer of Borrower Representative so designated in writing to Administrative Agent and acceptable to Administrative Agent.

“ **Fiscal Quarter** ” means each fiscal quarter ending on the last day of each March, June, September and December.

“ **Fiscal Year** ” means each fiscal year of the Loan Parties for accounting and tax purposes, ending on December 31 of each year.

“ **Foreign Lender** ” means any Lender that is not a “United States person” within the meaning of Section 7701(a)(30) of the IRC.

“ **Funding Account** ” means Account No. 0095 1314 5580 maintained by Towerstream I with Bank of America.

“ **GAAP** ” means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

“ **Governing Documents** ” means, with respect to any Person, the certificate or articles of incorporation, by-laws, limited liability company agreement or other organizational or governing documents of such Person.

“ **Governmental Authority** ” means any nation or government, any state, province, or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including the SEC, the NASDAQ Stock Market, LLC or the then Principal Market of Parent, the IRS, and the FCC) , and any corporation or other entity owned or controlled, through Capital Stock or otherwise, by any of the foregoing.

“ **Guarantor** ” means each Subsidiary of a Borrower that is not itself a Borrower.

“ **Guaranty** ” means a guaranty in substantially the form of **Exhibit D** and executed by a Guarantor, and “ **Guaranties** ” means all such guaranties collectively.

“ **Hazardous Materials** ” means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as “hazardous substances,” “hazardous materials,” “hazardous wastes,” “toxic substances,” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or “EP toxicity”, (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

“ **Hedging Agreements** ” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, puts, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“ **Hetnets Spin-Off** ” means a corporate restructuring of Hetnets pursuant to which all of the assets or Capital Stock of Hetnets is “spun-off” as a result of which (if an asset transfer) Hetnets ceases to conduct business in the ordinary course, or (if a transfer of Capital Stock) Parent ceases to control Hetnets. For the purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct the management and policies of Hetnets.

“ **Holdout Lender**” has the meaning set forth in Section 16.3(a).

“ **Indebtedness** ” of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to Property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of Property or services (excluding current accounts payable incurred in the ordinary course of business and not more than 60 days past due), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on Property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all guarantees by such Person of Indebtedness of others, (h) all Capitalized Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances, (k) all obligations of such Person with respect to any arrangement, directly or indirectly, whereby such Person shall sell or transfer any material asset, and whereby such Person shall then or immediately thereafter rent or lease as lessee such asset or any part thereof, (l) all recourse and support obligations of such Person with respect to the sale or discount of any of its accounts receivable, (m) all obligations of such Person with respect to any arrangement for the purchase of materials, supplies, other Property or services if such arrangement by its express terms requires that payment be made by such Person regardless of whether such materials, supplies, other Property or services are delivered or furnished to it, (n) net liabilities of such Person under all Hedging Agreements for realized losses when such are due and payable, (o) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any, (p) all obligations of such Person under operating leases which require such Person to make payments over the term of such lease based on the purchase price or appraised value of the Property subject to such lease plus a marginal interest rate, and used primarily as a financing vehicle for, or to monetize, such Property and (q) obligations of others of the kinds referred to in clauses (a) through (p) guaranteed by, or secured by any Lien on or in respect of any Property of, such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor . For purposes hereof, the “maximum fixed repurchase price” of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the board of directors of the issuer of such Disqualified Capital Stock.

“ **Indemnified Taxes** ” means Taxes other than Excluded Taxes.

“ **Insolvency Proceeding** ” means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

“ **Intellectual Property** ” has the meaning set forth in Section 5.14.

“ **Interest Payment Date** ” has the meaning set forth in Section 2.4(a).

“ **Investment** ” means, with respect to any Person, any investment by such Person in any other Person in the form of loans, guarantees, advances (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) bona fide Accounts arising from the sale of goods or rendition of services in the ordinary course of business consistent with past practices), capital contributions, acquisitions of Capital Stock or interests in any Business Acquisitions and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

“ **IRC** ” means the Internal Revenue Code of 1986 and the regulations thereunder.

“ **IRS** ” means the United States Internal Revenue Service.

“ **Knowledge** ” means, in respect of any Loan Party, the knowledge of any Person serving, or who has served, as a Responsible Officer or any director, manager, member, partner, equity holder, member or any similar capacity of such Loan Party who has or had knowledge of the relevant facts or circumstances after due enquiry by such Person. The “knowledge” of a particular fact or matter will be deemed to be present for a Person if such Person is actually aware of such fact or matter or a prudent Person could be expected to discover or otherwise become aware of such fact or matter in the course of conducting a reasonable investigation concerning the existence of such fact or matter.

“ **Legal Requirements** ” means all applicable international, foreign, federal, state, and local laws, judgments, decrees, orders, statutes, ordinances, rules, regulations, or Permits, including all Environmental Laws, the Communications Assistance for Law Enforcement Act and the Communications Act of 1934 .

“ **Lender** ” and “ **Lenders** ” have the respective meanings set forth in the preamble to this Agreement, and shall include any other Person made a party to this Agreement in accordance with the provisions of Section 4.2(b), Section 15.2 or Section 16.3 for so long as such Person is a Lender hereunder.

“ **Lender Group** ” means, individually and collectively, each of the individual Lenders and Administrative Agent.

“ **Lender Group Expenses** ” means all verifiable, documented and reasonable costs and expenses required to be paid by any Loan Party under any of the Loan Documents (minus any remaining amount of the Expense Advance (as defined in the Letter of Intent), that are paid or incurred by any one or more members of Lender Group in connection with the preparation, negotiation and administration of the Loan Documents; verifiable, documented and reasonable fees or charges paid or incurred by Administrative Agent in connection with Lender Group’s transactions hereunder or under any other Loan Document with any Loan Party, including, fees or charges for public record searches (including tax lien, litigation, and UCC or equivalent searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, appraisal (including environmental audits); costs and expenses incurred by any one or more members of Lender Group in the disbursement of funds to Borrowers (by wire transfer or otherwise); charges paid or incurred by any one or more members of Lender Group resulting from the dishonor of checks made by any Loan Party; costs and expenses paid or incurred by any one or more members of Lender Group to correct any Default or Event of Default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated; verifiable, documented and reasonable costs and expenses paid or incurred by Administrative Agent and, if a Default or Event of Default has occurred and is continuing, any one or more members of Lender Group , in examining the Books as permitted hereunder; verifiable, documented and reasonable costs and expenses of third party claims or any other suit paid or incurred by any one or more members of Lender Group in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents; and Administrative Agent’s (and after the occurrence and during the continuance of an Event of Default, Administrative Agent’s and each Lender’s) reasonable attorney’s fees and expenses incurred in advising, structuring, drafting, reviewing, amending, terminating, enforcing (including reasonable attorney’s fees and expenses incurred in connection with a “workout,” a “restructuring,” or an Insolvency Proceeding concerning any Loan Party or in exercising rights or remedies under the Loan Documents), defending, or concerning the Loan Documents, irrespective of whether suit is brought, or in any remedial action concerning the Collateral. Notwithstanding the foregoing, in no event shall any portion of salary or compensation paid by any Loan Party to its full time or part time employees constitute Lender Group Expenses.

“ **Lender-Related Persons** ” means, with respect to any Lender, such Lender, together with such Lender’s Affiliates, Related Funds, and the officers, directors, employees, counsel, agents, and attorneys-in-fact of such Lender and such Lender’s Affiliates.

“**Letter of Intent**” means that certain Letter of Intent, dated August 22, 2014 between Parent and Melody.

“ **Lien** ” means any interest in Property securing an obligation owed to, or a claim by, any Person other than the owner of the Property, whether such interest shall be based on the common law, statute, or contract, whether such interest shall be recorded or perfected, and whether such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, including the lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, adverse claim or charge, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and also including reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting any real property. For purposes of this Agreement, each Loan Party shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create financing.

“ **Loan Account** ” has the meaning set forth in Section 2.7.

“ **Loan Documents** ” means this Agreement, the Guaranties, the Security Documents, the Fee Letter, the Warrants, the Melody Warrants Conveyance Agreements, any note or notes executed by Borrowers and payable to Lender Group, the Perfection Certificate dated September 5, 2014 delivered by Parent to Administrative Agent (as amended by Amendment dated October 15, 2014), the OID Letter, and any other agreement entered into, now or in the future, in connection with this Agreement.

“ **Loan Party** ” means Borrowers and Guarantors.

“ **Loans** ” means the term loans made by Lenders to Borrowers on the Closing Date.

“ **Majority Lenders** ” means, at any time, two or more Lenders having Credit Exposures representing more than 50% (or if there is only one Lender, 100%) of the Aggregate Credit Exposure.

“ **Make-Whole Premium** ” means, with respect to a Loan prepaid at any time, whether at the option of Borrower or otherwise, an amount determined by Administrative Agent as equal to the excess, if any, of (a)(i) the principal amount of such Loan multiplied by the applicable Prepayment Percentage at the date immediately following the Second Anniversary as set forth in Section 2.3(c)(vi), expressed in Dollars, plus (ii) all required interest payments (whether in cash or PIK Interest) due on such Loan through the date immediately following the Second Anniversary (except, in each case, for accrued and unpaid interest to the Prepayment Date), over (b) the principal amount of such Loan on the Prepayment Date .

“ **Material Adverse Change** ” means (a) a material adverse change in the business, operations, assets, liabilities or condition (financial or otherwise) of the Loan Parties taken as a whole, (b) a material adverse effect on the ability of the Loan Parties, taken as a whole, to carry out their business as of the Closing Date or as proposed as of the Closing Date, (c) the material impairment of any Loan Party’s ability to perform its obligations under any of the Loan Documents to which it is a party or of Lender Group to enforce the Obligations or realize upon the Collateral, or (d) a material impairment of the enforceability or priority of Administrative Agent’s Liens with respect to the Collateral.

“ **Material Contract** ” means , with respect to any Person, any contract or agreement of the type described in Item 601(b)(10) of Regulation S-K of the Securities Act of 1933 (regardless of whether or not such Item is applicable to such Person).

“ **Maturity Date** ” means the earliest to occur of (a) the Scheduled Maturity Date, (b) the date the payment of the Obligations has been accelerated pursuant to Section 2.3(c)(iii), or (c) the date the payment of the Obligations has been accelerated pursuant to Article 8 upon the occurrence of an Event of Default.

“ **Melody** ” means Melody Business Finance, LLC, a Delaware limited liability company, in its individual capacity (and not in its capacity as a Lender or Administrative Agent).

“ **Moody’s** ” means Moody’s Investors Service, Inc.

“ **Multiemployer Plan** ” means a “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA) to which any Loan Party or any ERISA Affiliate has contributed, or was obligated to contribute, within the past six years.

“ **Net Cash Proceeds** ” means, (A) with respect to any Disposition of any Property by any Loan Party, the excess, if any, of (a) the sum of cash and Cash Equivalents received in connection with such Disposition, but only as and when so received, over (b) the sum of (i) the principal amount of any Indebtedness that is secured by Liens on such Property senior to Liens securing the Obligations and that is required to be repaid in connection with such Disposition (other than the Loans), (ii) the reasonable out-of-pocket expenses incurred by any Loan Party in connection with such Disposition, (iii) all legal, title and recording tax expense and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP as a consequence of such Disposition, (iv) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Disposition and retained by any Loan Party after such Disposition, and (v) any portion of the purchase price from such Disposition placed in escrow or held back, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Disposition or otherwise in connection with such Disposition; provided, however, that upon the termination of that escrow or hold back, Net Cash Proceeds will be increased by any portion of funds in the escrow that are released to any Loan Party, and (B) with respect to any incurrence, issuance or refinancing of any Indebtedness or Capital Stock, the cash proceeds from such incurrence, issuance or refinancing net of underwriting discounts and commissions and other reasonable costs and expenses associated therewith, including reasonable legal fees and expenses.

“ **Network Assets** ” means all of each Loan Party’s now owned or hereafter acquired right, title and interest in and with respect to all antennas, servers, auxiliary units, port switches, power supplies, such other equipment of whatever nature installed at wireless points of presence and co-location facilities, and any other device that enables connection to the network comprised of certain assets and properties including wireless points of presence, customer premise equipment, co-location and connectivity facilities and agreements, tower and other property leases, and other network and related equipment through which a Loan Party operates its business.

“ **Network Site Lease Agreements** ” means POP Agreements and Rooftop Agreements, as each such term is defined in the Security Agreement.

“ **Non-Call Make-Whole Premium** ” means, with respect to the prepayment of the Loans pursuant to Section 2.3(c)(ii), Section 2.3(c)(iii) (other than subclause (F) thereof), Section 2.3(c)(vii) or Article 8 on or before the Second Anniversary , an amount determined by Administrative Agent as equal to the required interest payments (regardless of whether in cash or PIK Interest) due on the Loans through the date immediately following the Second Anniversary (except for accrued and unpaid interest to the Prepayment Date) .

“ **Obligations** ” means all Loans, debts, principal, interest (including any interest that, but for the provisions of the Bankruptcy Code, would have accrued), premiums (including the Make-Whole Premium, the Non-Call Make Whole Premium or any Prepayment Premium), liabilities (including all amounts charged to Borrowers’ Loan Account pursuant hereto), obligations, fees, charges, costs, Lender Group Expenses (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued), lease payments, guaranties, covenants, and duties of any kind and description owing by any Loan Party to the Secured Parties pursuant to or evidenced by the Loan Documents irrespective of whether for the payment of money and including all claims for indemnity under the Loan Documents including claims under Section 11.2, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and further including all interest not paid when due and all Lender Group Expenses that any Loan Party is required to pay or reimburse by the Loan Documents, by law, or otherwise. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals, replacements, substitutions, and supplements, thereto and thereof, as applicable, both prior and subsequent to any Insolvency Proceeding; provided, however, that Obligations shall not include any obligations, liabilities or indebtedness of Parent under the Warrant .

“ **OFAC** ” means The Office of Foreign Assets Control of the United States Department of the Treasury.

“ **OID Letter** ” means that certain letter agreement, dated the date hereof, among Borrowers and Administrative Agent pertaining to original issue discount with respect to the Loans.

“ **One Month LIBOR** ” means, for any day, the most recently effective one month London Interbank Offered Rate as published at http://online.wsj.com/mdc/public/page/2_3020-libor.html or any successor web page published by the Wall Street Journal (or, if such publication is not available for any reason, such other publication as reasonably selected by Administrative Agent).

“ **Operating Income** ” means, with respect to each Segment, the amount reported as the operating income of such Segment on Parent’s quarterly and annual financial statements filed with the SEC .

“ **Other Taxes** ” means all present or future stamp or documentary Taxes or any other excise or property Taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery, or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“ **Parent** ” has the meaning set forth in the preamble to this Agreement.

“ **Participant** ” has the meaning set forth in Section 15.4.

“ **PBGC** ” means the Pension Benefit Guaranty Corporation as defined in Title IV of ERISA.

“ **Permits** ” of a Person means all rights, franchises, permits, authorities, licenses, certificates of approval or authorizations, including licenses and other authorizations issuable by a Governmental Authority (including the FCC) , which pursuant to applicable Legal Requirements are necessary to permit such Person lawfully to conduct and operate its business as currently conducted and to own and use its assets.

“ **Permitted Acquisition** ” means a Business Acquisition complying with the provisions of Section 7.12(g) or 7.12(h).

“ **Permitted Hetnets Spin-Off** ” means a Hetnets Spin-Off complying with the provisions of Section 7.3(a)(iii).

“ **Permitted Indebtedness** ” means: (i) Indebtedness of the Loan Parties in favor of Lenders or Administrative Agent arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1.1(b); (iii) Indebtedness of up to \$250,000 in the aggregate outstanding at any one time, provided (1) no Default or Event of Default has occurred and is continuing at the time of the incurrence of such Indebtedness or would result therefrom, and (2) such Indebtedness shall be unsecured; (iv) Qualified Other Debt; (v) Indebtedness incurred in the ordinary course of business, including suppliers, consultants and advisors, employees and board members, corporate credit cards and other similar accounts payable related amounts; (vi) Capital Lease Obligations for equipment to be used in the ordinary course of business; (vii) purchase money Indebtedness with respect to equipment or other goods, provided that (x) such Indebtedness is incurred prior to or within 90 days after such acquisition of equipment or other goods and (y) the aggregate principal amount of Indebtedness permitted by this clause (vii) shall not exceed \$250,000 in the aggregate at any one time outstanding, and (viii) extensions, refinancings and renewals of any items of Indebtedness described in clauses (ii), (iii), (v), (vi) and (vii), provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon any Loan Party.

“ **Permitted Investments** ” has the meaning set forth in Section 7.12.

“ **Permitted Liens** ” means (a) Liens held by Administrative Agent for the benefit of the Secured Parties, (b) Liens for unpaid Taxes that either (i) are not yet due and payable or (ii) are the subject of Permitted Protests, (c) the interests of lessors under operating leases to the extent that the Lien only attaches to the asset purchased or acquired and only secures the purchase price of the asset, (d) Liens arising by operation of law in favor of warehousemen, artisans, landlords, carriers, mechanics, materialmen, laborers, or suppliers, or other like Liens arising by operation of law incidental to the relevant Loan Party ’s business incurred in the ordinary course of business of such Loan Party and not in connection with the borrowing of money, and which Liens either (1) are for sums not yet due and payable, or (2) are the subject of Permitted Protests, (e) the following deposits, to the extent made in the ordinary course of business: deposits under worker’s compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than Liens arising under ERISA or environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds; (f) Liens on deposits and escrowed funds made to secure performance of bids, tenders and leases (to the extent permitted under this Agreement) incurred in the ordinary course of business of the relevant Loan Party and not in connection with the borrowing of money, (g) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8(j) , (h) minor defects in title which (1) do not materially interfere with the ordinary conduct of the business of the relevant Loan Party, and (2) do not interfere with or materially impair the value of Administrative Agent’s Lien (if any) therein for the benefit of the Secured Parties, (i) Liens reserved in leases for rent and for compliance with the terms of the leases, to the extent that any such Lien referred to in this clause (i) does not materially impair the use of the property covered by such Lien for the purposes for which such property is leased by the relevant Loan Party, (j) Liens in connection any Capital Lease, to the extent that the Lien only attaches to the asset leased and only secures the relevant Loan Party’s obligations under such Capital Lease, (k) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor, (m) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due, (n) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets), (o) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms, solely to the extent incurred in connection with the maintenance of accounts with such Persons, (p) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the use, value or marketability of the related property, (q) purchase money Liens securing purchase money Indebtedness permitted under clause (vii) of the definition of Permitted Indebtedness, provided that such Liens only attach to the equipment or other goods financed by such Indebtedness, the Indebtedness secured thereby does not exceed 100% of the cost of acquiring such equipment or other goods, and such Liens are incurred prior to or within 90 days after such acquisition, (r) Liens existing on the Closing Date which are disclosed in Schedule 1.1(b), (s) Liens securing Indebtedness incurred in connection with a Permitted Acquisition under Section 7.12(h), provided that such Liens shall be subordinated to the Liens granted by the Loan Parties under the Loan Documents pursuant to terms and conditions satisfactory to Administrative Agent, and (t) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (a) through (s) above; provided, that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

“ **Permitted Preferred Stock** ” means a series of preferred stock designated by the Board of Directors of the Parent; provided, that (x) the terms, conditions and attributes of any such series of preferred stock shall be substantially similar in all material respects to the Parent’s common stock (it being agreed that such certificate of designation may (i) preclude voting by the holder until such shares of preferred stock are converted into shares of the Parent’s common stock and (ii) include customary limitations on the conversion of such preferred stock into shares of the Parent’s common stock to the extent that either (A) the holder or any of its affiliates would beneficially own in excess of 9.99% of the Parent’s common stock after giving effect to such conversion and/or (B) are necessary to ensure compliance with NASDAQ Listing Rule 5635(d)); (y) no portion of such preferred stock shall consist of any Disqualified Capital Stock; and (z) without limiting the generality of the foregoing, such preferred stock shall not have any dividend or liquidation rights more favorable to the holders thereof than those possessed by holders of Parent’s common stock.

“ **Permitted Protest** ” means the right of the relevant Loan Party to protest any Lien (other than any Lien that secures the Obligations), Tax or other obligation, provided that (a) any such protest is being properly contested in good faith by such Loan Party, (b) while any such protest is pending, there is no material impairment of the enforceability, validity, or priority of any of Administrative Agent’s Liens in and to the Collateral and (c) the failure to make any payment while any such protest is pending could not reasonably be expected to result in a Material Adverse Change.

“ **Person** ” means and includes natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“ **PIK Interest** ” has the meaning set forth in Section 2.4(a).

“ **Plan** ” means any employee benefit plan, program, or arrangement maintained or contributed to by any Loan Party or any of their ERISA Affiliates, or with respect to which any such entity may incur liability.

“ **Prepayment Date** ” means the date on which any Loan is prepaid in whole or in part pursuant to this Agreement.

“ **Prepayment Percentage** ” has the meaning set forth in Section 2.3(c)(vi).

“ **Prepayment Premium** ” means, on any date, (a)(i) the applicable Prepayment Percentage minus (ii) 100% multiplied by (b) the principal amount of the Loans (including PIK Interest and then accrued and unpaid PIK Interest) being prepaid (or that are required to be prepaid) on such date.

“ **Principal Market** ” means the following exchanges or markets on which the Common Stock of Parent is then listed or quoted for trading on the date in question: the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, the New York Stock Exchange or the NYSE MKT, LLC., the OTC Bulletin Board, or the OTCQB published by OTC Market Group, LLC (or any similar organization or agency succeeding to its functions of reporting prices).

“ **Property** ” means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

“ **Pro Rata Share** ” means, with respect to any Lender, (a) prior to the funding of the Loans, the percentage obtained by dividing (i) such Lender’s Commitment by (ii) \$35,000,000, and (b) immediately following the funding of the Loans, the percentage obtained by dividing (i) the sum of such Lender’s Credit Exposure at such time by (ii) the Aggregate Credit Exposure at such time.

“ **PUC** ” means any state regulatory agency or body that exercises jurisdiction over the rates or services or the ownership, construction or operation of any network facility or long distance telecommunications systems or over Persons who own, construct or operate a network facility or long distance telecommunications systems, in each case by reason of the nature or type of the business subject to regulation and not pursuant to laws and regulations of general applicability to Persons conducting business in such state.

“ **Qualified Capital Stock** ” means any Capital Stock that is not Disqualified Capital Stock.

“ **Qualified Other Debt** ” means Indebtedness incurred by any Loan Party after the date hereof to one or more Persons reasonably satisfactory to Lender which Indebtedness is subject to terms and conditions, including payment and economic terms, and subordination terms in favor of Administrative Agent, that are reasonably acceptable to Administrative Agent and (i) is incurred at a time that no Default or Event of Default has occurred and is continuing, (ii) is unsecured, (iii) does not require the payment of any principal prior to three (3) months after the Scheduled Maturity Date, (iv) bears cash interest at a rate not greater than 12% per annum, and (v) is evidenced by loan documentation, and subject to a subordination agreement, acceptable in form and substance to Lender in its sole discretion.

“ **Record** ” means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

“ **Reference Rate** ” means for any day the greater of (a) the “Prime Rate” as published for each Business Day (or if such day is not a Business Day, the immediately preceding Business Day) in the Wall Street Journal under the caption “Money Rates, Prime Rate” and (b) 5.00% per annum. Any change in the Reference Rate due to a change in the “Prime Rate” shall be effective on the effective date of such change in the “Prime Rate”.

“ **Register** ” has the meaning set forth in Section 15.3.

“ **Reinvestment Deferred Amount** ” means with respect to any Reinvestment Event, the aggregate Extraordinary Proceeds received by a Loan Party in connection therewith that are not applied to prepay the Loans as a result of the delivery of a Reinvestment Notice.

“ **Reinvestment Event** ” means any Casualty Event in respect of which the Borrower has delivered a Reinvestment Notice.

“ **Reinvestment Notice** ” means a written notice executed by a Responsible Officer stating that no Event of Default has occurred and is continuing and that Parent (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Extraordinary Proceeds of a Casualty Event to acquire or repair assets (other than current assets) useful in its business.

“ **Reinvestment Prepayment Amount** ” means with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to replace or repair the assets affected by such Reinvestment Event.

“ **Reinvestment Prepayment Date** ” means with respect to any Reinvestment Event, the earlier of (a) the date occurring 12 months after the receipt by the relevant Loan Party of proceeds relating to such Reinvestment Event (or the date occurring six months after the last day of such 12 month period if the replacement or repair of the assets affected by such Reinvestment Event is a project authorized by the board of directors of the relevant Loan Party prior to the last day of such 12 month period and the relevant Loan Party has entered into a contract to complete such project) and (b) the date on which the relevant Loan Party shall have determined not to, or shall have otherwise ceased to, replace or repair the assets affected by such Reinvestment Event with all or any portion of the relevant Reinvestment Deferred Amount.

“ **Related Fund** ” means a fund, money market account, investment or other account or other entity (or another entity which is a "designated vehicle" or "parallel fund" of such entity or fund) that is administered or managed by a Lender or an Affiliate of such Lender or an entity or an affiliate of an entity that administers or manages such Lender.

“ **Related Parties** ” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“ **Replacement Lender** ” has the meaning set forth in Section 16.3(a).

“ **Reportable Event** ” means any of the events described in Section 4043(c) of ERISA or the regulations thereunder other than a Reportable Event as to which the provision of 30 days’ notice to the PBGC is waived under applicable regulations.

“ **Responsible Officer** ” means, with respect to any Person, any of the president, chief executive officer, vice president, executive vice president, chairman, chief financial officer, treasurer, assistant treasurer, managing member or general partner of such Person but, in any event, with respect to financial matters, any Financial Officer. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party (including a Financial Officer) shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“ **Retiree Health Plan** ” means an “employee welfare benefit plan” within the meaning of Section 3(1) of ERISA that provides benefits to individuals after termination of their employment, other than as required by Section 601 of ERISA.

“ **Revenues** ” means, with respect to each Segment, the amount reported as the revenues of such Segment on Parent’s quarterly and annual financial statements filed with the SEC .

“ **S&P** ” means Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

“ **Sanctioned Entity** ” means (a) a country or government of a country; (b) an agency of the government of a country; (c) an organization directly or indirectly controlled by a country or its government; or (d) a Person resident in or determined to be a resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

“ **Sanctioned Person** ” means a person named on the list of Specially Designated Nationals maintained by OFAC.

“ **Scheduled Maturity Date** ” means October 16, 2019.

“ **SEC** ” means the United States Securities and Exchange Commission.

“**SEC Filings** ” means all of Parent’s Quarterly Reports on Form 10-Q, annual Reports on Form 10-K and Current Reports on Form 8-K, proxy statements and registration statements filed by the Parent with the SEC since January 19, 2007 and made available to the public through the EDGAR System.

“ **Second Anniversary** ” means October 16, 2016.

“ **Secured Parties** ” means Administrative Agent and Lenders.

“ **Securitization** ” has the meaning set forth in Section 2.11.

“ **Securitizing Lender** ” has the meaning set forth in Section 2.11.

“ **Security Agreement** ” means that certain Security Agreement in the form attached hereto as Exhibit E.

“ **Security Documents** ” means, collectively, the Security Agreement and any other security agreements, pledges, mortgages, deeds of trust, assignments, stock pledge agreements, assignments of partnership interests, assignments of member interests, and such other agreements, documents and instruments, in form and substance reasonably satisfactory to Administrative Agent, which are, or are to be, executed by a Loan Party in favor of Administrative Agent and/or the Secured Parties as may be required from time to time by Administrative Agent to provide Administrative Agent for the benefit of the Secured Parties with Liens upon all of the assets and properties of such Loan Party as security for the payment and performance in full of the Obligations.

“ **Security Termination** ” means such time at which each of the following events shall have occurred on or prior to such time: (a) the termination of the Aggregate Commitment, and (b) the payment in full in cash of all Obligations (other than indemnity obligations and similar obligations that survive the termination of the Loan Documents for which no notice of a claim has been received by the Loan Parties).

“ **Segment** ” means each of Parent’s Fixed Wireless and Shared Wireless Infrastructure segments, and any other subsequent business activity required under GAAP to be reported as a segment, as disclosed in Parent’s quarterly and annual financial statements filed with the SEC .

“ **Significant Contract** ” means (a) any Material Contract; (b) any contract, agreement or arrangement (each a “ **Contract** ”) relating to the business of a Loan Party which the aggregate amount that could reasonably be expected to be paid or received thereunder in the future exceeds \$100,000 per annum or an aggregate of \$500,000 under the terms of the Contract, or for which the early termination penalty would exceed \$50,000, or in each case, the equivalent thereof in any other currency; (c) any Contract prohibiting or materially restricting the ability of a Loan Party to engage in its business in any geographical area or compete in any line of business; and (d) any Contract which, upon a default or an event of default thereunder by any party thereto (or upon the loss of the use of the benefits thereof), is reasonably likely to result in a significant harm to a Loan Party or its assets, business, properties, reputation or financial condition.

“ **Solvent** ” means, with respect to any Person on a particular date, that on such date (a) the fair value of all of the properties and assets of such Person are greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the properties and assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is able to realize upon its properties and assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (d) such Person does not intend to, and does not reasonably believe that it will, incur debts beyond such Person’s ability to pay as such debts mature, and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s properties and assets would constitute unreasonably small capital after giving due consideration to the prevailing practices in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount that, in light of all the facts and circumstances existing at such time, represents the amount that reasonably can be expected to become an actual or matured liability.

“ **Spin-Off Entity** ” means if the event of a Permitted Spin-Off involving an asset transfer, the Person succeeding to Hetnet’s assets, and in the event of a Permitted Spin-Off involving a transfer of Capital Stock, Hetnets .

“ **Subsidiary** ” means, with respect to any Person (the “ **Subsidiary Parent** ”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the Subsidiary Parent in the Subsidiary Parent ’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which Capital Stock or other ownership interests representing more than 50% of the Capital Stock or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise controlled, by the Subsidiary Parent or one or more subsidiaries of the Subsidiary Parent or by the Subsidiary Parent and one or more subsidiaries of the Subsidiary Parent ; provided that any Person that has, directly or indirectly, the power to direct or cause the direction or the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, shall be deemed to control such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of Borrowers.

“ **Taxes** ” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax, assessments, and penalties applicable thereto.

“ **Tax Related Person** ” means any Person treated as the beneficial owner for U.S. federal income Tax purposes of a payment under any Loan Document who is required under U.S. federal income Tax principles to include in income amounts realized (whether or not distributed) by Administrative Agent or a Lender upon the receipt of a payment under any Loan Document.

“ **Treasury Rate** ” means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least two Business Days prior to the Prepayment Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Prepayment Date to the date immediately following the date that is the two-year anniversary of the Closing Date; provided, however, that if such period is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Prepayment Date to the date immediately following the date that is the two-year anniversary of the Closing Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. Any calculation of the Treasury Rate, Non-Call Make-Whole Premium and Make-Whole Premium by Administrative Agent in connection with any prepayment of the Loans shall be conclusive absent manifest error.

“ **Treasury Regulations** ” means the regulations promulgated under the IRC.

“ **UCC** ” means the New York Uniform Commercial Code.

“ **Voidable Transfer** ” has the meaning set forth in Section 18.9.

“ **Warrant and Registration Rights Agreement** ” means that certain Warrant and Registration Rights Agreement in the form attached hereto as Exhibit F.

“ **Warrants** ” means the warrants granted by Parent to Melody or its Affiliates pursuant to, and in the form attached to, the Warrant and Registration Rights Agreement dated as of a date on or about the date hereof or the Closing Date (or one or more conveyance instruments as of such date). “Warrants” includes the agreement, the rights and obligations under such agreement/instruments and any warrant certificates.

1.2 **Accounting Terms** . Unless otherwise specifically provided herein, any accounting term used in this Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase “in accordance with GAAP” shall in no way be construed to limit the foregoing. If any Accounting Changes (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in this Agreement or any other Loan Document or the interpretations of related provisions, then Borrower Representative shall give Administrative Agent prompt written notice thereof and Borrower Representative and Lenders agree to enter into negotiations in good faith in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Loan Parties' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. “ **Accounting Changes** ” means (a) changes in GAAP or other accounting principles (or the application thereof) required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), including the FASB Accounting Standards Codification™;(b) changes in accounting principles concurred in by Borrowers' certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 and/or 17 and EITF 88- 16, and the application of the accounting principles set forth in FASB 109, or, in each case, any FASB Accounting Standards Codification™ having a similar result or effect, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments. If Lenders and Borrower Representative agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in this Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. Until such time, if any, as this Agreement is so amended, all financial statements delivered and all calculations of financial covenants and other standards and terms in accordance with this Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change. When used herein, the term “financial statements” shall include the notes and schedules thereto. Whenever the term “Borrowers” is used in respect of a financial covenant or a related definition, it shall be understood to mean Borrowers on a consolidated basis unless the context clearly requires otherwise.

1.3 **Construction** . Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term “including” is not limiting. The word “will” shall be construed to have the same meaning and effect as the word “shall.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. An Event of Default shall “continue” or be “continuing” until such Event of Default has been waived in writing by the requisite Lenders in accordance with Section 16.1. Any reference in this Agreement or in the other Loan Documents to this Agreement or any of the other Loan Documents or any other agreement, instrument or document shall include all alterations, amendments, changes, extensions, modifications, renewals, restatements, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, restatements, replacements, substitutions, joinders, and supplements set forth herein or in the other Loan Documents). Any reference herein to any Person shall be construed to include such Person’s permitted successors and assigns, and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities . Any requirement of a writing contained herein or in the other Loan Documents shall be satisfied by the transmission of a Record and any Record transmitted shall be subject to representations and warranties made herein as to the accuracy and completeness of the information contained therein. Any reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision. I n the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.” Any reference in this Agreement or in any of the other Loan Documents to a Default that is continuing or an Event of Default that is continuing or the continuance thereof, means (i) in the case of a Default, one that has not been cured within any applicable cure period (to the extent susceptible to cure), and (ii) in the case of an Event of Default, one that has not been waived in writing by Administrative Agent and Lenders, as the case may be. In further clarification of the foregoing, any Event of Default under this Agreement or under any other Loan Document shall be “continuing” unless and until such Event of Default has been waived in writing by Administrative Agent and Lenders, as the case may be.

1.4 **Schedules and Exhibits** . All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. **LOAN AND TERMS OF PAYMENT.**

2.1 **Term Loans** .

(a) Subject to the terms and conditions of this Agreement (including Article 3), each Lender (severally, not jointly or jointly and severally) agrees to make on the Closing Date a Loan to Borrowers in an aggregate principal amount equal to such Lender's Pro Rata Share of the Aggregate Commitment.

(b) After giving effect to the funding of the Loan to be made by a Lender hereunder, such Lender's Commitment shall immediately terminate without further action.

(c) Subject to the terms and conditions set forth herein, the outstanding unpaid principal balance of all Loans and all accrued and unpaid interest thereof shall be due and payable on the date of termination of this Agreement, whether by its terms, by prepayment, or by acceleration. Amounts borrowed under this Section 2.1 and prepaid or repaid may not be reborrowed .

2.2 **Funding and Borrowings.**

(a) **Procedure for Borrowing** . The borrowing of the Loans shall be requested by Borrower Representative upon irrevocable notice in the form of **Exhibit C** (the "**Borrowing Request** ") delivered in writing to Administrative Agent on or prior to 12:00 p.m. New York, New York time on the Closing Date. The Borrowing Request shall specify (i) the aggregate principal amount of the Loans to be made (which shall be in the amount of each Lender's Commitment), and (ii) the date of the borrowing (which shall be the Closing Date). Administrative Agent shall promptly give each Lender written notice (or telephonic notice promptly confirmed in writing) of the proposed borrowing of the Loans, of such Lender's proportionate share thereof and of the other matters covered by the Borrowing Request .

(b) **Making of Loans** . Provided Borrower Representative has timely given the Borrowing Request, the proceeds of the Loan being made by each Lender shall be deposited by such Lender into the Funding Account by no later than 3:00 p.m. New York, New York time on the Closing Date . If the Borrowing Request is received after 12:00 p.m. New York, New York time on the Closing Date, the proceeds of the Loan being made by each Lender shall be deposited by such Lender into the Funding Account by no later than 12:00 p.m. New York, New York time on the first Business Day following the Closing Date.

(c) **Notation** . Administrative Agent shall record on its books the principal amount of the Loans owing to each Lender and the interests therein of each Lender, from time to time. In addition, each Lender is authorized, at such Lender's option, to note the date and amount of each payment or prepayment of principal of such Lender's Loans in its books and records, including computer records, such books and records constituting rebuttably presumptive evidence, absent manifest error, of the accuracy of the information contained therein .

2.3 **Payments** .

(a) **Payments by Borrowers** .

(i) All payments to be made by Borrowers shall be made without set-off, recoupment, deduction, or counterclaim, except as otherwise required by law. Except as otherwise expressly provided herein, all payments by Borrowers shall be made to Administrative Agent for the account of Lenders at Administrative Agent's address set forth in Article 12, and shall be made in immediately available funds, no later than 12:00 p.m. (New York City time) on the date specified herein. Any payment received by Administrative Agent later than 12:00 p.m. (New York City time), at the option of Administrative Agent, shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(iii) Unless Administrative Agent receives notice from Borrower Representative prior to the date on which any payment is due to Lenders that Borrowers will not make such payment in full as and when required, Administrative Agent may assume that Borrowers have made (or will make) such payment in full to Administrative Agent on such date in immediately available funds and Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrowers do not make such payment in full to Administrative Agent, each Lender shall repay to Administrative Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) **Apportionment and Application .**

(i) Except as may otherwise be agreed among Lenders, aggregate principal and interest payments shall be apportioned ratably among Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and payments of the fees and expenses (other than fees or expenses designated for Administrative Agent's sole and separate account after giving effect to any agreement with Lenders) shall, as applicable, be apportioned ratably among Lenders (according to the unpaid principal balance of the Obligations to which such fees and expenses relate held by each Lender). Except as otherwise provided in clause (b)(iii) below or Section 2.3(c)(i), (ii) and (iii), all payments shall be remitted to Administrative Agent and all such payments not relating to principal or interest of specific Loans, or not constituting payment of specific fees, and all proceeds of Accounts or other Collateral received by Administrative Agent after the occurrence of an Event of Default, shall be applied as follows:

(A) first, to pay any Lender Group Expenses then due to Administrative Agent or any of Lenders under the Loan Documents, until paid in full,

(B) second, to pay any fees then due to Administrative Agent (for its separate account, after giving effect to any agreements between Administrative Agent and the individual Lenders) under the Loan Documents, until paid in full,

(C) third, to pay any fees then due to any or all of Lenders (after giving effect to any agreements between Administrative Agent and individual Lenders) under the Loan Documents, on a ratably basis, until paid in full,

(D) fourth, ratably to pay accrued and unpaid Cash Interest and PIK Interest due in respect of the Loans, until paid in full,

(E) fifth, ratably to pay all outstanding principal amounts of the Loans then due and payable, until paid in full,

(F) sixth, ratably, to pay the Make-Whole Premium, the Non-Call Make Whole Premium or any Prepayment Premium then due and owing by Borrowers, until paid in full,

(G) eighth, to pay any other Obligations, until paid in full, and

(H) ninth, to Borrowers (to be remitted by wire transfer to an account designated by Borrower Representative) or such other Person entitled thereto under applicable law.

For purposes of the foregoing (other than clause (H)), “ **paid in full** ” means payment of all amounts owing under the Loan Documents according to the terms thereof, including loan fees, service fees, professional fees, interest (and specifically including interest accrued after the commencement of any Insolvency Proceeding), default interest, interest on interest, and expense reimbursements, except to the extent that default or overdue interest (but not any other interest) and loan fees, each arising from or related to a default, are disallowed in any Insolvency Proceeding; provided, however, that for the purposes of clause (H), “ **paid in full** ” means payment of all amounts owing under the Loan Documents according to the terms thereof, including loan fees, service fees, professional fees, interest (and specifically including interest accrued after the commencement of any Insolvency Proceeding), default interest, interest on interest, and expense reimbursements, whether or not the same would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(ii) Administrative Agent promptly shall distribute to each Lender at such account and address as provided in the Register, as applicable, such funds as it may be entitled to receive.

(iii) In each instance, so long as no Default or Event of Default has occurred and is continuing, this Section 2.3(b) shall not be deemed to apply to any payment by Borrowers specified by Borrower Representative to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement.

(c) **Repayments; Prepayments .**

(i) **Repayments .** On the Maturity Date, Borrowers shall repay the aggregate principal amount of all outstanding Loans plus all accrued and unpaid Cash Interest and PIK Interest, together with all other Obligations .

(ii) **Optional Payments .** Subject to Section 2.3(c)(vii), Borrowers may prepay the Loans, without premium or penalty except as provided in Section 2.3(c)(vi) below, upon irrevocable notice to Administrative Agent of not less than thirty (30) days, ratably as to each Lender, in (x) whole, but not less than whole, on or before the Second Anniversary, and (y) the minimum principal amount of \$5,000,000 or (to the extent in excess of \$5,000,000) integral multiples of \$1,000,000 thereof (unless the outstanding principal amount of all Loans is less than \$5,000,000, then such prepayments shall be equal to such outstanding principal amount) at any time after the Second Anniversary. Such notice shall be in the form acceptable to Administrative Agent and shall specify the date and amount of such prepayment. Administrative Agent will promptly notify each Lender of its receipt of any such notice and of such Lender’s Pro Rata Share of such prepayment. The payment amount specified in such notice shall be due and payable on the date specified therein.

(iii) **Mandatory Prepayments .**

(A) **Maturity .** Borrowers shall immediately prepay the outstanding principal amount of the Loans if the Loans (on terms set forth in Section 2.3(c)(ii) and otherwise in accordance with this Agreement) are accelerated in accordance with the Loan Documents for any reason prior to the Scheduled Maturity Date.

(B) **Dispositions** . Unless the Majority Lenders otherwise agree, immediately upon any voluntary or involuntary Disposition by any Loan Party of property or assets (other than disposition of Network Assets in the ordinary course of business for proceeds less than (x) \$25,000 in any single transaction or series of related transactions, and (y) \$100,000 in the aggregate during any Fiscal Year, and other dispositions made in accordance with Section 7.4), Borrowers shall immediately prepay the outstanding Loans in an amount equal to 100 % of the Net Cash Proceeds received by such Person in connection with such Disposition. Nothing contained in this Section 2.3(c)(iii)(B) shall permit any Loan Party to sell or otherwise dispose of any Property other than in accordance with Section 7.4.

(C) **Extraordinary Proceeds** . Unless the Majority Lenders otherwise agree, if any Loan Party shall receive Extraordinary Proceeds then, unless a Reinvestment Notice shall be delivered in respect thereof within fifteen (15) Business Days of the receipt of such Extraordinary Proceeds, Borrowers shall prepay the outstanding Loans in an amount equal to 100% of such Extraordinary Proceeds within ten Business Days following receipt thereof; provided, that, notwithstanding the foregoing, on each Reinvestment Prepayment Date, Borrowers shall prepay the outstanding Loans in an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event.

(D) **Indebtedness** . Unless the Majority Lenders otherwise agree, immediately upon the issuance or incurrence by any Loan Party of any Indebtedness (other than Permitted Indebtedness or Indebtedness permitted under Section 7.1), Borrowers shall immediately prepay the outstanding Loans in an amount equal to 100% of the Net Cash Proceeds received by such Person in connection with such issuance or incurrence. Nothing contained in this Section 2.3(c)(iii)(D) shall permit any Loan Party to issue or incur any Indebtedness other than in accordance with the terms and conditions of this Agreement.

(E) **Issuance of Capital Stock** . Unless the Majority Lenders otherwise agree, immediately upon the receipt of any capital contribution or the issuance by any Loan Party of any Capital Stock (other than common stock or Permitted Preferred Stock) , Borrowers shall immediately prepay the outstanding Loans in an amount equal to 100% of the Net Cash Proceeds received by such Person in connection with such receipt or issuance. Nothing contained in this Section 2.3(c)(iii)(E) shall permit any Loan Party to issue Capital Stock other than in accordance with the terms and conditions of this Agreement.

(F) **Change of Control** . Unless the Majority Lenders otherwise agree, immediately upon the occurrence of any Change of Control, Borrowers shall immediately prepay all outstanding Loans by payment of the COC Redemption Price together with all other Obligations .

(iv) **Accrued Interest** . Any prepayment made pursuant to Section 2.3(c) shall be accompanied by accrued and unpaid Cash Interest and PIK Interest, if any, to the Prepayment Date .

(v) **Cumulative Prepayments** . Except as otherwise expressly provided in Section 2.3(c)(iii), payments with respect to any subsection of Section 2.3(c)(iii) are in addition to payments made or required to be made under any other subsection of Section 2.3(c).

(vi) **Make-Whole Premium & Prepayment Premium** . Each prepayment of Loans pursuant to Section 2.3(c)(ii) and Section 2.3(c)(iii) (other than subclause (F)) that is made or in the case of a mandatory payment which becomes due on or before the Second Anniversary shall be made together with the Non-Call Make-Whole Premium. Each such prepayment that is made and each mandatory payment that comes due at any time thereafter shall be made at the percentage set forth in the following chart (herein referred to as the “**Prepayment Percentage**”) of the principal amount so prepaid (or becoming due), in each case, together with all unpaid interest on the amount so prepaid.

| Date of Prepayment | Prepayment Percentage |
|---|-----------------------|
| From the date immediately following the Second Anniversary to and including the date that is the day immediately prior to the third anniversary of the Closing Date | 107% |
| From the third anniversary of the Closing Date to and including the date that is the day immediately prior to the fourth anniversary of the Closing Date | 103% |
| From the fourth anniversary of the Closing Date through and including the date the Loans are paid in full | 101% |

(vii) **Acquisition Financing** . If any Loan Party (the “**Acquiring Loan Party**”) desires to incur Acquisition Financing, the Borrower Representative shall give notice thereof to the Administrative Agent not less than forty-five (45) days prior to the incurrence of such Acquisition Financing (the “**Financing Notice**”), which notice shall describe in reasonable detail the Business Acquisition such Acquisition Financing is intended to finance (the “**Contemplated Acquisition**”) and the terms and conditions of such proposed Acquisition Financing, including the principal amount thereof, the interest rate payable thereunder, the repayment terms thereof, descriptions of any applicable collateral and guarantees, and all other material terms thereof. The Lenders shall have the right to provide all or any portion of the Acquisition Financing under the terms set forth in the Financing Notice. If the Majority Lenders elect to provide all or any portion of the Acquisition Financing, they shall waive compliance with Section 7.1 with respect thereto. If the Majority Lenders do not elect to provide any of the Acquisition Financing and do not waive compliance with Section 7.1 with respect thereto within forty-five (45) days after the giving of the Financing Notice, subject to the consummation of the Acquisition Financing, Borrowers shall promptly (but in no event later than five Business Days) after such consummation, prepay the outstanding principal balance of the Loans, ratably as to each Lender, in whole, but not less than whole. Borrower Representative shall give Administrative Agent at least five Business Days’ prior notice of such prepayment, specifying the date and amount thereof. Administrative Agent will promptly notify each Lender of its receipt of any such notice and of such Lender’s Pro Rata Share of such prepayment. The payment amount specified in such notice shall be due and payable on the date specified therein. If (x) the Prepayment Date is on or before the Second Anniversary, such prepayment shall be made together with the Non-Call Make-Whole Premium; and (y) if the Prepayment Date is after the Second Anniversary and (1) the Contemplated Acquisition is not consummated for any reason within ninety (90) days after the giving of the Financing Notice, or (2) the Acquiring Loan Party incurs the Acquisition Financing described in the Financing Notice upon terms more favorable to the lenders thereof than those described in the Financing Notice, then Borrowers shall pay to Administrative Agent, within five (5) Business Days after the occurrence of any event described in clause (1) or (2), the difference between the amount Borrowers would have been required to pay pursuant to Section 2.3(c)(iii) (other than subclause (F)) had they prepaid the Loans in whole on such Prepayment Date pursuant to Section 2.3(c)(iii) (other than subclause (F)) and the amount Borrowers actually paid on such Prepayment Date. Administrative Agent will promptly notify each Lender of its receipt of any such payment and of such Lender’s Pro Rata Share thereof. Nothing in this paragraph shall require any Lender to provide any Acquisition Financing.

(d) In the event of a direct conflict between the priority provisions of this Section 2.3 and other provisions contained in any other Loan Document, it is the intention of the parties hereto that such priority provisions in such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.3 shall control and govern.

(e) For purposes of this Agreement, in any mandatory repayment of Loans, the term “Loans” shall include PIK Interest paid and PIK Interest which is due but has not then been paid.

2.4 Interest, Rates, Payments, and Calculations.

(a) **Interest Rate; Payment of Interest** . Except as provided in clause (b) below, interest on the unpaid principal amount of the Loans (including any PIK Interest) shall accrue on a quarterly basis and be calculated and payable as follows: (i) interest on the Daily Balance at the Applicable Rate (the “**Cash Interest**”) is due and payable in arrears in cash on the last day of each Fiscal Quarter and on the Maturity Date (each, an “**Interest Payment Date**”), and (ii) interest on the Daily Balance at the rate of 4% per annum (the “**PIK Interest**”) shall accrue in arrears and be added to the principal amount of the Loans on each Interest Payment Date, for so long as there is no Event of Default. If there is an Event of Default, then, thereafter, the interest which would have otherwise been payable in PIK Interest shall be due and payable in arrears in cash on each Interest Payment Date. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand. Notwithstanding anything to the contrary contained in this Agreement, if any Loan Party incurs any Qualified Other Debt that requires the current payment of cash interest, then, from and after such incurrence, the Daily Balance shall cease to bear PIK Interest (it being understood that accrued and unpaid PIK Interest shall be added to the principal amount of the Loans at the time of such incurrence notwithstanding anything to the contrary contained in this Agreement) and the Applicable Rate for all purposes of this Agreement shall be a per annum rate equal to the greater of (x) One Month Libor as in effect on such date plus 11%, and (y) 12% per annum. Unless otherwise specifically set forth herein, references in this Agreement to “interest” refer to Cash Interest and PIK Interest.

(b) **Default Rate** . If any amount payable by a Loan Party under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, all of such amounts shall bear interest on the Daily Balance thereof at a per annum rate equal to (i) the Applicable Rate plus (ii) (x) two percent (2.0%) during the first 90 days after such non-payment, or (y) five percent (5.0%) thereafter (the “**Default Rate**”). If an Event of Default has occurred and is continuing, all Obligations that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at the Default Rate, with the reference to “such non-payment” in the preceding sentence being deemed a reference to “such Event of Default” for the purposes of this sentence.

(c) **Computation** . All interest and fees chargeable hereunder shall be computed on the basis of a 360 day year for the actual number of days elapsed.

(d) **Intent to Limit Charges to Maximum Lawful Rate** . It is the intention of the parties hereto that Administrative Agent and each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby or by any other Loan Document would be usurious as to Administrative Agent or any Lender under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to Administrative Agent or such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Obligations, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to Administrative Agent or any Lender that is contracted for, taken, reserved, charged or received by Administrative Agent or such Lender under any of the Loan Documents or agreements or otherwise in connection with the Obligations shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by Administrative Agent or such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Administrative Agent or such Lender, as applicable, to Borrowers); and (ii) if the maturity of the Obligations is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to Administrative Agent or any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by Administrative Agent or such Lender, as applicable, as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by Administrative Agent or such Lender, as applicable, on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Administrative Agent or such Lender to Borrowers). All sums paid or agreed to be paid to Administrative Agent or any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to Administrative Agent or such Lender, be amortized, prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest on account of any Obligations hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to Administrative Agent or any Lender on any date shall be computed at the Highest Lawful Rate (as defined below) applicable to Administrative Agent or such Lender pursuant to this Section 2.4(d) and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to Administrative Agent or such Lender would be less than the amount of interest payable to Administrative Agent or such Lender computed at the Highest Lawful Rate applicable to Administrative Agent or such Lender, then the amount of interest payable to Administrative Agent or such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to Administrative Agent or such Lender until the total amount of interest payable to Administrative Agent or such Lender shall equal the total amount of interest which would have been payable to Administrative Agent or such Lender if the total amount of interest had been computed without giving effect to this Section 2.4(d). For purposes of this Section 2.4(d), the term “ **applicable law** ” means that law in effect from time to time and applicable to the loan transaction between Borrower and Lender Group that lawfully permits the charging and collection of the highest permissible, lawful non-usurious rate of interest on such loan transaction and this Agreement, including laws of the State of New York and, to the extent controlling, laws of the United States of America. For purposes of this Section 2.4(d), “ **Highest Lawful Rate** ” means, with respect to Administrative Agent or any Lender, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Obligations under the laws applicable to Administrative Agent or such Lender which are currently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow.

2.5 **Application of Collections** . The receipt of any Collection item by Administrative Agent shall not be considered a payment on account unless such Collection item is a wire transfer of immediately available federal funds and is made to Administrative Agent Account or unless and until such Collection item is honored when presented for payment; provided, however, that Administrative Agent reserves the right, in its sole discretion, to exclude from such provisional payment the amount of any such Collections that Administrative Agent determines may constitute trust funds (e.g., production taxes, severance taxes, or payroll taxes). Should any Collection item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment, and interest shall be recalculated accordingly. Anything to the contrary contained herein notwithstanding, any Collection item shall be deemed received by Administrative Agent only if it is received into Administrative Agent Account on a Business Day on or before 12:00 p.m. New York City time. If any Collection item is received into Administrative Agent Account on a non-Business Day or after 12:00 p.m. New York City time on a Business Day, it shall be deemed to have been received by Administrative Agent as of the opening of business on the immediately following Business Day. The parties acknowledge and agree that the economic benefit of the foregoing provisions of this Section 2.5 shall be for the exclusive benefit of Administrative Agent.

2.6 **Intentionally Omitted .**

2.7 **Maintenance of Loan Account; Statements of Obligations .** Administrative Agent shall maintain an account on its books in the names of Borrowers (the “ **Loan Account** ”) on which Borrowers will be charged with the Loans made by Administrative Agent or Lenders to Borrowers or for Borrowers’ account at the time such Loans are made, accrued interest, the fees provided for in Section 2.8 (as and when accrued or incurred) the Make-Whole Premium, the Non-Call Make-Whole Premium or any applicable Prepayment Premium (as and when accrued or incurred) and Lender Group Expenses, and any other payment Obligations of Borrowers not paid when due. The Loan Account will be credited with all payments received by Administrative Agent from Borrowers or for Borrowers’ account. Upon request of the Borrower Representative, Administrative Agent shall render statements regarding the Loan Account to Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements shall be conclusively presumed to be correct and accurate (absent manifest error) and constitute an account stated between Borrowers and Lender Group.

2.8 **Fees.** Borrowers shall pay to Administrative Agent fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.9 **Tax Provisions Applicable to the Loans .**

(a) **Intentionally Omitted .**

(b) **Tax Treatment .** Borrowers, Administrative Agent and each Lender agree that the Loans will be issued with original issue discount, and the Loans and Warrants constitute an investment unit for U.S. federal income tax purposes. The Borrower Representative shall, no later than 10 days after the date any Lender requests a promissory note under Section 2.10(a), make available to such Lender the information described in Treasury Regulation §1.1275-3(b)(1)(i) .

2.10 **Noteless Agreement .**

(a) No promissory notes shall be required to evidence the payment obligations of any Loans; provided that, nothing herein shall prohibit a Lender from requesting a promissory note from Borrowers and, upon any such request, Borrowers shall provide such Lender with a promissory note in an amount equal to such Lender’s Commitment and otherwise in form and substance reasonably satisfactory to such Lender. Administrative Agent shall maintain in accordance with its usual practice an account or accounts on its books evidencing the obligations of Borrowers resulting from the Loans, including the amounts of principal and interest payable and paid to Lender hereunder. Absent manifest error, entries maintained in said accounts shall be *prima facie* evidence of the existence and amounts of the Loans and the payment obligations of Borrowers; provided, however, that the failure of Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of Borrowers to repay the Loans.

(b) Administrative Agent, acting solely for this purpose as a non-fiduciary agent on behalf of Borrowers, agrees to record the Commitments and Loans on the Register. Once recorded on the Register, no Commitment or Loan may be removed from the Register so long as it remains outstanding, absent manifest error.

2.11 **Securitization** . In addition to any other assignment permitted pursuant to this Agreement, Borrowers hereby acknowledge that each Lender (a “ **Securitizing Lender** ”) may, at such Lender’s sole cost and expense, including reasonable fees of Lender’s and Borrowers’ respective counsel to review related amendments, securitize the Loans (a “ **Securitization** ”) through the pledge of its Loans as collateral security for loans to such Securitizing Lender or its Affiliates or Related Funds or through the sale of the Loans or the issuance of direct or indirect interests in its Loans, which loans to such Securitizing Lender or its Affiliates or Related Funds or direct or indirect interests will be rated by Moody’s, S&P or one or more other rating agencies; provided that no Confidential Information (as defined below) may be disclosed to any Person in connection with any Securitization unless such Person has expressly agreed in writing to maintain the confidentiality of the Confidential Information subject to the disclosures permitted under Section 18.12. Notwithstanding anything contained in this Agreement to the contrary, expenses in connection with a Securitization incurred by each Lender conducting a Securitization shall not constitute Lender Group Expenses. The Loan Parties shall reasonably cooperate with each Securitizing Lender to effect a Securitization including by (a) amending this Agreement and the other Loan Documents, and executing such additional documents, as reasonably requested by the Lenders in connection with the Securitization, (b) providing such information as may be reasonably requested by the Lenders or the applicable rating agencies in connection with the Securitizing Lender, its Affiliates and Related Funds , or any party providing credit support or otherwise participating in the Securitization, including any investors in a securitization entity (collectively, the “ **Securitization Parties** ”) for any losses, claims, damages or liabilities (the “ **Securitization Liabilities** ”) to which the Securitizing Lender, its Affiliates and Related Funds or such Securitization Parties may become subject insofar as the Securitization Liabilities arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Loan Document or in any writing delivered by or on behalf of any Loan Party to the Lender Group in connection with any Loan Document or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and such indemnity shall survive any transfer by the Lenders or their successors or assigns of the Loans, and (ii) agreeing to reimburse the Securitizing Lender, its Affiliates and Related Funds and the other Securitization Parties for any legal or other expenses reasonably incurred by such Persons in connection with defending the Securitization Liabilities.

3. **CONDITIONS; TERM OF AGREEMENT.**

3.1 **Conditions Precedent to Loans** . The obligation of Lenders to make the Loans on the Closing Date is subject to the fulfillment, to the reasonable satisfaction of Administrative Agent, of each of the following conditions (unless waived by the Administrative Agent) on or before the Closing Date:

(a) Administrative Agent shall have received each of the following documents (unless waived by the Administrative Agent), in form and substance reasonably satisfactory to Administrative Agent, duly executed (and acknowledged, as the case may be) by all parties and formalities contemplated thereunder, and each such document shall be in full force and effect:

- (i) this Agreement;
- (ii) the Fee Letter and the OID Letter;
- (iii) the Security Agreement, executed by the Loan Parties with respect to all of such Loan Party’s Properties; and
- (iv) Control Agreements with respect to the Funding Account and each Collections Account.

(b) Borrower shall have conveyed to Melody or its Affiliates (or their respective designee), as the case may be, the Warrants pursuant to the Warrant and Registration Rights Agreement.

(c) Administrative Agent shall have received a certificate from the Secretary or in the absence of a Secretary, an officer of each Loan Party attesting to the resolutions of such Loan Party's Board of Directors (or equivalent governing body) authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which such Loan Party is a party and authorizing specific officers of such Loan Party to execute the same;

(d) Administrative Agent shall have received copies of each Loan Party's Governing Documents, as amended, modified, or supplemented through and including the Closing Date, certified by a Responsible Officer or such Loan Party;

(e) Administrative Agent shall have received a certificate of status with respect to each Loan Party, dated within five Business Days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction;

(f) Administrative Agent shall have received certificates of status with respect to each Loan Party, each dated within five Business Days of the Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that such Loan Party is in good standing in such jurisdictions;

(g) Administrative Agent shall have received certificates of insurance, which name Administrative Agent for the benefit of the Secured Parties as lender's loss payee and additional insured on all of such Loan Party's policies of insurance as are required by Section 6.8, in each case, in form and substance reasonably satisfactory to Administrative Agent;

(h) Administrative Agent shall have received (i) all financing statements required by Administrative Agent, (ii) searches of each Loan Party from all recording offices as Administrative Agent may require, each such search dated a date within 30 days of the Closing Date, and (iii) all other agreements, documents or instruments reasonably required by Administrative Agent in its discretion to evidence that first-priority security interests (subject only to Permitted Liens) in all of the Collateral granted to Administrative Agent for the benefit of the Secured Parties pursuant to the Loan Documents;

(i) Administrative Agent shall have received an opinion of the Loan Parties' corporate and regulatory counsels in form and substance reasonably satisfactory to Administrative Agent in its sole discretion;

(l) Administrative Agent shall have completed its business, legal, environmental and collateral due diligence, including (i) a collateral audit and review of the Loan Parties' books and records and verification of the Loan Parties' representations and warranties to Administrative Agent, the results of which shall be satisfactory to Administrative Agent, (ii) an inspection of such locations of Loan Parties as shall be required by Administrative Agent, the results of which shall be satisfactory to Administrative Agent, (iii) a review and analysis of Loan Parties' existing insurance policies and (iv) background and credit checks on each of the Loan Parties and certain Financial Officers of the Loan Parties;

(m) Administrative Agent shall have received a certificate executed by a Financial Officer of Borrower Representative, to such effect, that as of the Closing Date, (i) no Default or Event of Default exists or would reasonably be likely to result from the borrowing of the Loans on the Closing Date, (ii) the representations and warranties set forth in this Agreement and the other Loan Documents are true and correct in all material respects, and (iii) there has not occurred any Material Adverse Change since December 31, 2013;

(n) Administrative Agent shall have received all accrued and unpaid fees, costs and expenses owed pursuant to this Agreement and the other Loan Documents to the extent then due and payable on the Closing Date, minus any remaining amount of the Expense Advance (as defined in the Letter of Intent, including to the extent invoiced, all reasonable fees, expenses and disbursements of one counsel for Administrative Agent for the period covered by such invoice, together with such additional amounts as shall constitute such counsel's reasonable estimate of expenses; provided, that, such estimate shall not thereafter preclude further settling of accounts between Borrowers and Administrative Agent with respect to such reasonable, documented and invoiced fees and expenses, including any fees and reasonable, documented and invoiced expenses incurred after the period covered by such invoice;

(o) no Default or Event of Default shall have occurred and be continuing on the Closing Date, nor shall either be reasonably likely to result from the making of such Loans;

(p) no Material Adverse Change shall have occurred as of the Closing Date or shall be reasonably likely result from the making of such Loans; and

(q) Borrower Representative shall have delivered a Borrowing Request.

The borrowing of the Loans shall be deemed to constitute a representation and warranty by Borrowers on the date thereof as to the matters specified in clauses (o) and (p) of this Section 3.1.

3.2 **Effectiveness.** This Agreement shall become effective upon the execution and delivery hereof by Borrowers and Lender Group.

4. TAXES.

4.1 Taxes.

(a) **Payments Free of Taxes** . Any and all payments by or on account of any obligation of Borrowers hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if any Borrower shall be required by applicable law to deduct or withhold any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions or withholdings (including deductions applicable to additional sums payable under this Section) Administrative Agent or Lender (or its Tax Related Person), as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) such Borrower shall make such deductions or withholdings and (iii) such Borrower shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law.

(b) **Payment of Other Taxes by Borrowers** . Without limiting the provisions of paragraph (a) above, Borrowers shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) **Indemnification by Borrower** . Borrowers shall jointly and severally indemnify the Administrative Agent and each Lender (and each of its Tax Related Persons), within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by Administrative Agent or such Lender (or any of its Tax Related Persons), as the case may be, on or with respect to any payment by or on account of any obligation of Borrowers, and any penalties and interest arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate containing a copy of a receipt or other document issued by a Governmental Authority reflecting the payment or assessment of the Taxes subject to indemnification delivered to Borrower Representative by a Lender (with a copy to Administrative Agent), or by Administrative Agent on its own behalf or on behalf of a Lender (or its Tax Related Person), and setting forth the amount of such payment or liability reasonably necessary to compensate Administrative Agent or such Lender (or its Tax Related Person), as the case may be, shall be conclusive absent manifest error.

(d) **Indemnification by Lenders** . Each Lender shall severally indemnify Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes or Other Taxes attributable to such Lender (but only to the extent that Borrowers have not already indemnified Administrative Agent for such Indemnified Taxes and without limiting the obligation of Borrowers to do so), (ii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by Administrative Agent to Lender from any other source against any amount due to Administrative Agent under this paragraph (d).

(e) **Evidence of Payments** . As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Borrower to a Governmental Authority or when otherwise required by applicable law, such Borrower shall deliver to Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, if any, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Administrative Agent.

(f) **Status of Lenders** .

(i) Any Foreign Lender that is entitled to an exemption from or reduction of U.S. withholding Tax shall deliver to Borrower Representative (with a copy to Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by Borrower Representative or Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without U.S. withholding or at a reduced rate of withholding. In addition, any Lender, if requested by Borrower Representative or Administrative Agent, shall deliver such other U.S. documentation prescribed by applicable law or reasonably requested by Borrower Representative or Administrative Agent as will enable Borrower Representative or Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 4.1(f)(ii)(A), (ii)(B) and (ii)(C) below) shall not be required if in Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing clause any Lender (x) that is not a Foreign Lender shall deliver duly completed copies of Internal Revenue Service Form W-9, and (y) any Foreign Lender shall deliver whichever of the following is applicable:

(A) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(B) duly completed copies of Internal Revenue Service Form W-8ECI,

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881 (c) of the IRC, (x) a certificate to the effect that the interest payments are not effectively connected with the United States trade or business conducted by such Foreign Lender, and that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the IRC, (B) a “10 percent shareholder” of any Borrower within the meaning of section 881(c)(3)(B) of the IRC, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the IRC and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(D) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. withholding Tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit Borrower Representative to determine the withholding or deduction required to be made.

The forms and certificates that are required to be delivered by a Lender pursuant to this Section shall be delivered by the applicable Lender to Borrower Representative and Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of Borrower Representative or Administrative Agent) and, in each case, only to the extent that a Lender is legally entitled to deliver such forms and certificates. Each Lender agrees that if any documentation previously delivered by it expires or becomes obsolete or invalid, it shall promptly update such documentation and deliver it to Borrower Representative and Administrative Agent or, if it is legally unable to do so, notify Borrower Representative and Administrative Agent of such inability.

(g) **Treatment of Certain Refunds** . If Administrative Agent or a Lender determines, in its reasonable discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of Administrative Agent or such Lender, as the case may be, incurred in connection with such refund, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that such Borrower, upon the request of Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to Administrative Agent or such Lender in the event Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require Administrative Agent or any Lender to make available its Tax returns (or any other information relating to its taxes that it deems confidential) to Borrowers or any other Person.

4.2 **Mitigation Obligations; Replacement of Lenders.**

(a) **Designation of a Different Lending Office** . If any Lender requires any Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.1, then, if so requested by Borrower Representative, such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4.1 in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender at the request of Borrower Representative in connection with any such designation or assignment.

(b) **Replacement of Lenders** . If any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.1 in an amount disproportionate to the amount Borrowers are required to pay any other Lender or such Governmental Authority for the account of such other Lender pursuant to such Section , then Borrowers may, at their sole expense and effort, upon notice by the Borrower Representative to such Lender and Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 15.2), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(i) Borrowers shall have paid to Administrative Agent the assignment fee specified in Section 15.2;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or Borrowers (in the case of all other amounts);

(iii) in the case of any payments required to be made pursuant to Section 4.1, such assignment will result in the elimination of such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling Borrowers to require such assignment and delegation cease to apply.

4.3 **Representation and Warranties and Covenants of the Lenders** .

(a) **Representations and Warranties** . Each Lender and the Administrative Agent represent and warrant to the Borrowers that, as of the date hereof, there is no Lender in the Lender Group (including, without limitation, any Foreign Lender) that could result in a requirement pursuant to any Legal Requirements in effect as of the date hereof, for the Borrowers to pay to the Lenders or any other third party (including, without limitation, any Governmental Authority) any Indemnified Taxes or Other Taxes pursuant to Section 4.1(c) of the Agreement.

(b) **Covenants** . Notwithstanding any contrary provision contained in this Agreement (including, without limitation, Sections 2.11, 15.2, and 15.4), each Lender agrees that, without the consent of the Borrower Representative exercised in its sole discretion, such Lender will not (i) securitize the Loans to a Securitizing Lender, (ii) assign all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) directly or indirectly to an Eligible Assignee, or (iii) sell participations to any Participant (as defined in Section 15.4 below) in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Loans owing to it), if as a result of such securitization, assignment or grant of participant rights, the Borrower will be required to pay any Indemnified Taxes or Other Taxes to any Lender pursuant to Section 4.1(c) of this Agreement.

(c) **Breach of Representations and Warranties or Covenant** . A breach by any Lender of any representation and warranty or covenant set forth in this Section 4.3 shall relieve the Borrowers from its obligations to pay the Lenders any Indemnified Taxes or Other Taxes that were incurred as a direct or indirect result of any such breach. The foregoing shall constitute Borrowers' sole remedy for such breach.

5. REPRESENTATIONS AND WARRANTIES.

In order to induce Lender Group to enter into this Agreement, Borrowers hereby jointly and severally make the following representations and warranties to Lender Group which shall be true, correct, and complete in all material respects as of the Closing Date, and such representations and warranties shall survive the execution and delivery of this Agreement:

5.1 **No Encumbrances; Perfected Security Interests** . The Loan Parties have good title to all Collateral, in each case, free and clear of all Liens (except for Permitted Liens). No Loan Party has signed any financing statement or any security agreement authorizing any secured party thereunder to file any financing statement, except to perfect any Permitted Liens. The Security Agreements, together with the filing of appropriate UCC financing statements in favor of Administrative Agent, on behalf Lenders, and the possession of the certificates evidencing the Capital Stock comprising part of the Collateral, create valid and perfected first priority liens on and security interests in the Collateral (subject solely to any Permitted Liens and subject to the provisions of the Security Agreements regarding delivery of Control Agreements after the Closing Date) in favor of Administrative Agent, for the benefit of Lenders, securing the payment of the Obligations. Certificates representing all of the Capital Stock in the Subsidiaries that are purported to comprise part of the Collateral have been delivered to Administrative Agent as required under the terms of the Security Agreements, together with undated stock powers or other appropriate powers duly executed in blank; all filings and other actions of or by any Loan Party required hereunder, under any Security Agreement or requested by the Administrative Agent necessary to perfect and protect the liens and security interests of Administrative Agent in the Collateral have been duly made or taken and are in full force and effect or will be duly made or taken in accordance with the terms of the Loan Documents; and all filing fees and recording taxes due and payable have been paid in full.

5.2 **Location of Chief Executive Offices; Accounting Records; FEIN** . The chief executive office of each of the Loan Parties is set forth on Schedule 5.2. The accounting books and records of the Loan Parties are located principally at the chief executive office of Borrower Representative as set forth on Schedule 5.2, or such other location specified in a notice delivered pursuant to Section 7.5. The FEIN numbers for the Loan Parties are set forth on Schedule 5.2.

5.3 **Due Organization and Qualification; Subsidiaries.**

(a) Each Borrower is duly organized and existing and in good standing under the laws of the jurisdiction of its incorporation and qualified and licensed to do business in, and in good standing in, any state where the failure to be so licensed or qualified could be expected to constitute a Material Adverse Change. Each Subsidiary is duly organized and existing and in good standing under the laws of the jurisdiction of its incorporation or organization and qualified and licensed to do business in, and in good standing in, any state where the failure to be so licensed or qualified could be expected to constitute a Material Adverse Change.

(b) Set forth on Schedule 5.3(b), is a complete and accurate list of Parent's direct and indirect Subsidiaries as of the Closing Date, showing: (i) the jurisdiction of their incorporation or organization; (ii) the number of shares of each class of common and preferred Capital Stock authorized for each of such Subsidiaries; and (iii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by Parent. All of the outstanding Capital Stock of each such Subsidiary has been validly issued and is fully paid and non-assessable. Except as provided on Schedule 5.3(b), as of the Closing Date, the Loan Parties have no direct or indirect equity interest in (and no joint venture interest with or in) any Person. Except as set forth on Schedule 5.3(b), no Capital Stock (or any securities, instruments, warrants, options, purchase rights, conversion or exchange rights, calls, commitments or claims of any character convertible into or exercisable for Capital Stock) of any direct or indirect Subsidiary of Parent is subject to the issuance of any security, instrument, warrant, option, purchase right, conversion or exchange right, call, commitment or claim of any right, title, or interest therein or thereto. No Loan Party is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of Capital Stock or any security convertible into or exchangeable for any of Capital Stock .

5.4 **Due Authorization; No Conflict.**

(a) The execution, delivery, and performance by each Borrower of this Agreement and by each Loan Party of the other Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Borrower and such other Loan Parties.

(b) The execution, delivery, and performance by each Borrower of this Agreement and by each Loan Party of the other Loan Documents to which it is a party do not and will not (i) violate any provision of any Legal Requirement (including Regulations U and X of the Federal Reserve Board) applicable to any Loan Party, the Governing Documents of any Loan Party, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party, except where such violations would not reasonably be expected, individually or in the aggregate, to cause a Material Adverse Change, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Significant Contract except where such conflict, breach or default would not reasonably be expected, individually or in the aggregate, to cause a Material Adverse Change, (iii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of any Loan Party, (iv) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of any Loan Party, other than Liens securing the Obligations, or (v) require any approval of the shareholders of any Loan Party or any approval or consent of any Person under any Significant Contract, except for any such approval or consent that has been obtained and except where failure to obtain such approval or consent would not reasonably be expected, individually or in the aggregate, to cause a Material Adverse Change.

(c) Other than the taking of any action expressly required under this Agreement and the Loan Documents, the execution, delivery, and performance by Borrowers of this Agreement and the Loan Documents to which Borrowers or the other Loan Parties are a party does not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any federal, state, foreign, or other Governmental Authority or other Person.

(d) This Agreement and the other Loan Documents to which each Loan Party is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Loan Party, will be the legally valid and binding obligations of such Loan Party, enforceable against such Loan Party in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) The Liens granted by each Loan Party to Administrative Agent, for the benefit of the Secured Parties, in and to its Property pursuant to this Agreement and the other Loan Documents are validly created and first priority perfected Liens, subject only to Permitted Liens and Liens perfected only by possession, to the extent Administrative Agent has not obtained or does not maintain possession of such Collateral.

5.5 Claims, Disputes, and Litigation . There are no Adverse Proceedings pending by or against any Borrower before any Governmental Authority and Borrowers do not have Knowledge of any pending or threatened Adverse Proceeding involving any Loan Party, except for: (a) ongoing collection matters in which such Loan Party is the claimant, petitioner or plaintiff, (b) the litigation commenced prior to the Closing Date and disclosed on Schedule 5.5 and (c) other matters that could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change.

5.6 No Material Adverse Change . There has not been a Material Adverse Change since December 31, 2013.

5.7 No Fraudulent Transfer . No transfer of Property is being made by any Loan Party and no obligation is being incurred by any Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of any Loan Party.

5.8 Employee Benefits . No Borrower, nor any of its Subsidiaries or ERISA Affiliates, maintains or contributes to any Benefit Plan, other than those listed on Schedule 5.8 (as updated from time to time after the Closing Date solely for informational purposes and not to correct any mistake in or omission from Schedule 5.8 as of the Closing Date upon delivery by Borrower Representative to Administrative Agent of a supplemental Schedule). Each Borrower, each of its Subsidiaries and each ERISA Affiliate have satisfied the minimum funding standards of ERISA and the IRC with respect to each Benefit Plan to which it is obligated to contribute. No ERISA Event has occurred nor has any other event occurred that may result in an ERISA Event that reasonably could be expected, individually or in the aggregate, to result in a Material Adverse Change. No Borrower, nor any of its Subsidiaries or ERISA Affiliates, nor any fiduciary of any Plan, is subject to any direct or indirect liability with respect to any Plan under any applicable law, treaty, rule, regulation, or agreement.

5.9 Environmental Condition . No Environmental Lien has attached to any revenues or to any real or personal property owned or operated by any Loan Party. Except with respect to any summons, citation, claim, notice or directive that could not reasonably be expected to result in liability to the Loan Parties in excess of \$100,000 individually or \$200,000 in the aggregate, no Loan Party has received a summons, citation, claim, notice, or directive from the Environmental Protection Agency or any other federal, state, or local governmental environmental or occupational safety agency concerning any action or omission by any Loan Party. To Borrowers' Knowledge, except with respect to any disposal, release, or threatened release that could not reasonably be expected to result in liability to the Loan Parties in excess of \$100,000 individually or \$200,000 in the aggregate, no Hazardous Materials, solid waste, or oil and gas exploration and production wastes, have been disposed of or otherwise released and there has been no threatened release of any Hazardous Materials on, to, or from any Property of any Loan Party except in compliance with Environmental Laws and in a manner that does not pose an imminent and substantial endangerment to public health or welfare or the environment. No Borrower nor any of its Subsidiaries has any known liability (contingent or otherwise) in connection with any release or threatened release of any oil, Hazardous Material or solid waste into the environment that would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change. To Borrowers' Knowledge, (A) all Hazardous Materials and solid waste, if any, generated at any and all Property of the Loan Parties have in the past been transported, treated and disposed of in accordance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and (B) all such transport carriers and treatment and disposal facilities have been and are operating in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and are not the subject of any existing, pending or threatened action, investigation or inquiry by any Governmental Authority in connection with any Environmental Laws.

5.10 **Compliance with Law; Permits; Properties** . Each Loan Party (i) has all Permits required by any Legal Requirement for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to its knowledge, threatened attack by direct or collateral proceeding, (ii) is in compliance in all material respects with each Permit applicable to it and in compliance in all material respects with all other Legal Requirements relating to it or any of its respective Properties, and (iii) has timely filed all material reports, documents and other materials required to be filed by it under all Legal Requirements with any Governmental Authority and has retained all material records and documents required to be retained by it under all Legal Requirements, except where such failure to timely file or retain records could not reasonably be expected , individually or in the aggregate, to result in a Material Adverse Change. No Permit is the subject of any pending or, to any Borrower's Knowledge, threatened challenge or revocation. No Loan Party is aware of any event or circumstance constituting noncompliance (or any Person alleging noncompliance) with any rule or regulation of the FCC except, in each case, where the failure to have, comply or file could not reasonably be expected , individually or in the aggregate, to result in a Material Adverse Change . Except for such acts or failures to act as do not result in and could not be expected to result in a Material Adverse Change, the Properties of the Loan Parties have been maintained, operated and developed in a good and workmanlike manner and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with the provisions of all leases, subleases or other contracts pertaining thereto. No Loan Party has entered into, and Properties of the Loan Parties are not subject to, any agreements, consent orders, administrative orders or similar obligations based on a violation or alleged violation of Legal Requirements. To the extent requested by the Administrative Agent, the Loan Parties have delivered to the Administrative Agent a true and complete copy of each Permit.

5.11 **Insurance** . Schedule 5.11 attached hereto contains an accurate and complete description as of the Closing Date of all material policies of insurance owned or held by each Loan Party. All such policies are in full force and effect, name each Loan Party as a named insured, all premiums with respect thereto covering all periods up to and including the Closing Date have been paid, and no notice of cancellation or termination has been received with respect to any such policy. No Loan Party has been refused any bonds or insurance with respect to its assets or operations, nor has its coverage been limited below usual and customary bond or policy limits, by any bonding company or insurance carrier to which it has applied for any such bond or insurance or with which it has carried insurance during the last three years.

5.12 **Hedging Agreements** . No Loan Party is party to a Hedging Agreement.

5.13 **Brokerage Fees** . Except as set forth on Schedule 5.13, no brokerage commission or finder's fees has or shall be incurred or payable in connection with or as a result of Borrowers' obtaining financing from Lender Group under this Agreement. Except as disclosed on Schedule 5.13, no proceeds of any Loans have been used, either directly or indirectly, to pay any commissions or fees set forth on Schedule 5.13.

5.14 **Intellectual Property** . Each Loan Party owns or possesses adequate licenses or other rights to use all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, copyrights, trade secrets and know-how (collectively, the "**Intellectual Property** ") that are necessary for the operation of its business as currently conducted. No claim is pending or, to the Knowledge of Borrowers, threatened, to the effect that any Loan Party infringes upon, or conflicts with, the asserted rights of any other Person under any Intellectual Property, and to Borrowers' Knowledge there is no basis for any such claim (whether pending or threatened).

5.15 **Significant Contracts; No Default or Burdensome Restrictions** . The Significant Contracts are in full force and effect in accordance with their respective terms, and there exist no defaults in the performance of any obligation thereunder except where such defaults would not reasonably be expected, individually or in the aggregate, to cause a Material Adverse Change. Additionally, Borrowers have no Knowledge of any event that with notice or lapse of time, or both, would constitute a default under any Significant Contract. No Loan Party is a party to any indenture, loan, or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction or provision of any Permit, applicable law or governmental regulation that could reasonably be expected, individually or in the aggregate, to cause a Material Adverse Change. No Loan Party presently anticipates that future expenditures needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to result , individually or in the aggregate, in a Material Adverse Change. No Loan Party is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock to any Borrower or any Subsidiary or to transfer any of its assets or properties to any Borrower or any Subsidiary in each case other than existing under or by reason of the Loan Documents or Legal Requirements.

5.16 **Accounts** . Set forth on Schedule 5.16 are all of the DDAs, securities accounts and commodities accounts of the Loan Parties, including, with respect to each depository, securities intermediary or commodities intermediary, as the case may be, (i) the name and address of such depository, securities intermediary or commodities intermediary, (ii) the account numbers of the accounts maintained with such depository, securities intermediary or commodities intermediary and (iii) designated each applicable accounts as the Funding Account or a Collections Account.

5.17 **Complete Disclosure** . Each Loan Party has disclosed to Lender Group all agreements, instruments and corporate or other restrictions to which such Loan Party is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change. No financial statement, material report, material certificate or other material information furnished, taken together as a whole, by or on behalf of any Loan Party to Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time .

5.18 **Investment Company Status** . No Loan Party is required to be registered as an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

5.19 **Tax Returns and Payments** . Each Loan Party has duly filed or caused to be filed all material federal, state, local and other tax returns required by Legal Requirements to be filed, and has paid, or made adequate provision for the payment of, all material federal, state, local and other Taxes which are due and payable. Such returns accurately reflect in all material respects all liability for taxes of the Loan Parties for the periods covered thereby. As of the Closing Date, there is no ongoing audit or examination or, to the knowledge of any Borrower, other investigation by any Governmental Authority of the tax liability of any Loan Party, and none of the Borrowers is aware of any proposed material Tax assessment against it or any other Loan Party. No Governmental Authority has asserted any Lien or other claim against any Loan Party with respect to unpaid taxes which has not been discharged or resolved other than Permitted Liens. The charges, accruals and reserves on the books of the applicable Loan Parties in respect of federal, state, local and other taxes for all Fiscal Years and portions thereof since the organization of the applicable Loan Party are in accordance with GAAP .

5.20 **Labor Matters** . As of the Closing Date, (a) no Loan Party is party to any collective bargaining agreement nor has any labor union been recognized as the representative of its employees; and (b) there are no strikes, lockouts or slowdowns against any Loan Party pending or, to the Knowledge of Borrowers, threatened or contemplated. The hours worked by and payments made to employees of the Loan Parties have not been in material violation of the Fair Labor Standards Act or any other Legal Requirement dealing with such matters. All payments due from any Loan Party, or for which any claim may be made against any Loan Party, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Loan Party except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change.

5.21 **Anti-Corruption Laws and OFAC** . To the Knowledge of Parent, the Loan Parties and their respective directors, officers, employees and agents (in acting on behalf of a Loan Party) are in compliance with Anti-Corruption Laws in all material respects. No Loan Party is in violation of any of the country or list-based economic and trade sanctions administered and enforced by OFAC. No Loan Party (a) is a Sanctioned Person or a Sanctioned Entity, (b) has any of its assets located in Sanctioned Entities; or (c) derives any revenues from investments in, or transactions with, Sanctioned Persons or Sanctioned Entities. Borrowers will not use the proceeds of any Loan hereunder to fund any operation in, finance any investments or activities in, or make payments to, a Sanctioned Person or Sanctioned Entity or in violation of any Anti-Corruption Law.

5.22 **Solvency** . After giving effect to any contribution provisions contained in any Loan Documents, each of the Loan Parties is Solvent.

5.23 **No Foreign Subsidiaries** . No Loan Party has any Subsidiaries that are organized outside of the United States or formed under the laws of a jurisdiction other than the United States.

5.24 **Financial Statements** . The audited financial statements of the Loan Parties for the fiscal year ended December 31, 2013 and the unaudited financial statements of the Loan Parties dated June 30, 2014 are complete and correct in all material respects and fairly present on a consolidated basis the assets, liabilities and financial position of the Loan Parties as at the dates of such financial statements, and the results of the operations and changes of financial position for the periods then ended (other than customary year-end adjustments and lack of footnotes for unaudited financial statements). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material Indebtedness and other material liabilities, direct or contingent, of the Loan Parties as of the dates thereof, including material liabilities for taxes, commitments and Indebtedness, in each case, to the extent required to be disclosed under GAAP.

5.25 **Absence of Defaults** . To the Knowledge of the Borrowers, no event has occurred or is continuing which constitutes a Default or an Event of Default.

5.26 **Casualty Events** . To the Knowledge of the Borrowers, no Casualty Event has occurred since December 31, 2013 which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Change .

5.27 **FCC Licenses**. All licenses issued to any Loan Party by the FCC are set forth on Schedule 5.27, as of the date set forth therein . The Loan Parties possess such valid and current licenses and authorizations issued by the FCC as are required to conduct their respective businesses as currently conducted and such licenses are in full force and effect, except as otherwise disclosed on Schedule 5.27. Except as disclosed in Schedule 5.27, no such FCC license is subject to: (i) any pending modification or amendment, (ii) any revocation proceedings, (iii) any event, which with the giving of notice or the lapse of time or both, would constitute grounds for revocation, (iv) any condition, event or occurrence existing, or any proceeding conducted or threatened by a Governmental Authority, which would reasonably be expected to cause the termination, suspension, cancellation, or nonrenewal thereof, or the imposition of any penalty, or fine, or (v) an outstanding decree, decision, judgment, or order that has been issued by the FCC, which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Change. All material fees required by the FCC to be paid as of the date hereof have been timely and fully paid. No Loan Party is required to obtain a Permit from any PUC in order to conduct its wireless business. No Loan Party has received any notice of complaint, investigation or decision of a state PUC regarding its wireless operations.

6. AFFIRMATIVE COVENANTS.

Each Borrower covenants and agrees that until payment and performance in full of the Obligations, such Borrower shall, and shall cause each of its Subsidiaries to, do all of the following:

6.1 Financial Reporting .

(a) Provide Administrative Agent (who shall promptly provide a copy of the same to each Lender) with the following documents and information at the following times in form reasonably satisfactory to Administrative Agent during the term of this Agreement:

(i) **Annual Financial Statements** . As soon as available, but in any event within 90 days (or such shorter period as the SEC shall specify for the filing of annual reports on Form 10-K) after the end of each Fiscal Year plus the term of any extensions permitted to be taken by Parent in accordance with SEC rules and regulations in respect of such annual reports, a copy of the audited consolidated balance sheet of Parent and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of operations, of stockholders' equity and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the year, audited and reported on by Marcum LLP or another firm of independent certified public accountants reasonably acceptable to Administrative Agent (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of Parent and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied. Information required to be delivered pursuant to this Section 6.1(a)(i) and Section 6.1(a)(ii) may be delivered by electronic communication pursuant to procedures approved by Administrative Agent pursuant to Section 12.2, such approval not to be unreasonably withheld or delayed .

(ii) **Quarterly Financial Statements** . As soon as available, but in any event not later than 45 days (or such shorter period as the SEC shall specify for the filing of quarterly reports on Form 10-Q) after the end of each of the first three Fiscal Quarters of each Fiscal Year plus the term of any extensions permitted to be taken by Parent in accordance with SEC rules and regulations in respect of such quarterly reports, the unaudited condensed consolidated balance sheet of Parent and its consolidated Subsidiaries as at the end of such quarter and the related unaudited condensed consolidated statements of operations, of stockholders' equity and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as presenting fairly in all material respects the consolidated financial condition of Parent and its Subsidiaries as at such date, and the consolidated results of their operations and their cash flows for the period then ended in accordance with GAAP consistently applied (subject to normal year-end audit adjustments and the absence of footnote disclosures as permitted under the rules of the SEC).

(iii) **Certificate of Financial Officer – Compliance** . Concurrently with any delivery of financial statements under Section 6.1(a)(i) or Section 6.1(a)(ii), a Compliance Certificate executed by a Financial Officer of Borrower Representative (A) certifying as to whether a Default or Event of Default has occurred and, if a Default or Event of Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (B) enclosing deposit and securities accounts statements demonstrating compliance with Section 6.16, and (C) stating whether any change in GAAP or in the application thereof has occurred since the date of the most recent audited financial statements delivered pursuant to Section 6.1(a)(i) and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

(iv) **Certificate of Insurer – Insurance Coverage** . Concurrently with any delivery of financial statements under Section 6.1(a)(i) and to the extent there has been a change in insurance coverage of any Loan Party since the last delivery of insurance certificates to Administrative Agent, deliver to Administrative Agent a certificate of insurance coverage from each insurer or broker with respect to the insurance required by Section 6.8, in form and substance reasonably satisfactory to Administrative Agent, and, if requested by Administrative Agent or any Lender, all copies of the applicable policies.

(v) **Reports to Shareholders and Filings with SEC** . Within three days after the same are sent, deliver to Administrative Agent copies of all financial statements and reports that Parent sends to the holders of any class of its debt securities or public equity securities generally and, within three days after the same are filed, copies of all statements and reports that Parent may file with the SEC which are not otherwise required to be delivered to Administrative Agent pursuant hereto . Information required to be delivered by this Section 6.1(a)(v) may be delivered by electronic communication pursuant to procedures approved by Administrative Agent pursuant to Section 12.2).

(vi) **Other Accounting Reports** . Promptly upon receipt thereof, deliver to Administrative Agent a copy of each report or management letter submitted to any Loan Party by independent accountants in connection with any annual, interim or special audit made by them of the books of any Loan Party, and a copy of any response by such Loan Party, or the board of directors (or equivalent governing body) of such Loan Party, to such management letter or report.

(vii) **Annual Budget** . As soon as available and in any event within 30 days after the end of each Fiscal Year, commencing with the fiscal year ending December 31, 2014, deliver to Administrative Agent a detailed consolidated budget of all estimated selling expenses and general and administrative expenses of the Loan Parties for the following four fiscal quarters (the “ **Budgeted SG&A Expenses** ”), which Budgeted SG&A Expenses shall in each case be accompanied by a certificate of a Financial Officer of Borrower Representative stating that such Budgeted SG&A Expenses are based on reasonable estimates, information and assumptions and that such Financial Officer of Borrower Representative has no reason to believe that such Budgeted SG&A Expenses are incorrect or misleading in any material respect.

(b) **Quarterly Calls** . A Responsible Officer of Parent will hold and participate in one conference call per quarter with the Lender Group, and at such other times as the Administrative Agent requests, to discuss information delivered pursuant to Section 6.1(a) regarding Parent’s business on a consolidated basis. Parent will hold such conference call following the last day of each fiscal quarter of Parent and not later than five (5) Business Days from the time that Parent delivers the information as set forth in Section 6.1(a)(ii). Parent will provide Administrative Agent with at least three (3) Business Days’ advance notice of such calls.

6.2 **Collateral Reporting** . Provide Administrative Agent (who shall promptly provide a copy of same to each Lender) with the following documents at the following times in form reasonably satisfactory to Administrative Agent during the term of this Agreement:

(a) **Notice of Casualty Events** . Promptly following such Borrower's Knowledge thereof, and in any event within five (5) Business Days thereof, notify Administrative Agent of the occurrence of any Casualty Event or the commencement of any action or proceeding that could reasonably be expected to result in a Casualty Event.

(b) **Notices under Material Instruments** . Promptly after the furnishing thereof, copies of any financial statement or report furnished to any Person by such Borrower or notices furnished by such Borrower to any other Person, pursuant to the terms of any preferred stock designation, indenture, loan or credit or other similar agreement, other than this Agreement and not otherwise required to be furnished to Lenders pursuant to this Agreement.

(c) **Notices of Corporate Changes** . Prompt written notice (and in any event within thirty (30) days prior thereto) of any proposed change to the Governing Documents or any preferred stock designation of such Borrower or any of its Subsidiaries.

(d) **Disclosure Updates** . Promptly and in no event later than ten (10) Business Days after obtaining Knowledge thereof, (i) notify Administrative Agent if any written information, exhibit, or report furnished to any member of the Lender Group contained when made any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and (ii) correct any material defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgement, filing, or recordation thereof. Such notice or correction shall neither constitute a waiver of any Default or Event of Default nor shall it affect any rights of Administrative Agent and Lenders under Article 9.

(e) **Other Requested Information** . Promptly following any request therefor, (i) copies of all material reports and written information to and from (A) the FCC with jurisdiction over the property or business of any Loan Party or (B) the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor or other agencies or authorities concerning environmental, health or safety matters, and (ii) such other reasonable information regarding the operations, business affairs and financial condition of any Loan Party (including any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA), or compliance with the terms of this Agreement or any other Loan Document, as Administrative Agent may reasonably request.

6.3 **Notices of Material Events** . Deliver to Administrative Agent (who shall promptly deliver a copy of the same to each Lender) prompt written notice of the following:

(a) the occurrence of any Default or Event of Default;

(b) the filing or commencement of, or the threat in writing of, any action, suit, proceeding, investigation or arbitration by or before any arbitrator or Governmental Authority against or affecting such Borrower or any of its Subsidiaries not previously disclosed in writing to Lenders or any material adverse development in any action, suit, proceeding, investigation or arbitration previously disclosed to Lenders that (x) seeks injunctive relief, or (y) could reasonably be expected to result in liability in excess of \$100,000 net of insurance coverage, including normal deductibles;

- (c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Loan Parties in an aggregate amount exceeding \$100,000;
- (d) the giving or receipt of any notice of breach or default under any Significant Contract; and
- (e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Change.

Each notice delivered under this Section 6.3 shall be accompanied by a statement of a Financial Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

6.4 Existence . Unless otherwise expressly permitted pursuant to Section 7.3, at all times preserve and keep in full force and effect the valid existence and good standing of such Borrower and its Subsidiaries and any rights and franchises material to the business of each such Person.

6.5 Performance of Obligations under Loan Documents.

(a) Pay the Loans according to the terms hereof and do and perform every act and discharge all of the obligations to be performed and discharged by such Borrower or its Subsidiaries under the Loan Documents, including this Agreement, at the time or times and in the manner specified.

(b) Make payments hereunder and under the other Loan Documents by or on behalf of such Borrower without setoff or counterclaim and free and clear of, and without deduction or withholding for or on account of, any Indemnified Taxes or Other Taxes.

6.6 Operation and Maintenance of Properties, Professional Staff and Licenses .

(a) Operate its material Properties or cause such material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all governmental requirements, including applicable Environmental Laws, except, in each case, where the failure to comply could not reasonably be expected to result in a Material Adverse Change.

(b) Keep and maintain in good repair, working order, condition, and efficiency (ordinary wear and tear excepted) all of its Properties, including all equipment, machinery and facilities, except, in each case, where the failure to do so could not reasonably be expected to result in a Material Adverse Change.

(c) Perform all acts and execute such documents as Administrative Agent may reasonably require in order to maintain the existence, perfection and first priority of Administrative Agent's Lien on the Collateral, subject to Permitted Liens.

(d) Comply in all material respects with the terms and conditions set forth in the Significant Contracts.

(e) Obtain and maintain all licenses, permits and authorizations (including FCC licenses) as are necessary and material to operate its business in accordance with all Legal Requirements.

6.7 Taxes .

(a) Pay all Taxes that are not subject to a Permitted Protest due or payable by, or imposed, levied, or assessed against such Borrower (or any Subsidiary of such Borrower) or any of its property or assets to be paid in full, before delinquency;

(b) Make timely payment or deposit of all such federal, state, and local Taxes, assessments, or contributions that are not subject to a Permitted Protest required of it (or a Subsidiary of such Borrower) by law, and execute and deliver to Administrative Agent, on demand, appropriate certificates attesting to the payment thereof or deposit with respect thereto;

(c) Make timely payment or deposit of all Tax payments and withholding Taxes required of it and its Subsidiaries by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income Taxes, and, upon request, furnish Administrative Agent with proof reasonably satisfactory to Administrative Agent indicating that such Borrower has made such payments or deposits; and except, in each case, to the extent that (x) the validity of any such assessment, Tax, contribution or withholding described in this Section 6.7 shall be the subject of a Permitted Protest or (y) the failure to do so could not reasonably be expected to result in a Material Adverse Change.

6.8 Insurance .

(a) Maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. The loss payable clauses or provisions in said insurance policy or policies insuring any of the Collateral shall be endorsed in favor of and made payable to Administrative Agent, its successors and/or assigns, as their interests may appear and such policies shall name Administrative Agent for the benefit of the Secured Parties as "additional insured" or "sole loss payee", as applicable , and provide that no cancellation, material reduction in amount or material change in coverage shall be effective until at least thirty (30) days after receipt by Administrative Agent of notice thereof. All such policies of insurance shall include a waiver of subrogation and otherwise be in such form, with such companies, in such amounts and with deductibles as may be reasonably satisfactory to Administrative Agent. Upon Administrative Agent's written request, such Borrower shall deliver to Administrative Agent certified copies of such policies of insurance and evidence of the payment of all premiums therefor.

(b) Subject to Section 2.3(c)(iii)(C), to the extent not otherwise designated for the satisfaction of third party claims, any monies received as payment for any loss under any insurance policy, including the insurance policies mentioned above, shall be applied, at such Borrower's option and to the extent possible, to remedy the Casualty Event.

6.9 **Compliance with Laws.** Comply with the requirements of all Legal Requirements, including all Environmental Laws, the Fair Labor Standards Act and the Americans With Disabilities Act, other than Legal Requirements, the non-compliance with which, individually or in the aggregate, would not result in and reasonably could not be expected to result in a Material Adverse Change, and provide to Administrative Agent documentation of such compliance which Administrative Agent reasonably requests.

6.10 Environmental Matters.

(a) Promptly notify Administrative Agent in writing of any threatened action, investigation or inquiry by any Governmental Authority of which such Borrower or any of its Subsidiaries has Knowledge in connection with any Environmental Laws that would reasonably be expected to result in a liability or obligation exceeding \$100,000.

(b) To the extent in such Borrower's possession, custody or control, provide to Administrative Agent reports of audits and tests of environmental compliance or conditions as may be reasonably requested by Administrative Agent or as otherwise required to be obtained by any Governmental Authority in connection with such Borrower's or its Subsidiaries' existing and hereafter acquired material Properties.

(c) Keep any property either owned or operated by such Borrower or any of its Subsidiaries free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens, and promptly provide Administrative Agent with written notice within 10 days of the receipt of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of such Borrower or any of its Subsidiaries, (ii) commencement of any Environmental Action or notice that an Environmental Action will be filed against Borrower or any of its Subsidiaries that reasonably could be expected to result in a Material Adverse Change, and (iii) notice of a violation, citation, or other administrative order which reasonably could be expected to result in a Material Adverse Change.

6.11 Employee Benefits.

(a) Cause to be delivered to Administrative Agent: (i) promptly, and in any event within ten (10) Business Days after such Borrower or any of its Subsidiaries obtains Knowledge that an ERISA Event has occurred that has resulted in or reasonably could be expected to result in a Material Adverse Change, a written statement of a Financial Officer of such Borrower describing such ERISA Event and any action that is being taking with respect thereto by such Borrower, any such Subsidiary or ERISA Affiliate, and any action taken or threatened by the IRS, Department of Labor, or PBGC, (ii) promptly, and in any event within three (3) Business Days after such Borrower or any of its Subsidiaries obtains Knowledge of the filing thereof with the IRS, a copy of each funding waiver request filed with respect to any Benefit Plan and all communications received by such Borrower, any of its Subsidiaries or, to the Knowledge of Borrower, any ERISA Affiliate with respect to such request, and (iii) promptly, and in any event within three (3) Business Days after Borrower or any of its Subsidiaries obtains Knowledge of the receipt by such Borrower, any of its Subsidiaries or any ERISA Affiliate, of the PBGC's intention to terminate a Benefit Plan or to have a trustee appointed to administer a Benefit Plan, copies of each such notice.

(b) Cause to be delivered to Administrative Agent, upon Administrative Agent's request, each of the following: (i) a copy of each Plan (or, where any such plan is not in writing, complete description thereof) (and if applicable, related trust agreements or other funding instruments) and all amendments thereto, all written interpretations thereof and written descriptions thereof that have been distributed to employees or former employees of such Borrower or its Subsidiaries; (ii) the most recent determination letter issued by the IRS with respect to each Benefit Plan; (iii) for the three most recent plan years, annual reports on Form 5500 Series required to be filed with any governmental agency for each Benefit Plan; (iv) to the extent available to such Borrower, all actuarial reports prepared for the last three plan years for each Benefit Plan; (v) a listing of all Multiemployer Plans, with the aggregate amount of the most recent annual contributions required to be made by Borrower or any ERISA Affiliate to each such plan and copies of the collective bargaining agreements requiring such contributions; (vi) any material information that has been provided to such Borrower or any ERISA Affiliate regarding withdrawal liability under any Multiemployer Plan; and (vii) the aggregate amount of the most recent annual payments made to former employees of such Borrower or its Subsidiaries under any Retiree Health Plan.

6.12 Further Assurances.

(a) At Administrative Agent's reasonable request, promptly cure any defects in the creation or issuance of the Obligations or the execution or delivery of the Obligations and/or Loan Documents, including this Agreement.

(b) At its expense promptly execute and deliver, and cause each of its Subsidiaries to promptly execute and deliver, to Administrative Agent upon the Administrative Agent's reasonable request, all such other documents, agreements and instruments as may be reasonably necessary to comply with or accomplish the covenants and agreements of such Borrower or any of its Subsidiaries in the Loan Documents, including this Agreement.

(c) Such Borrower hereby authorizes Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Borrower or any of its Subsidiaries where permitted by law. A carbon, photographic or other reproduction of the Loan Documents or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. Administrative Agent shall endeavor to promptly provide Parent with notice and copies of such financing or continuation statements, and amendments thereto.

6.13 Payment of Trade Payables and Indebtedness.

(a) Except to the extent subject to a Permitted Protest, pay all liabilities and debt owed by such Borrower and each of its Subsidiaries on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by such Borrower and each Subsidiary in the ordinary course of its business; and

(b) pay the Indebtedness of such Borrower and its Subsidiaries and other obligations, (excluding tax liabilities addressed in Section 6.7 and the Obligations, which are addressed in Section 6.5), before the same shall become delinquent or in default, except to the extent (x) the failure to do so could not reasonably be expected to result in a Material Adverse Change or (y) the validity or amount thereof is the subject of a Permitted Protest.

6.14 Inspection of Property and Books and Records .

(a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of such Borrower and its Subsidiaries, as applicable.

(b) Permit representatives and independent contractors of Administrative Agent or any Lender to visit and inspect any of their respective properties, to examine their respective company, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective managers, directors, officers, and independent public accountants, all at the reasonable expense, of Borrowers and at such reasonable times during normal business hours upon reasonable advance notice to Borrower Representative; provided, however, so long as no Event of Default shall have occurred and be continuing, such inspection visits shall be limited to once a year.

6.15 Observer Rights .

(a) Permit Administrative Agent to appoint an observer (the “ **Observer** ”) to the board of directors of such Borrower and each of its Subsidiaries (each a “ **Board** ”). The Observer shall have the right to attend all meetings of each Board (and committee thereof) in a non-voting observer capacity.

(b) Provide to the Observer all materials provided to the members of each Board (and committee thereof) and notice of such meetings, all in the manner and at the time provided to the members of such Board (and committee thereof).

(c) Reimburse Administrative Agent for all of its reasonable hotel, travel, meals and other out-of-pocket expenses incurred by Administrative Agent's representative in attending any meeting of directors or stockholders or any committee of the Loan Parties upon presentation of invoices or other documentation of such expenses.

(d) Notwithstanding the foregoing, each Borrower reserves the right to exclude the Observer from access to any material or meeting or portion thereof if such Borrower believes upon advice of counsel that such exclusion is reasonably necessary to preserve the attorney-client privilege or to protect highly confidential proprietary information.

6.16 **Minimum Balances** . Parent, on a consolidated basis with its Subsidiaries, shall at all times maintain in deposit accounts or securities accounts (as each such term is defined in the UCC) with respect to which Administrative Agent has a perfected first priority security interest in, and control over, unrestricted cash or Cash Equivalents greater than or equal to \$6,500,000.

7. **NEGATIVE COVENANTS.**

Each Borrower covenants and agrees that until payment and performance in full of the Obligations, such Borrower will not, and will not permit any of its Subsidiaries to, do any of the following:

7.1 **Indebtedness** . Create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except:

(a) Indebtedness of a Loan Party to another Loan Party, provided that such Indebtedness is not held, assigned, transferred, negotiated or pledged to any Person other than a Borrower or one of its wholly-owned Subsidiaries, and, provided further, that any such Indebtedness owed by a Borrower or a Subsidiary shall be subordinated to the Obligations on terms satisfactory to Administrative Agent; and

(b) Permitted Indebtedness;

provided, that no agreement or instrument with respect to Indebtedness permitted to be incurred by this Section shall restrict, limit or otherwise encumber (by covenant or otherwise) the ability of any Loan Party to make any payment to Parent or any of its Subsidiaries (in the form of dividends, intercompany advances or otherwise).

7.2 **Liens** . Create, incur, assume, or permit to exist, directly or indirectly, any Lien on or with respect to any of its property or assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens.

7.3 **Restrictions on Fundamental Changes.**

(a) Enter into any merger, consolidation, reorganization, spinoff, splitoff or other similar transaction other than (i) a merger into Parent of one or more of the other Loan Parties, provided that Parent is the surviving entity, (ii) a merger of one or more of the Loan Parties (other than Parent) into another Loan Party, provided that a Loan Party is the surviving entity, (iii) a Permitted Acquisition, or (iv) a Hetnets Spin-Off, provided that (x) no Default or Event of Default has occurred and is continuing at the time of the consummation of the Hetnets Spin-Off or would result therefrom, and (y) at least 15 days prior to the consummation of a Hetnets Spin-Off, Borrower Representative shall deliver to Administrative Agent the following: (A) notice of such Hetnets Spin-Off, describing the structure thereof in reasonable detail; (B) a guaranty executed by the Spin-Off Entity in substantially the form of the Guaranty and otherwise reasonably satisfactory to the Administrative Agent, (C) a security agreement executed by the Spin-Off Entity in substantially the form of the Security Agreement and otherwise reasonably satisfactory to the Administrative Agent, (D) any financing statements, fixture filings or other documents or instruments required in order for Administrative Agent to continue at all times following such change to have a valid, legal and perfected first-priority liens and security interest in all the Collateral of Hetnets (subject only to Permitted Liens) as the same exists immediately prior to the Hetnets Spin-Off, (E) legal opinions in form and substance reasonably satisfactory to Administrative Agent, and (F) such corporate resolutions and organizational documents reasonably requested by Administrative Agent .

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution).

(c) Convey, sell, license, assign, lease, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its property or assets, other than a disposition by one or more Loan Parties (other than Parent) of all or substantially all of its property or assets to another Loan Party or a Permitted Hetnets Spin-Off .

7.4 **Disposal of Assets** . Sell, lease, assign, convey, transfer, or otherwise dispose of any Properties or assets other than:

(a) dispositions of cash for transactions permitted by this Agreement;

(b) dispositions of Cash Equivalents for fair market value;

(c) sales of Network Assets to buyers in the ordinary course of business as currently conducted;

(d) the sale, lease, assignment, conveyance, transfer, or other disposition (each a “ **Disposition** ”) of equipment that is no longer necessary for its business;

(e) Dispositions of assets by any Loan Party to any other Loan Party (other than any disposition by any Borrower in one transaction or a series of transactions of all or substantially all of its assets);

(f) the payment of dividends if and to the extent permitted under Section 7.9;

(g) Dispositions of assets in connection with a Permitted Hetnets Spin-Off; and

(h) Dispositions of assets acquired in connection with a Permitted Acquisition that are no longer reasonably required for the operations of the business conducted by any Loan Party .

7.5 **Organizational Changes** . Change (i) its corporate name or any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties (or adopt any new trade name), (ii) its corporate structure (within the meaning of the UCC), (iii) the location of its chief executive office or principal place of business if such Person is not a registered organization under the UCC, (iv) its jurisdiction of organization or its organizational identification number in such jurisdiction of organization, or (v) its FEIN; provided (x) such Borrower or Subsidiary may effect any such change upon at least 30 days prior written notice by Borrower Representative to Administrative Agent of such change and so long as, at the time of such written notification, such Borrower or such Subsidiary provides any financing statements, fixture filings or other documents or instruments required in order for Administrative Agent to continue at all times following such change to have a valid, legal and perfected first-priority liens and security interest in all the Collateral (subject only to Permitted Liens); and (y) such changes may be made in connection with a Permitted Hetnets Spin-Off.

7.6 **Guarantee** . Guarantee or otherwise become in any way liable with respect to the obligations of any third Person except (a) by endorsement of instruments or items of payment for deposit to the account of such Borrower or which are transmitted or turned over to Administrative Agent, (b) guarantees by any Loan Party pursuant to the terms of the Guaranty, and (c) to the extent permitted under Section 7.1.

7.7 **Nature of Business** . Make any material change in the principal nature of such Borrower's or any of its Subsidiaries' business as conducted on the Closing Date.

7.8 **Prepayments and Amendments of Indebtedness** . Prepay, redeem, retire, defease, purchase, or otherwise acquire any Indebtedness owing to any third Person, other than the Obligations in accordance with this Agreement and the other Loan Documents; provided that any Loan Party may prepay, redeem or defease any Permitted Indebtedness so long as at the time of any such act and immediately after giving effect thereto, no Default shall have occurred and be continuing.

7.9 **Limitations on Dividends and Distributions** . Declare or pay any dividends upon any of its Capital Stock; purchase, redeem, retire or otherwise acquire, directly or indirectly, any of its Capital Stock; make any distribution of cash, property or assets among the holders of its Capital Stock, or make any change in its capital structure except as otherwise permitted hereunder; provided that:

- (a) Parent or any Subsidiary may pay dividends in shares of its own Qualified Capital Stock; and
- (b) any Subsidiary may pay cash dividends to any Borrower.

7.10 **Limitations on Issuance of Capital Stock** . Issue any Disqualified Capital Stock (whether for value or otherwise) to any Person, except to the extent permitted under Section 7.1, or issue any Capital Stock of any Subsidiary of Parent to any Person other than Parent or another Subsidiary of Parent (but in each case, with notice to the Administrative Agent).

7.11 **Accounting Methods** . Modify or change its method of accounting, except as required or permitted by GAAP, or its Fiscal Year.

7.12 **Investments** . Except for Permitted Investments (as defined below), directly or indirectly make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment. As used in this Agreement, "**Permitted Investments**" means:

- (a) Investments in Cash Equivalents;
- (b) Investments in negotiable instruments for collection;
- (c) advances made in connection with purchases of goods or services in the ordinary course of business;
- (d) Investments set forth on Schedule 7.12;

(e) Investments in Subsidiaries existing on the Closing Date and Investments in Subsidiaries formed after the Closing Date in accordance with Section 7.19;

(f) Investments in Capital Expenditures not prohibited under Section 7.18;

(g) Business Acquisitions after the date hereof by Parent or any other Loan Party; provided that (i) each such Business Acquisition shall consist of the acquisition of the assets or Capital Stock of a Competitor ; (ii) if such Business Acquisition is an acquisition of Capital Stock of a Person, (x) such Business Acquisition shall not be opposed by the board of directors (or similar governing body) of such Person, (y) such Person shall be organized under the laws of any political subdivision of the United States, and (z) Parent or such Loan Party shall cause such Person to comply with Section 7.19 prior to or within two (2) Business Days following the consummation of such Business Acquisition, (iii) if such Business Acquisition is a merger, a Loan Party must be the surviving entity in such merger, (iv) such Business Acquisition may not be structured as a consolidation, (v) the representations and warranties made by the Loan Parties in the Loan Documents shall be true and correct in all material respects at and as if made as of the date of such Business Acquisition (after giving effect thereto) except to the extent such representations and warranties expressly relate to an earlier date, (vi) no Default or Event of Default shall have occurred and be continuing at the time of the consummation of such Business Acquisition or would result therefrom, (vii) the Loan Parties shall not, as a result of or in connection with any Business Acquisition, assume or incur any contingent liabilities (whether relating to environmental, tax, litigation or other matters) that could reasonably be expected to result in a Material Adverse Change; (viii) such Business Acquisition shall be accretive to Consolidated EBITDA (i.e. shall result in an increase in Consolidated EBITDA if Consolidated EBITDA is positive prior to such Business Acquisition and shall not result in a decrease in Consolidated EBITDA if Consolidated EBITDA is negative prior to such Business Acquisition) immediately without taking into account merger synergies; and (ix) prior to the consummation of any such Business Acquisition, Administrative Agent shall have received a certificate of a Responsible Officer setting forth the calculations and such other information as may be required to determine compliance with clauses (vii) and (viii) above to the reasonable satisfaction of Administrative Agent and certifying that the conditions set forth in this clause (g) with respect to such Business Acquisition have been satisfied; and

(h) Business Acquisitions after the date hereof by Parent or any other Loan Party; provided that (i) each such Business Acquisition shall satisfy the conditions set forth in clauses (i) through (vii), inclusive, and clause (ix) of Section 7.12(g) ; (ii) such Business Acquisition shall be financed solely from the cash flow of the Loan Parties or financing obtained from the counterparty to such transaction or from a third party; and (iii) any Indebtedness incurred in connection with such Business Acquisition shall be subordinated to the Obligations under terms and conditions satisfactory to Administrative Agent.

7.13 Transactions with Affiliates . Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of such Borrower or any of its Subsidiaries except for (a) transactions that are in the ordinary course of such Borrower's or such Subsidiary's business, that are fully disclosed to Administrative Agent, and that are no less favorable to such Borrower or such Subsidiary, as the case may be, than would be obtained in an arm's length transaction with a non-Affiliate, (b) transactions between or among the Loan Parties, and (c) compensation arrangements, indemnification agreements and employee benefits plans for officers and directors duly approved by the board of directors of such Borrower or such Subsidiary .

7.14 Use of Proceeds. Use the proceeds of the Loans for any purpose other than for general working capital purposes (including the purchase of Network Assets and other equipment in the ordinary course of business, lease payments for Network Site Lease Agreements, expanding operations and facilities into new markets, hiring additional personnel (including sales and managerial personnel) and Permitted Acquisitions under Section 7.12(g)), in each case not in contravention of any Legal Requirement or Loan Document; provided that no Borrower will use the proceeds of the Loans to purchase or carry any margin stock (within the meaning of Regulation U issued by the Federal Reserve Board) or to extend credit to others for the purpose of purchasing or carrying any margin stock in violation of the margin rules .

7.15 No Prohibited Transactions under ERISA . Directly or indirectly:

(a) Engage in any prohibited transaction which is reasonably likely to result in a civil penalty or excise tax described in Sections 406 of ERISA or 4975 of the IRC for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the Department of Labor;

(b) permit any Benefit Plan to fail to satisfy the minimum funding requirements under Sections 302 of ERISA and 412 of the IRC;

(c) fail to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Benefit Plan;

(d) terminate any Benefit Plan where such event would result in any liability of such Borrower, any of its Subsidiaries or any ERISA Affiliate under Title IV of ERISA;

(e) fail to make any required contribution or payment to any Multiemployer Plan;

(f) fail to pay any required installment or any other payment required under Section 412 of the IRC on or before the due date for such installment or other payment; or

(g) withdraw from any Multiemployer Plan where such withdrawal is reasonably likely to result in any liability of any such entity under Title IV of ERISA;

which, individually or in the aggregate, results in or reasonably would be expected to result in a claim against or liability of such Borrower, any of its Subsidiaries or any ERISA Affiliate in excess of \$100,000.

7.16 Hedging Agreements; Amendments to Material Agreements and Governing Documents .

(a) Enter into or maintain any Hedging Agreement.

(b) Alter any Significant Contract except for alterations in the ordinary course of business consistent with such Borrower's past practice which could not reasonably be expected to result in a Material Adverse Change.

(c) Alter, amend or modify in any manner materially adverse to Administrative Agent or Lenders any of its Governing Documents.

7.17 Negative Pledge; Restrictive Agreements . Except as contemplated and in compliance with this Agreement, directly or indirectly enter into, incur or permit to exist any agreement or other arrangement (other than this Agreement or any other Loan Document) that limits (a) the ability of any Loan Party to create, incur or permit to exist any Lien upon any of its Property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Capital Stock, to make or repay loans or advances to such Borrower or any other Loan Party, to guarantee Indebtedness of such Borrower or any Loan Party or to transfer any of its assets to such Borrower or any other Loan Party.

7.18 Intentionally Omitted .

7.19 Subsidiaries; Guarantors . Create or suffer to exist any Subsidiaries not existing on the Closing Date unless (i) such Subsidiary is a wholly-owned Subsidiary organized under the laws of the United States or any state thereof and (ii) such Subsidiary has delivered to Administrative Agent the following: (A) a supplement to the Guaranty executed by such Subsidiary in the form annexed to the Guaranty, (B) a Security Agreement executed by such Subsidiary, (C) legal opinions in form and substance reasonably satisfactory to Administrative Agent, and (D) such corporate resolutions and organizational documents reasonably requested by Administrative Agent .

8. EVENTS OF DEFAULT .

Any one or more of the following events shall constitute an event of default (each, an “**Event of Default**”) under this Agreement:

(a) If Borrowers or any other Loan Party fails to pay when due and payable or when declared due and payable (i) any principal of any Loan (including any prepayments required under Section 2.3) or (ii) any interest on any Loan or any fee or any other Obligation (other than an amount referred to in clause (i) above), and in the case of clause (ii) above, such failure shall continue unremedied for a period of five (5) Business Days;

(b) (i) If any Borrower fails or neglects to perform, keep, or observe in any material respect any applicable term, provision, condition, covenant, or agreement contained in Sections 6.1 (Financial Reporting), 6.2 (Collateral Reporting), 6.3 (Notices of Material Events), 6.4 (Existence), 6.14(b) (Inspection of Property and Books and Records), 6.15(a) (Observer Rights), 6.16 (Minimum Balances), Article 7 (Negative Covenants) or Section 18.8 (Public Disclosure); (ii) if any Loan Party fails or neglects to perform, keep, or observe in any material respect any applicable term, provision, condition, covenant, or agreement contained in Sections 4.1(a), 4.3, 4.8(a) or 4.10 of the Security Agreement; or (iii) if any Loan Party fails or neglects to perform, keep, or observe in any material respect any other applicable term, provision, condition, covenant, or agreement contained in (x) this Agreement or the Security Agreement and such failure continues unremedied for a period of thirty (30) days after notice by the Administrative Agent to the Borrower Representative, or (y) any other Loan Document to which it is a party (giving effect to any grace periods, cure periods, or required notices, if any, expressly provided for in such Loan Document); in each case, other than any such term, provision, condition, covenant, or agreement that is the subject of another provision of this Article 8, in which event such other provision of this Article 8 shall govern;

(c) If an Insolvency Proceeding with respect to any Loan Party is commenced by any Loan Party;

(d) If an Insolvency Proceeding is commenced against any Loan Party and any of the following events occur: (i) such Loan Party consents to the institution of the Insolvency Proceeding against it; (ii) the petition commencing the Insolvency Proceeding is not timely controverted; (iii) the petition commencing the Insolvency Proceeding is not dismissed or stayed within 60 calendar days of the date of the filing thereof; (iv) an interim trustee is appointed to take possession of all or a substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of such Loan Party; or (v) an order for relief shall have been issued or entered therein;

(e) If any of the following shall have occurred: (i) any Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all of its business affairs, (ii) a final non–appealable order is issued by any Governmental Authority, including the FCC or the United States Justice Department, requiring any Loan Party to divest all of its assets pursuant to any antitrust, restraint of trade, unfair competition, industry regulation, or similar Legal Requirements, or (iii) any Governmental Authority shall condemn, seize, or otherwise appropriate, or take custody or control of all of the assets of any Loan Party ;

(f) If any of the following shall have occurred: (i) any Loan Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct any material part of its business affairs, (ii) a final non-appealable order is issued by any Governmental Authority, including the FCC or the United States Justice Department, requiring any Loan Party to divest a material portion of its assets pursuant to any antitrust, restraint of trade, unfair competition, industry regulation, or similar Legal Requirements, or (iii) any Governmental Authority shall condemn, seize, or otherwise appropriate, or take custody or control of a material portion of the assets of any Loan Party ;

(g) If any Loan Party shall fail to comply in any respect with the Communications Act, or any rule or regulation promulgated by the FCC, or any Permit or authorization constituting authorizations, permits or licenses of any Loan Party material to the operation of the business of such Loan Party has expired or shall expire without having been renewed or shall be canceled or impaired; provided that such failure, expiration, cancellation or impairment is reasonably likely to result in a decrease during the first Fiscal Quarter after the Fiscal Quarter in which such event occurs of 25% or more of a Segment' s Operating Income or Revenues from such Segment' s Operating Income or Revenues during the Fiscal Quarter preceding the Fiscal Quarter in which such event occurs;

(h) If a notice of Lien, levy, or assessment, other than with respect to a Permitted Lien, is filed of record with respect to any Loan Party' s properties or assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or if any Taxes or debts owing at any time hereafter to any one or more of such entities becomes a Lien, whether choate or otherwise, other than a Permitted Lien, upon any Loan Party' s properties or assets and the same is not paid on the payment date thereof, or if any portion of any Loan Party' s properties or assets that is part of the Collateral is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any third Person; provided, the foregoing shall not be an Event of Default unless such Lien, levy or assessment, or Taxes or debts, or indebtedness on account of which such attachment, seizure, writ or warrant is made or issued, is in an aggregate principal amount in excess of \$250,000;

(i) If one or more judgments, decrees or awards for the payment of money in an aggregate amount in excess of \$500,000 (to the extent not covered by independent third-party insurance as to which the insurer has been notified and does not dispute coverage) shall be rendered against any Loan Party or any combination thereof and the same shall remain undischarged for a period of 60 calendar days during which execution shall not be effectively stayed, or shall result in a Lien upon any assets of any Loan Party or any combination thereof in an aggregate principal amount in excess of \$500,000;

(j) If any Loan Party (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure in respect of any other Indebtedness in excess of \$100,000 principal amount or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness in excess of \$100,000 principal amount, and such failure shall continue after the applicable grace period, if any, specified in said agreement or instrument, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, such Indebtedness to be declared to be due and payable prior to its stated maturity or cash collateral in respect thereof to be demanded; provided, however, that if the Indebtedness in question consists of a Capitalized Lease Obligation, such occurrence shall not constitute an Event of Default if and for so long as such Capitalized Lease Obligation is subject to a Permitted Protest;

(k) If for any reason other than the occurrence of an event described in clause (e) or (f) above, (i) any Loan Party fails to operate its business for any period of time which, in the aggregate, would reasonably be expected to result in a Material Adverse Change or (ii) any Substantial Portion shall not, for any reason (including loss of an FCC license or otherwise) be operating for a period in excess of thirty (30) days. For purposes of this clause (k), “ **Substantial Portion** ” means, as at any time, any Segment (other than the Shared Wireless Infrastructure segment) that has generated, for the then most recently completed twelve-month period, in excess of 5% of the gross revenues of the Loan Parties ;

(l) If any Loan Party makes any payment on account of Indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent such payment is permitted by the terms of the subordination provisions applicable to such Indebtedness or this Agreement;

(m) If any representation or warranty made or deemed made by or on behalf of any Loan Party in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder or in any Loan Document furnished pursuant to or in connection with this Agreement or any amendment or modification thereof or waiver hereunder, shall prove to have been false or misleading in any material respect (except to the extent that such representation, warranty, certification or statement of fact is already qualified by materiality, in which case it shall constitute an Event of Default if any such representation, warranty, certification or statement of fact is incorrect in any respect) when made or deemed made;

(n) If the obligation of any Loan Party under any Loan Document to which it is a party is limited or terminated by operation of law or by such Loan Party thereunder;

(o) If this Agreement or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent permitted by the terms hereof (including Permitted Liens) or thereof, first priority Lien on or security interest in the Collateral covered hereby or thereby;

(p) Any Loan Document shall at any time for any reason fail to be in full force and effect, or the validity or enforceability thereof shall be contested by any Loan Party, or a proceeding shall be commenced by any Loan Party or by any Governmental Authority having jurisdiction over such Loan Party seeking to establish the invalidity or unenforceability thereof, or any Loan Party shall deny that any Loan Party has any liability or obligation purported to be created under any Loan Document;

(q) If an ERISA Event occurs which results in, or could reasonably be expected to result in, a liability of any Loan Party in an amount in excess of \$200,000;

(r) If any Loan Party or any ERISA Affiliate as employer under a Multiemployer Plan makes a complete or partial withdrawal from such Multiemployer Plan and such withdrawing employer incurs, or could reasonably be expected to incur, a withdrawal liability in an annual amount in excess of \$200,000; or

(s) If a Delisting occurs.

9. THE LENDER GROUP'S RIGHTS AND REMEDIES.

9.1 Rights and Remedies.

(a) Upon the occurrence of an Event of Default under Section 8(c) or 8(d), the unpaid principal amount of all outstanding Loans (together with the Make-Whole Premium, the Non-Call Make-Whole Premium and any applicable Prepayment Premium resulting from the payment of Loans required hereby) and other amounts payable under the Loan Documents shall automatically become due and payable, without further act of Administrative Agent or any Lender, and in each case without presentment, demand, protest, notice of intention to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by Borrowers.

(b) Upon the occurrence, and during the continuation, of any other Event of Default other than under Section 8(c) or 8(d), the Majority Lenders (at their election but without notice of their election and without demand) may authorize and instruct Administrative Agent (and Administrative Agent, acting upon the instructions of the Majority Lenders, shall do the same on behalf of Lender Group), to declare all outstanding Loans (together with the Make-Whole Premium, the Non-Call Make-Whole Premium and any applicable Prepayment Premium resulting from the payment of Loans required hereby) and other amounts payable under the Loan Documents, immediately due and payable.

(c) Upon the occurrence and during the continuation of any Event of Default, the Majority Lenders (at their election but without notice of their election and without demand) may authorize and instruct Administrative Agent (and Administrative Agent, acting upon the instructions of the Majority Lenders, shall do the same on behalf of Lender Group), to do any of the following, all of which are authorized by Borrowers:

(i) Cease advancing money or extending credit to or for the benefit of Borrowers under this Agreement, under any of the Loan Documents, or under any other agreement between any Borrower and Lender Group;

(ii) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender Group, but without affecting Administrative Agent's rights and security interests, for the benefit of the Secured Parties, in the Collateral and without affecting the Obligations;

(iii) Without notice to Borrowers (such notice being expressly waived), and without constituting a retention of any Collateral in satisfaction of an obligation (within the meaning of the UCC), set off and apply to the Obligations any and all (i) balances and deposits of Loan Parties held by Lender Group, or (ii) indebtedness at any time owing to or for the credit or the account of Loan Parties held by Lender Group; and

(iv) Hold, as cash collateral, any and all balances and deposits of Loan Parties held by Lender Group, to secure the repayment in full of all of the Obligations.

(d) Administrative Agent and Lender Group shall have all other rights and remedies available to it at law or in equity pursuant to any other Loan Documents.

9.2 Remedies Cumulative . The rights and remedies of Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the UCC, by law, or in equity. No exercise by Lender Group of one right or remedy shall be deemed an election, and no waiver by Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by Lender Group shall constitute a waiver, election, or acquiescence by it. Nothing in this Agreement in any way limits, impairs or reduces any rights of Lender Group under any of the Loan Documents.

9.3 Lender Directed Remedies. Upon the occurrence and during the continuance of any Event of Default, Administrative Agent shall (and is hereby authorized by the parties hereto), upon the written demand from the Majority Lenders, accelerate the maturity of the Loans and promptly commence and diligently pursue in good faith the exercise of its enforcement rights or remedies against, and take action to enforce its Liens on, the Collateral so long as Administrative Agent is permitted to exercise such rights and remedies by the terms of the Loan Documents (excluding any restriction based upon authorization by the Majority Lenders or any other vote of Lender Group) or under applicable law (including any or all of the following: solicitation of bids from third parties to conduct the liquidation of all or a material portion of Collateral, the engagement or retention of sales brokers, marketing agents, investment bankers, accountants, appraisers, auctioneers or other third parties for the purposes of valuing, marketing, promoting, and selling a material portion of the Collateral, the opposition of the use of cash collateral or sale of assets in an Insolvency Proceeding, seeking to obtain relief from any stay imposed by applicable law governing an Insolvency Proceeding, the commencement of any action to foreclose on its Lien on all or any material portion of the Collateral, notification of account debtors to make payments to Administrative Agent or its agents, any action to take possession of all or any material portion of the Collateral or commencement of any legal proceedings or actions against or with respect to all or any material portion of the Collateral), provided that (A) such Event of Default has not been waived or cured, (B) in the reasonable good faith determination of Administrative Agent, taking such action is permitted under the terms of the Loan Documents and applicable law, (C) taking such action will not result in any liability of Administrative Agent or Lenders to Borrower, any Guarantor, or any other Person, and (D) Administrative Agent shall be entitled to all of the benefits of Section 17.7 of this Agreement in connection with taking such enforcement action.

10. TAXES AND EXPENSES.

If any Borrower fails to pay any monies (whether Taxes, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, to the extent that Administrative Agent reasonably determines that such failure by such Borrower could result in a Material Adverse Change, in its discretion and without prior notice (but with notice promptly thereafter) to Borrowers, Administrative Agent may do any or all of the following: (a) make payment of the same or any part thereof; or (b) obtain and maintain insurance policies of the type described in Section 6.8, and take any action with respect to such policies as Administrative Agent deems prudent. Any such amounts paid by Administrative Agent shall constitute Lender Group Expenses. Any such payments made by Administrative Agent shall not constitute an agreement by Lender Group to make similar payments in the future or a waiver by Lender Group of any Event of Default under this Agreement. Administrative Agent need not inquire as to, or contest the validity of, any such expense, Tax, or Lien and, absent gross negligence by Administrative Agent, the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. EXPENSES; INDEMNIFICATION; DAMAGE WAIVER.

11.1 **Costs and Expenses** . Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by Administrative Agent (including the reasonable fees, charges and disbursements of counsel for Administrative Agent) in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents (including all reasonable costs and expenses incurred by Administrative Agent in connection with its administration of the Funding Account and the Collections Accounts) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by Administrative Agent or any Lender (including the reasonable fees, charges and disbursements of any external counsel for Administrative Agent or any Lender) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

11.2 **Indemnification by Borrowers.** Borrowers shall jointly and severally indemnify Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any external counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby (including any agreement with any depository bank governing Administrative Agent’s administration of the Funding Account and the Collections Accounts), the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Loan Party, or any Environmental Liability related in any way to any Loan Party, (iv) any claim made against the Observer in connection with his acting as such , or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Loan Party, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee if any Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Notwithstanding anything to the contrary contained herein, any indemnification for Taxes shall be subject to the provisions of Section 4.1.

11.3 **Reimbursement by Lenders.** To the extent that Borrowers for any reason fail to indefeasibly pay any amount required under Section 11.1 or 11.2 to be paid by them to Administrative Agent (or any sub-agent thereof) or any Related Party of Administrative Agent, each Lender severally agrees to pay to Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender’s Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of Lenders under this Section 11.3 are subject to the provisions of Section 17.16.

11.4 **Observer Indemnification** . Borrowers acknowledge that the Observer may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more members of the Lender Group (collectively, the “**Lender Indemnitors**”). Borrowers hereby agree (i) that they are the indemnitor of first resort (i.e., their obligations to the Observer are primary and any obligation of the Lender Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by the Observer are secondary), and (ii) that they shall be required to advance the full amount of reasonable and documented expenses incurred by the Observer and shall be liable for the full amount of all expenses and liabilities incurred by the Observer to the extent legally permitted and as required by the terms of this Agreement and the certificates of incorporation and by-laws of Borrowers (and any other agreement regarding indemnification between any Borrower and the Observer), without regard to any rights the Observer may have against any Lender Indemnitor. Borrowers further agree that no advancement or payment by any Lender Indemnitor on behalf of the Observer with respect to any claim for which the Observer has sought indemnification from Borrowers shall affect the foregoing and the Lender Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of the Observer against Borrowers.

11.5 **Consequential Damages, etc.** To the fullest extent permitted by applicable law, Borrowers shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

11.6 **Payments.** All amounts due under this Article 11 shall be payable no later than ten (10) Business Days after demand therefor.

12. NOTICES.

12.1 **Notices Generally** . Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, or facsimile to the relevant party at its address set forth below:

If to Borrower Representative:

Towerstream Corporation
88 Silva Lane
Middletown, Rhode Island 02842
Facsimile: (866) 242-7031
Email: jhernon@towerstream.com

with copies to:

Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006
Attn: Harvey J. Kesner, Esq.
Facsimile: 212-930-9725
Email: Hkesner@srff.com

If to Administrative Agent or Lenders
in care of Administrative Agent:

Melody Business Finance, LLC
60 Arch Street, 2nd Floor
Greenwich, Connecticut 06830
Facsimile: +1 212 583 8777
Attention: Terri Lecamp
Email: notices@melodypartners.com

With copies to (which shall not constitute
Notice to any member of the Lender Group):

Jaspan Schlesinger LLP
300 Garden City Plaza
Garden City, New York 11530
Facsimile: +1 516 393 8282
Attention: Robert Londin, Esq.
Email: rlondin@jaspanllp.com

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in Section 12.2 below, shall be effective as provided in said Section 12.2.

12.2 **Electronic Communications** . Notices and other communications to Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures reasonably approved by Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. Administrative Agent or Borrower Representative may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures reasonably approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

12.3 **Change of Address, etc** . Any party hereto may change its mailing or email address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

13. CHOICE OF LAW; JURISDICTION; SERVICE OF PROCESS; JURY TRIAL WAIVER.

13.1 **Choice of Law.** The validity of this Agreement and the other Loan Documents (unless expressly provided to the contrary in another Loan Document in respect of such other Loan Document), the construction, interpretation, and enforcement hereof and thereof, and the rights of the parties hereto and thereto with respect to all matters arising hereunder or thereunder or related hereto or thereto shall be determined under, governed by, and construed in accordance with the internal laws of the State of New York (including Sections 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).

13.2 **Jurisdiction.** Borrowers hereby irrevocably and unconditionally submit, for themselves and their property, to the nonexclusive jurisdiction of any United States Federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, or for recognition or enforcement of any judgment, and each Borrower 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. Each Borrower hereby waives, 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 Article 13. Nothing in this Agreement or any of the other Loan Documents shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Loan Party or its Properties in the courts of any jurisdiction.

13.3 **Service of Process.** Each Borrower 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 Borrower Representative at its address for notices set forth herein. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

13.4 **Waiver of Jury Trial.** Borrowers 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 any of the Loan Documents or any of the transactions contemplated therein, including contract claims, tort claims, breach of duty claims, and all other common law or statutory claims. Borrowers 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.

14. **DESTRUCTION OF BORROWERS' DOCUMENTS.**

All documents, schedules, invoices, agings, or other papers (collectively, the “ **Borrower Documents** ”) delivered to any one or more members of Lender Group may be destroyed or otherwise disposed of by such member of Lender Group four (4) months after they are delivered to or received by such member of Lender Group, unless Borrower Representative requests, in writing prior to the expiration of such period, the return of the Borrower Documents and makes arrangements, at Borrowers' expense, for their return, if applicable. In the event that the Lender Group destroys the Borrower Documents, the Administrative Agent shall promptly confirm in writing the compliance with such request.

15. **SUCCESSORS AND ASSIGNS.**

15.1 **Successors and Assigns Generally.** 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 Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Administrative Agent and each of Lenders and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 15.2, (ii) by way of participation in accordance with the provisions of Section 15.4, (iii) in connection with a Securitization or (iv) by way of pledge or assignment of a security interest subject to the restrictions of Section 15.6 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 15.4 and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent and Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

15.2 **Assignments by Lenders.** Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(a) **Minimum Amounts .**

(i) in the case of an assignment of the entire remaining amount of the Loans at the time owing to the assigning Lender or in the case of an assignment to a Lender, an Affiliate of a Lender or a Related Fund, no minimum amount need be assigned; and

(ii) in any case not described in Section 15.2(a)(i), the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to Administrative Agent or, if “Trade Date” is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$500,000, unless each of Administrative Agent and, so long as no Event of Default has occurred and is continuing, Borrower Representative otherwise consents (each such consent not to be unreasonably withheld or delayed).

(b) **Partial Assignments** . Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans assigned.

(c) **Required Consents** . No consent shall be required for any assignment except to the extent required by Section 15.2(a)(ii) and, in addition:

(i) so long as no Default or Event of Default has occurred and is continuing at the time of such assignment , the consent of Borrower Representative shall be required if the proposed assignee is a Competitor ; and

(ii) the consent of Administrative Agent in its sole discretion shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender, any investor in such Lender or a Related Fund with respect to such Lender.

(d) **Assignment and Assumption** . The parties to each assignment shall execute and deliver to Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$5,000 payable by the assignee, and the assignee, if it is not a Lender, shall deliver to Administrative Agent an Administrative Questionnaire.

(e) **Prohibited Assignments** . No such assignment shall be made to any Borrower or any of Borrowers' Affiliates or Subsidiaries or to any natural person.

(f) **Assignment by Melody Business Finance, LLC** . Notwithstanding anything in Sections 15.2(a), (b) or (c), the parties hereto agree that Melody Business Finance, LLC and its Affiliates that are Lenders may separately assign or otherwise transfer any portion of its rights and obligations in respect of its Loans to one or more of their respective Affiliates and/or Related Funds .

Subject to acceptance and recording thereof by Administrative Agent pursuant to Section 15.3 below, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Section 4.2 and Article 11 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 15.4.

15.3 **Register** . Administrative Agent, acting solely for this purpose as an agent of Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register** "). The entries in the Register shall be conclusive, absent manifest error, and Borrowers, Administrative Agent and Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice or knowledge to the contrary. The Register shall be available for inspection by Borrower Representative and any Lender, at any reasonable time and from time to time upon reasonable prior notice. For the avoidance of doubt, the foregoing provisions are intended to comply with the registration requirements in Treasury Regulations Section 5f.103-1(c), or any successor provisions thereof, so that the Loans (or any notes representing such Loans) are considered to be issued in "registered form" pursuant to such regulations, and all parties hereto shall construe the provisions of the Loan Documents to ensure that the Loans (or notes, as applicable) will be considered to have been so issued.

15.4 **Participations** . Subject to a Participant (as defined below) expressly agreeing in writing to maintain the confidentiality of the Confidential Information subject to the disclosures permitted under Section 18.12 , any Lender may at any time, without the consent of, or notice to, Borrowers or Administrative Agent, sell participations to any Person (other than a natural person or any Borrower or any of Borrowers' Affiliates or Subsidiaries) (each, a "**Participant** ") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations (iii) Borrowers, Administrative Agent, and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement; (iv) such Lender maintains a register reflecting the name and address of each Participant and the Commitments of, and principal amounts of Loans owing to such Participant; and (v) so long as no Default or Event of Default has occurred and is continuing at the time of such participation, the consent of Borrower Representative shall be required if the proposed participant is a Competitor .

15.5 **Limitations upon Participant Rights** . A Participant shall not be entitled to receive any greater payment under Section 4.1 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant unless the sale of the participation to such Participant was made with Borrowers' prior written consent.

15.6 **Certain Pledges** . Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

16. **AMENDMENTS; WAIVERS** .

16.1 **Amendments and Waivers** . No amendment or waiver of any provision of this Agreement or any other Loan Document (other than the Fee Letter, which may be amended, modified or waived by an agreement in writing among the parties thereto), and no consent with respect to any departure by any Loan Party therefrom, shall be effective unless the same shall be in writing and signed by the Majority Lenders (or by Administrative Agent at the written request of the Majority Lenders) and the Loan Parties party thereto and acknowledged by Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall:

(a) increase the Commitment of any Lender without the written consent of such Lender;

(b) reduce the principal of, or the rate of interest specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(c) change the percentage of the Commitments or Obligations, as the case may be, that is required for Lenders or any of them to take any action hereunder without the written consent of each Lender;

(d) amend this Section or any provision of the Agreement providing for consent or other action by all Lenders without the written consent of each Lender;

(e) release, or contractually subordinate any of Administrative Agent's Liens on any Collateral other than as permitted by Section 17.11 without the written consent of each Lender;

(f) change the definition of "Majority Lenders" or "Pro Rata Share" without the written consent of each Lender;

(g) release any Loan Party from its obligations under the Loan Documents without the written consent of each Lender; or

(h) amend any of the provisions of Article 17 without the written consent of Administrative Agent,

and, provided further, however, that (x) no amendment, waiver or consent shall, unless in writing and signed by Administrative Agent, affect the rights or duties of Administrative Agent under this Agreement or any other Loan Document; (y) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto; and (z) the references to Sections 18.8 and 18.12 in Annex 1 to the Assignment and Assumption may not be deleted or amended without the written consent of Borrower Representative.

No Loan Party nor any of their Affiliates will, directly or indirectly, pay any remuneration or other thing of value, whether by way of additional interest, fee or otherwise, to any Lender (in its capacity as Lender hereunder) as consideration for agreement of such Lender with any modification or waiver of the Loan Documents, unless all Lenders so agreeing are concurrently paid, on the same terms, their Pro Rata Share of such remuneration or other value.

16.2 No Waivers; Cumulative Remedies . No failure by Administrative Agent or any Lender to exercise any right, remedy, or option under this Agreement, any other Loan Document, or any present or future supplement hereto or thereto, or in any other agreement between or among Borrowers and Administrative Agent or any Lender, or delay by Administrative Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Administrative Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Administrative Agent or Lenders on any occasion shall affect or diminish Administrative Agent's and each Lender's rights thereafter to require strict performance by Borrowers of any provision of this Agreement. Administrative Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy which Administrative Agent or any Lender may have.

16.3 Replacement of Holdout Lender.

(a) If any action to be taken by Lender Group or Administrative Agent hereunder requires the unanimous consent, authorization, or agreement of all Lenders and has been approved by the Majority Lenders, and a Lender (" **Holdout Lender** ") fails to give its consent, authorization, or agreement, then Administrative Agent, upon at least five (5) Business Days prior irrevocable notice to each Holdout Lender, may permanently replace each Holdout Lender (subject to Section 15.2(c)(i)) (but not less than all Holdout Lenders) with one or more substitute Lenders (each, a " **Replacement Lender** "), and the Holdout Lenders shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lenders shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given. Each Holdout Lender so replaced shall be entitled to receive, in cash, concurrently with such assignment, all amounts owed to it under the Loan Documents, at par, including all principal, interest and fees through the date of such assignment.

(b) Prior to the effective date of such replacement, the Holdout Lender and each Replacement Lender shall execute and deliver an Assignment and Assumption, subject only to the Holdout Lender being repaid its share of the outstanding Obligations without any premium or penalty of any kind whatsoever. The replacement of any Holdout Lender shall be made in accordance with the terms of Section 15.2.

17. AGENT; THE LENDER GROUP.

17.1 Appointment and Authorization of Administrative Agent . Each Lender hereby designates and appoints Melody Business Finance, LLC as its representative under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes Melody Business Finance, LLC, in its capacity as Administrative Agent, to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Administrative Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Administrative Agent agrees to act as such on the express conditions contained in this Article 17. The provisions of this Article 17 are solely for the benefit of Administrative Agent and Lenders, and no Loan Party shall have rights as a third party beneficiary of any of the provisions contained herein. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Administrative Agent; it being expressly understood and agreed that the use of the word “Administrative Agent” is for convenience only, that the Persons serving in such capacity are merely the representatives of Lenders, and have only the contractual duties set forth herein. Except as expressly otherwise provided in this Agreement, Administrative Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions which Administrative Agent is expressly entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Administrative Agent, Lenders agree that Administrative Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Loans, the Collateral, the Collections, and related matters; (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents; (c) make Loans for itself or on behalf of Lenders as provided in the Loan Documents; (d) exclusively receive, apply, and distribute the Collections as provided in the Loan Documents; (e) open and maintain such bank accounts, cash management accounts and lock boxes as Administrative Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections; (f) perform, exercise, and enforce any and all other rights and remedies of Lender Group with respect to Borrowers, the Obligations, the Collateral, the Collections, or otherwise related to any of same as provided in the Loan Documents; and (g) incur and pay such Lender Group Expenses as Administrative Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

17.2 Delegation of Duties . Except as otherwise provided in this Article 17, Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made (x) in compliance with this Article 17 and (y) without gross negligence or willful misconduct.

17.3 **Liability and Responsibility of Agents** . None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them in good faith under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of Lenders for any recital, statement, representation or warranty made by any Borrower or any Subsidiary or Affiliate of any Borrower, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Books or properties of Borrowers or the Books or properties of Borrowers' Subsidiaries or Affiliates.

17.4 **Reliance by Administrative Agent** . Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegraph, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Administrative Agent shall first receive such advice or concurrence of Lenders as it deems appropriate. If Administrative Agent so requests, it shall first be indemnified to its reasonable satisfaction by Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders.

17.5 **Notice of Default or Event of Default** . Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Administrative Agent for the account of Lenders, and except with respect to Defaults or Events of Default of which Administrative Agent has actual knowledge, unless Administrative Agent shall have received written notice from a Lender or Borrower Representative referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Administrative Agent promptly will notify Lenders of its receipt of any such notice or of any Default or Event of Default of which Administrative Agent has actual knowledge. If any Lender obtains actual knowledge of any Default or Event of Default, such Lender promptly shall notify the other Lenders and Administrative Agent of such Default or Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 17.4, Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Lenders in accordance with Article 9; provided, however, that if an event occurs or a circumstance exists that materially and imminently threatens the ability of Administrative Agent and Lenders to realize upon any material part of the Collateral, such as, without limitation, fraudulent removal, concealment or abscondment thereof, destruction (other than to the extent covered by insurance) or material waste thereof, or failure of Borrower after reasonable demand to maintain or reinstate adequate casualty insurance coverage with respect thereto, Administrative Agent may take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

17.6 **Credit Decision** . Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Administrative Agent hereinafter taken, including any review of the affairs of Borrowers and their Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and any other Person (other than Lender Group) party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and any other Person (other than Lender Group) party to a Loan Document. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Administrative Agent, Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrowers and any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons.

17.7 **Costs and Expenses** . Administrative Agent may incur and pay Lender Group Expenses to the extent Administrative Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including without limiting the generality of the foregoing, court costs, reasonable attorney's fees and expenses, costs of collection by outside collection agencies and auctioneer fees and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrowers are obligated to reimburse Administrative Agent or Lenders for such expenses pursuant to the Loan Agreement or otherwise. Administrative Agent is authorized and directed to deduct and retain sufficient amounts from Collections received by Administrative Agent to reimburse Administrative Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders. If Administrative Agent is not reimbursed for such costs and expenses from Collections received by Administrative Agent, each Lender hereby agrees that it is and shall be obligated to pay to or reimburse Administrative Agent for the amount of such Lender's Pro Rata Share thereof. The undertaking in this Section 17.7 shall survive the payment of all Obligations hereunder and the resignation or replacement of Administrative Agent.

17.8 **Administrative Agent in Individual Capacity** . The Person hereunder designated as Administrative Agent and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrowers and their Subsidiaries and Affiliates and any other Person (other than Lender Group) party to any Loan Documents as though such Person was not Administrative Agent hereunder, and, in each case, without notice to or consent of the other members of Lender Group. The other members of Lender Group acknowledge that, pursuant to such activities, such Person or its respective Affiliates may receive information regarding Borrowers or their Affiliates and any other Person (other than Lender Group) party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to Lenders, and Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Administrative Agent will use its reasonable best efforts to obtain), Administrative Agent shall not be under any obligation to provide such information to them.

17.9 **Successor Administrative Agent** . Administrative Agent may at any time give notice of its resignation to Lenders and Borrower Representative. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, with the consent of Borrower Representative (other than during the existence of an Event of Default, and such consent not to be unreasonably withheld or delayed), to appoint a successor Administrative Agent for Lenders. If no such successor Administrative Agent shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any Collateral held by Administrative Agent on behalf of Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such Collateral until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section 17.9. In any such event, upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 17.9). The fees payable by Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrower Representative and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of Articles 14 and 17 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

17.10 **Lender in Individual Capacity** . Subject to any other contractual arrangement with Melody or any of its Affiliates or any Related Fund, any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrowers and their Subsidiaries and Affiliates and any other Person (other than Lender Group) party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of Lender Group. The other members of Lender Group acknowledge that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrowers or their Affiliates and any other Person (other than Lender Group) party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to Lenders, and Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

17.11 **Collateral Matters.**

(a) Lenders hereby irrevocably authorize Administrative Agent, at its option and in its sole discretion, to release any Lien on any Collateral (i) upon Security Termination; (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrower Representative certifies to Administrative Agent that the sale or disposition is permitted under Section 7.4 and the other Loan Documents (and Administrative Agent may rely conclusively on any such certificate, without further inquiry); (iii) constituting property in which Borrowers do not own any interest at the time the security interest was granted or at any time thereafter; or (iv) constituting property leased to any Borrower under a lease that has expired or is terminated in a transaction permitted under this Agreement. Except as provided above, Administrative Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or a substantial portion of the Collateral, all of Lenders, or (z) otherwise, the Majority Lenders ; provided, however, in the event the value of such Collateral is less than \$50,000, Administrative Agent may execute and deliver a release of any Lien on any such Collateral without the prior written authorization of any Lender . Upon request by Administrative Agent or Borrower Representative at any time, Lenders will confirm in writing Administrative Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 17.11; provided, however, that (1) Administrative Agent shall not be required to execute any document necessary to evidence such release on terms that, in Administrative Agent's opinion, would expose Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Borrowers in respect of) all interests retained by Borrowers, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(b) Administrative Agent shall have no obligation whatsoever to any of Lenders to assure that the Collateral exists or is owned by any Borrower or any of their Subsidiaries or is cared for, protected, or insured or has been encumbered, or that Administrative Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Administrative Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, subject to the terms and conditions contained herein, Administrative Agent may act in any manner it may deem appropriate, in its sole discretion given Administrative Agent's own interest in the Collateral in its capacity as one of Lenders and that Administrative Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

17.12 Right of Setoff; Sharing of Payments.

(a) If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender to or for the credit or the account of or any Loan Party against any and all of the obligations of such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have. Each Lender agrees to notify Borrower Representative and Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

(b) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its Pro Rata Share thereof as provided herein, then Lender receiving such greater proportion shall (a) notify Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this paragraph shall not be construed to apply to (x) any payment made by Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to Borrowers or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Loan Party in the amount of such participation.

17.13 Agency for Perfection . Administrative Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting Administrative Agent's Liens in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender obtain possession of any such Collateral, such Lender shall notify Administrative Agent thereof, and, promptly upon Administrative Agent's request therefor shall deliver such Collateral to Administrative Agent or in accordance with Administrative Agent's instructions.

17.14 Payments by Administrative Agent to Lenders . All payments to be made by Administrative Agent to Lenders shall be made by bank wire transfer or internal transfer of immediately available funds pursuant to such wire transfer instructions as each party may have designated and as reflected in the Register. Concurrently with each such payment, Administrative Agent shall identify whether such payment (or any portion thereof) represents principal, premium, or interest of the Obligations.

17.15 Concerning the Collateral and Related Loan Documents . Each member of Lender Group authorizes and directs Administrative Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the benefit of the Secured Parties. Each member of Lender Group agrees that any action taken by Administrative Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Administrative Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of Lenders.

17.16 Several Obligations; No Liability . Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Administrative Agent in its capacity as such, and not by or in favor of Lenders, any and all obligations on the part of Administrative Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments to make one or more Loans in an aggregate principal amount not to exceed the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 17.7, no member of Lender Group shall have any liability for the acts of any other member of Lender Group. No Lender shall be responsible to any Loan Party or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for it or on its behalf in connection with its Commitment, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein.

17.17 **Secured Parties** . No Secured Party that is not a Lender that obtains the benefits of any provision hereof, any other Loan Document or the Collateral shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral); it being understood and agreed that the rights and benefits of any such Secured Party under the Loan Documents consist exclusively of such Secured Party's right to share in payments and collections out of the Collateral as more fully set forth herein. In connection with any such distribution of payments and collections, Administrative Agent shall be entitled to assume no amounts are due to any such Secured Party unless such Secured Party has notified Administrative Agent in writing of the amount of any such liability owed to it prior to such distribution.

18. GENERAL PROVISIONS .

18.1 **Effectiveness** . This Agreement shall be binding and deemed effective when executed by Borrowers and each member of Lender Group whose signature is provided for on the signature pages hereof.

18.2 **Joint and Several Obligations** . Each Borrower has determined that it is in the best interest and in pursuance of its legitimate business purposes to induce Lenders to extend credit to the Borrowers pursuant to this Agreement. Each Borrower acknowledges and represents the making of the Loans to Borrowers benefits each Borrower individually and as a group. Accordingly, each Borrower acknowledges and agrees that it has joint and several liability on all Obligations (as a principal and not as a surety, guarantor or other accommodation party) and that such liability is absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever by Administrative Agent or any Lender, and without limiting the generality of the foregoing, each Borrower's joint and several liability on the Obligations shall not be impaired by any acceptance by Administrative Agent or any Lender of any other security for or guarantors upon the Obligations under this Agreement or any other Loan Document or by any failure, neglect or omission on Administrative Agent's or any Lender's part to resort to any one or all of Borrowers for payment of the Obligations under this Agreement or any other Loan Document or to realize upon or protect any collateral security therefor. Each Borrower's joint and several liability hereunder shall not in any manner be impaired or affected by who receives or uses the proceeds of the Loans or for what purposes such proceeds are used, and each Borrower waives notice of requests for extensions of credit issued by, and the Loans made to or for the account of, any other Borrower. Such joint and several liability of each Borrower shall also not be impaired or affected by (and each Lender and Administrative Agent, without notice to anyone, is hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any collateral security for the Obligations under this Agreement or any other Loan Document or of any guaranty thereof or the invalidity, unenforceability or illegality of this Agreement or any other Loan Document as to any Borrower . In order to enforce payment of the Obligations under this Agreement and the other Loan Documents, foreclose or otherwise realize on any collateral security therefor, and to exercise the rights granted to Lenders and/or Administrative Agent hereunder and thereunder and under applicable law, no Lender nor the Administrative Agent shall be under any obligation at any time to first resort to any collateral security, property, liens or any other rights or remedies whatsoever, and Lenders and/or Administrative Agent shall have the right to enforce the Obligations under this Agreement and the other Loan Documents irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing. Each Borrower expressly waives and surrenders any defense to its joint and several liability on the Obligations under this Agreement or any other Loan Document based upon any of the foregoing. In furtherance thereof, each Borrower agrees that wherever in this Agreement it is provided that a Borrower is liable for a payment such obligation is the joint and several obligation of each Borrower.

18.3 **Headings** . Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement .

18.4 **Interpretation** . Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Administrative Agent, Lender Group or Borrowers, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

18.5 **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.

18.6 **USA Patriot Act Notice** . Each Lender hereby notifies Borrowers and the other Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “ Act ”), it is required to obtain, verify and record information that identifies Borrowers, which information includes the name and address of Borrowers and the other Loan Parties and other information that will allow such Lender to identify Borrowers and the other Loan Parties in accordance with the Act. Each Borrower shall, promptly following any reasonable request by Administrative Agent or any Lender, provide all information and documents that Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

18.7 **Counterparts; Facsimile 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 facsimile 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 facsimile 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. The foregoing shall apply to each other Loan Document *mutatis mutandis* . The words “execution,” “signed,” “signature,” and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

18.8 **Public Disclosure** . Except as required by Legal Requirements, judicial process and the rules and regulations promulgated by any Governmental Authority, no Loan Party or Affiliate thereof will in the future issue any press releases or other public disclosure using the name “Melody Business Finance, LLC” or the name of its Affiliates or any other Lender or its Affiliates or referring to this Agreement or the other Loan Documents without at least two (2) Business Days’ prior notice to Administrative Agent and such Lender, if applicable, and without the prior written consent of Administrative Agent and such Lender, if applicable (in each instance, such consent not to be unreasonably withheld or delayed). Each Loan Party expressly consents to and authorizes the publication by Administrative Agent and any Lender of a summary description of the transaction(s) contemplated by this Agreement in any format (including tombstones, deal listings or similar advertising materials), which may be published in one or more of financial or other industry periodicals, newspapers, reporting services, trade organizations, written promotional materials, Administrative Agent or Lender web site, etc. In addition, each Loan Party expressly consents to and authorizes Administrative Agent and Lenders to provide to financial or other industry periodicals, newspapers, reporting services or trade organizations information necessary and customary for inclusion of the transaction(s) in league table measurements, including the aggregate dollar value of the transaction. Notwithstanding anything to the contrary contained in this Section 18.8, any such publicity to be issued by Administrative Agent or any Lender contemplated pursuant to this Section 18.8 shall be sent to Parent for its prior written approval, such approval not to be unreasonably withheld or delayed; provided, however, that Parent shall have the right to disapprove in its sole discretion, the disclosure of any information that has not been previously publicly disclosed in its SEC Filings; and (y) any filing on Form 8-K by Parent or press release by any Loan Party pertaining to this transaction shall be sent to Administrative Agent for its prior review not less than two (2) Business Days prior to the date such 8-K is required to be filed . Parent agrees to consider and, unless securities counsel to Parent advises otherwise, implement, any reasonable comments on such 8-K received by Parent from Administrative Agent at least one (1) Business Day prior to such filing date.

18.9 **Revival and Reinstatement of Obligations** . If the incurrence or payment of any of the Obligations by any Borrower or any Guarantor or the transfer by either or both of such parties to Lender Group of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a “ **Voidable Transfer** ”), and if Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorney's fees of Lender Group related thereto, the liability of such Borrower or such Guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

18.10 **Survival** . All covenants, agreements, representations and warranties made by Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid. The provisions of Section 4.2 and Articles 11 and 17 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Aggregate Commitment or the termination of this Agreement or any provision hereof.

18.11 **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 .**

18.12 **Confidentiality** .

(a) Administrative Agent and Lenders agree that any Confidential Information they may obtain in the course of acquiring, administering, or perfecting Administrative Agent's security interest in the Collateral shall not be disclosed to any other Person or entity in any manner whatsoever, in whole or in part, without the prior written consent of the Borrower's Representative, except that Administrative Agent and Lenders may disclose any such information: (i) to their own directors, officers, employees, accountants, counsel and other professional advisors and to its affiliates if Administrative Agent or Lenders in their sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement and, provided that such recipient of such Confidential Information either (x) agrees to be bound by the confidentiality provisions of this paragraph or (y) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (ii) if such information is generally available to the public; (iii) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Administrative Agent or Lenders; (iv) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Administrative Agent's or Lenders' counsel; (v) to comply with any legal requirement or law applicable to Administrative Agent or Lenders; (vi) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Administrative Agent's sale, lease, or other disposition of Collateral after default; (vii) to any participant or assignee of Administrative Agent or Lenders or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (viii) to Melody's, its Related Funds' and its managed accounts' investors, lenders, co-investors and other financing sources; provided, that such each such Person agrees in writing to maintain the confidentiality of the Confidential Information subject to the disclosures permitted under this Section, and (ix) otherwise with the prior consent of the Borrower's Representative; provided, that any disclosure made in violation of this Agreement shall not effect the obligations of the Loan Parties under this Agreement or the other Loan Documents and provided further that with respect to the disclosure of Confidential Information pursuant to clauses (iii) through (v) of this Section 18.12(a), Administrative Agent and Lenders agree to give the Borrower's Representative prompt notice thereof (to the extent legally permissible) so that the Borrower's Representative may seek a protective order or other appropriate remedy prior to such disclosure.

(b) Administrative Agent and Lenders further acknowledge that Parent is a publicly traded company. As such, Administrative Agent and Lenders agree not to use any material non-public Confidential Information in connection with the purchase or sale of the securities of Parent. Lenders and Administrative Agent further acknowledge that such use may constitute a violation of securities laws.

(c) Administrative Agent and Lenders acknowledge and agree that in the event they fail to comply with their obligations hereunder, that monetary damages may be inadequate.

19. BORROWER REPRESENTATIVE.

19.1 **Appointment; Nature of Relationship** . Parent is hereby appointed by each of the Borrowers as its contractual representative, agent for service of process and attorney-in-fact for all Borrowers (the “ **Borrower Representative** ”) hereunder and under each other Loan Document, and each of the Borrowers irrevocably authorizes the Borrower Representative to act as the contractual representative of such Borrower with the rights and duties expressly set forth herein and in the other Loan Documents, which appointment shall remain in full force and effect unless and until Administrative Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Borrower Representative. The Borrower Representative agrees to act as such contractual representative upon the express conditions contained in this Article 19. Additionally, the Borrowers hereby appoint the Borrower Representative as their agent to receive all of the proceeds of the Loans in any account designated by Borrower Representative, at which time the Borrower Representative shall promptly disburse such Loans to the appropriate Borrower. The Administrative Agent, Lenders, and their respective Affiliates, and their respective officers, directors, agents or employees, shall not be liable to the Borrower Representative or any Borrower for any action taken or omitted to be taken by the Borrower Representative or Borrowers pursuant to this Section 19.1. Borrowers hereby jointly and severally agree to indemnify Administrative Agent and each Lender and hold Administrative Agent and each Lender harmless against any and all liability, expense, loss or claim of damage or injury, made against Administrative Agent or any Lender by any Loan Party or any other third party whosoever, arising from or incurred by reason of any Lender relying on any instructions or notices of the Borrower Representative or by reason of Administrative Agent or such Lender delivering notices or communications solely to such Borrower Representative as provided herein.

19.2 **Powers** . The Borrower Representative shall have and may exercise such powers under the Loan Documents as are specifically delegated to Borrowers and/or the Borrower Representative by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Borrower Representative shall have no implied duties to Borrowers, or any obligation to Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Borrower Representative.

19.3 **Employment of Agents** . The Borrower Representative may execute any of its duties and powers as the Borrower Representative hereunder and under any other Loan Document by or through its Responsible Officers.

19.4 **Notices** . Each Borrower shall immediately notify the Borrower Representative of the occurrence of any Default hereunder referring to this Agreement describing such Default and stating that such notice is a “notice of default.” If Borrower Representative receives such a notice, the Borrower Representative shall give prompt notice thereof to the Administrative Agent and the Lenders. Each Borrower hereby irrevocably appoints and authorizes the Borrower Representative to provide Administrative Agent with all notices with respect to the Loans and all other notices and instructions under this Agreement. Any notices or communications by any Lender to one or more Loan Parties need only be delivered to the Borrower Representative to satisfy any notice requirement, and each Loan Party agrees that notices received by the Borrower Representative shall be deemed received by each Loan Party upon the Borrower Representative’s receipt.

19.5 **Successor Borrower Representative** . Upon the prior written consent of the Administrative Agent, the Borrower Representative may resign at any time, such resignation to be effective upon the appointment of a successor Borrower Representative by Borrowers. The Administrative Agent shall give prompt written notice of such resignation and corresponding appointment of a successor to the Lenders.

19.6 **Execution of Loan Documents; Certificates** . Borrowers hereby empower and authorize the Borrower Representative, on behalf of Borrowers, to execute and deliver to the Administrative Agent and Lenders the Loan Documents and all related agreements, certificates, documents, or instruments as shall be necessary or appropriate to effect the purposes of the Loan Documents, including the Compliance Certificates. Each Borrower agrees that any action taken by the Borrower Representative or Borrowers in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Borrower Representative of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all Borrowers.

(Remainder of this page intentionally left blank)
(Signature Pages Follow)

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

BORROWERS:

TOWERSTREAM CORPORATION, a Delaware corporation

By: /s/ Jeffrey Thompson
Jeffrey Thompson
Chief Executive Officer

TOWERSTREAM I, INC., a Delaware corporation

By: /s/ Jeffrey Thompson
Jeffrey Thompson
Chief Executive Officer

HETNETS TOWER CORPORATION , a Delaware corporation

By: /s/ Jeffrey Thompson
Jeffrey Thompson
Chief Executive Officer

Signature Page – Loan Agreement (Towerstream)

ADMINISTRATIVE AGENT:

MELODY BUSINESS FINANCE, LLC, a Delaware
limited liability company

By: /s/Andres Scaminaci
Andres Scaminaci
Authorized Signatory

Signature Page – Loan Agreement (Towerstream)

LENDER:

MELODY BUSINESS FINANCE, LLC, a Delaware
limited liability company

By: /s/Andres Scaminaci
Andres Scaminaci
Authorized Signatory

Signature Page – Loan Agreement (Towerstream)

SECURITY AGREEMENT

by and among

**TOWERSTREAM CORPORATION,
TOWERSTREAM I, INC.,
HETNETS TOWER CORPORATION,
ALPHA COMMUNICATIONS CORP.,
OMEGA COMMUNICATIONS CORP., and
TOWERSTEAM HOUSTON, INC.,
as Grantors,**

**in favor of
MELODY BUSINESS FINANCE LLC,
as Administrative Agent,**

Dated as of October 16, 2014

TABLE OF CONTENTS

| | | |
|-----------|--|-----------|
| 1. | DEFINED TERMS | 1 |
| 1.1 | Terms Defined in the Uniform Commercial Code | 1 |
| 1.2 | Definitions | 2 |
| 1.3 | Construction | 6 |
| 2. | SECURITY INTEREST | 6 |
| 2.1 | Grant of Security Interest | 6 |
| 2.2 | Security for Obligations | 7 |
| 2.3 | Grantors Remain Liable | 7 |
| 2.4 | Distributions on Pledged Shares | 7 |
| 3. | REPRESENTATIONS AND WARRANTIES | 7 |
| 3.1 | Existence | 7 |
| 3.2 | Authorization of Agreement; No Conflict | 8 |
| 3.3 | Consents | 8 |
| 3.4 | Perfected First Priority Liens | 8 |
| 3.5 | Title; No Other Liens | 9 |
| 3.6 | State of Organization; Location of Certain Collateral; Other Information | 9 |
| 3.7 | Accounts | 9 |
| 3.8 | Chattel Paper | 9 |
| 3.9 | Commercial Tort Claims | 10 |
| 3.10 | Deposit Accounts | 10 |
| 3.11 | Intellectual Property | 10 |
| 3.12 | Investment Property; Partnership/LLC Interests | 10 |
| 3.13 | Instruments | 10 |
| 3.14 | Farm Products | 10 |
| 3.15 | Government Contracts | 10 |
| 3.16 | Network Site Lease Agreements | 10 |
| 3.17 | Letter of Credit Rights | 11 |
| 4. | COVENANTS | 11 |
| 4.1 | Maintenance of Perfected Security Interest; Further Information | 11 |
| 4.2 | Maintenance of Insurance | 12 |
| 4.3 | Changes in Locations, Name or Structure | 12 |
| 4.4 | Required Notifications | 12 |
| 4.5 | Delivery Covenants | 12 |
| 4.6 | Control Covenants | 12 |
| 4.7 | Filing Covenants | 13 |
| 4.8 | Accounts | 14 |
| 4.9 | Intellectual Property | 14 |
| 4.10 | Investment Property; Partnership/LLC Interests | 15 |
| 4.11 | Equipment | 15 |
| 4.12 | Network Site Lease Agreements | 16 |
| 4.13 | FCC Licenses | 16 |
| 4.14 | Further Assurances | 16 |
| 5. | REMEDIAL PROVISIONS | 16 |
| 5.1 | General Remedies | 16 |
| 5.2 | Specific Remedies | 17 |
| 5.3 | Registration Rights; Further Approvals | 19 |

| | | |
|-----------|--|-----------|
| 5.4 | Application of Proceeds | 20 |
| 5.5 | Waiver, Deficiency | 20 |
| 6. | ADMINISTRATIVE AGENT | 19 |
| 6.1 | Administrative Agent's Appointment as Attorney-In-Fact | 19 |
| 6.2 | Duty of Administrative Agent | 21 |
| 6.3 | Authority of Administrative Agent | 22 |
| 7. | MISCELLANEOUS | 22 |
| 7.1 | Notices | 22 |
| 7.2 | Amendments, Waivers and Consents | 22 |
| 7.3 | Expenses, Indemnification, Waiver of Consequential Damages, etc. | 22 |
| 7.4 | Right of Set Off | 23 |
| 7.5 | Governing Law; Jurisdiction; Venue; Service of Process | 23 |
| 7.6 | Appointment of Parent as Agent | 24 |
| 7.7 | [Intentionally Omitted] | 24 |
| 7.8 | No Waiver by Course of Conduct; Cumulative Remedies | 24 |
| 7.9 | Successors and Assigns | 25 |
| 7.10 | Survival of Indemnities | 25 |
| 7.11 | Titles and Captions | 25 |
| 7.12 | Severability of Provisions | 24 |
| 7.13 | Counterparts; Telefacsimile Execution | 24 |
| 7.14 | Integration | 25 |
| 7.15 | Advice of Counsel; No Strict Construction | 25 |
| 7.16 | Acknowledgements | 25 |
| 7.17 | Releases | 25 |
| 7.18 | Additional Grantors | 26 |
| 7.19 | All Powers Coupled with Interest | 26 |

SCHEDULES

| | |
|---------------|--|
| Schedule 3.4 | Filing Offices |
| Schedule 3.6 | Legal Name; Jurisdiction of Organization; Taxpayer ID; Mailing Address; Chief Executive Office and Other Locations |
| Schedule 3.9 | Commercial Tort Claims |
| Schedule 3.10 | Deposit Accounts |
| Schedule 3.11 | Intellectual Property |
| Schedule 3.12 | Investment Property and Partnership/LLC Interests |

EXHIBITS

| | |
|-----------|------------------------------|
| Exhibit A | Form of Rooftop Agreement |
| Exhibit B | Joinder Agreement |
| Exhibit C | Trademark Security Agreement |

SECURITY AGREEMENT

This SECURITY AGREEMENT (this “**Agreement**”) is entered into as of October 16, 2014, among TOWERSTREAM CORPORATION, a Delaware corporation (“**Parent**”), TOWERSTREAM I, INC., a Delaware Corporation (“**Towerstream I**”), HETNETS TOWER CORPORATION, a Delaware corporation (“**Hetnets**”), ALPHA COMMUNICATIONS CORP., a Delaware corporation (“**Alpha**”), OMEGA COMMUNICATIONS CORP., a Delaware corporation (“**Omega**”), TOWERSTEAM HOUSTON, INC., a Texas corporation (“**Houston**”; collectively with Parent, Towerstream I, Hetnets, Alpha, Omega and any Additional Grantor (as defined below) who may become party to this Agreement, the “**Grantors**”), in favor of MELODY BUSINESS FINANCE LLC, a Delaware limited liability company (“**Melody**”), as administrative agent (in such capacity, the “**Administrative Agent**”) for the ratable benefit of the Secured Parties (as defined below).

STATEMENT OF PURPOSE

Pursuant to that certain Loan Agreement, dated as of the date hereof among Parent, Towerstream I and Hetnets (collectively, the “**Borrowers**”), the various financial institutions and other Persons from time to time parties thereto (collectively, the “**Lenders**”), and Administrative Agent (the “**Loan Agreement**”), the Lenders have agreed to make Loans to the Borrowers upon the terms and subject to the conditions set forth therein. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

Alpha, Omega and Houston are all Subsidiaries of the Borrowers, and have guaranteed the payment and performance of the Obligations pursuant to the terms of the Guaranty.

It is a condition precedent to the obligation of the Lenders to make their respective Loans to the Borrowers (or participations in respect thereof) under the Loan Agreement that Grantors shall have executed and delivered this Agreement to Administrative Agent, for the ratable benefit of itself and the Lenders (collectively, the “**Secured Parties**”).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, and to induce Administrative Agent and the Lenders to enter into the Loan Agreement and to induce the Lenders to make their respective Loans to the Borrowers (or participations in respect thereof) thereunder, each Grantor hereby agrees with Administrative Agent, for the ratable benefit of the Secured Parties, as follows:

1. DEFINED TERMS

1.1 Terms Defined in the Uniform Commercial Code.

(a) The following terms when used in this Agreement shall have the meanings assigned to them in the UCC (as defined in the Loan Agreement) as in effect from time to time: “**Account**”, “**Account Debtor**”, “**Authenticate**”, “**Certificated Security**”, “**Chattel Paper**”, “**Commercial Tort Claim**”, “**Commodity Account**”, “**Deposit Account**”, “**Documents**”, “**Electronic Chattel Paper**”, “**Equipment**”, “**Farm Products**”, “**Fixture**”, “**General Intangible**”, “**Goods**”, “**Instrument**”, “**Investment Company Security**”, “**Investment Property**”, “**Letter of Credit Rights**”, “**Proceeds**”, “**Record**”, “**Registered Organization**”, “**Securities Entitlement**”, “**Securities Intermediary**”, “**Securities Account**”, “**Security**”, “**Supporting Obligation**”, “**Tangible Chattel Paper**”, “**Transmitting Utility**” and “**Uncertificated Security**”.

(b) Terms defined in the UCC and not otherwise defined herein or in the Loan Agreement shall have the meanings set forth in the UCC as in effect from time to time.

1.2 **Definitions** . As used in this Agreement, the following terms shall have the following definitions:

“ **Additional Grantor** ” means each Subsidiary of a Borrower which hereafter becomes a Grantor pursuant to Section 7.18 (as required pursuant to Section 7.19 of the Loan Agreement).

“ **Administrative Agent** ” has the meaning set forth in the Preamble of this Agreement.

“ **Agreement** ” has the meaning set forth in the Preamble of this Agreement.

“ **Applicable Insolvency Laws** ” means all Legal Requirements governing bankruptcy, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution, insolvency, fraudulent transfers or conveyances or other similar laws (including 11 U.S.C. Sections 544, 547, 548 and 550 and other “avoidance” provisions of Title 11 of the United States Code).

“ **Assignment of Claims Act** ” means the Assignment of Claims Act of 1940 (41 U.S.C. Section 15, 31 U.S.C. Section 3737, and 31 U.S.C. Section 3727), including all amendments thereto and regulations promulgated thereunder.

“ **Avoidance Actions** ” means all claims and causes of action under the Bankruptcy Code, and all related recoveries, that are or become property of any Grantor.

“ **Borrowers** ” has the meaning set forth in the Statement of Purpose of this Agreement.

“ **Cash Dominion Period** ” means any period commencing upon the occurrence of an Event of Default and continuing until such Event of Default is cured or waived in accordance with the Loan Agreement.

“ **Collateral** ” has the meaning set forth in Section 2.1.

“ **Collateral Account** ” means any collateral account established by Administrative Agent as provided in Section 5.2.

“ **Commitments** ” has the meaning set forth in the Loan Agreement.

“ **Contracts** ” means, collectively, all rights of each Grantor under all leases, contracts, licenses and agreements to which such Grantor is now or hereafter a party, including all rights, privileges and powers under Customer Contracts, Network Site Lease Agreements and licenses, together with all rights of such Grantor to receive moneys due or to become due thereunder or pursuant thereto, but excluding rights under (but not excluding Proceeds of) any Excluded Contracts.

“ **Control** ” means the manner in which “control” is achieved under the UCC with respect to any Collateral for which the UCC specifies a method of achieving “control”.

“ **Controlled Depository** ” has the meaning set forth in Section 4.6.

“ **Controlled Intermediary** ” has the meaning set forth in Section 4.6.

“ **Copyrights** ” means collectively, all of the following of any Grantor: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications anywhere in the world, including those listed on Schedule 3.11, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including damages or payments for past or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

“ **Copyright Licenses** ” means any written agreement naming any Grantor as licensor or licensee, including those listed in Schedule 3.11, granting any right under any Copyright, including the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

“ **Customer Contract** ” means an agreement between a Grantor and another Person for the sale of goods or services by such Grantor to such other Person.

“ **Distributions** ” means all dividends paid on Capital Stock, liquidating dividends paid on Capital Stock, shares (or other designations) of Capital Stock resulting from (or in connection with the exercise of) stock splits, reclassifications, warrants, options, non-cash dividends, mergers, consolidations, and all other distributions (whether similar or dissimilar to the foregoing) on or with respect to any Capital Stock constituting Collateral.

“ **Effective Endorsement and Assignment** ” means, with respect to any specific type of Collateral, all such endorsements, assignments and other instruments of transfer reasonably requested by Administrative Agent with respect to the Security Interest granted in such Collateral, and in each case, in form and substance satisfactory to Administrative Agent.

“ **Excluded Collateral** ” means (a) the Capital Stock of Parent, (b) Capital Leases to the extent the Capital Lease Obligations secured thereby are permitted under the Loan Agreement, (c) any assets that are secured by a purchase money security interest to the extent the purchase money Indebtedness secured thereby is permitted under the Loan Agreement, and (d) any rights or interest in any Contract or permit covering real or personal property of any Grantor (including FCC Licenses and Network Site Lease Agreements) if under the terms of such Contract or permit, or Legal Requirements with respect thereto, the grant of a security interest or lien therein or the assignment of such Contract or permit is prohibited as a matter of law or under the terms of such Contract or permit and such prohibition or restriction has not been waived or the consent of the other party to such Contract or permit has not been obtained (“ **Excluded Contracts** ”); provided, however, (i) the foregoing exclusions of clauses (a) and (d) shall in no way be construed to limit, impair, or otherwise affect any of Lenders’ continuing security interests in and liens upon any rights or interests of any Grantor in or to (1) monies due or to become due under or in connection with any described contract, lease, permit, license, license agreement, or Capital Stock of Parent, or (2) any Proceeds from the permitted sale, license, lease, or other dispositions of any such Contract or permit, Capital Stock of Parent, (ii) the foregoing exclusion of clause (b) shall not apply upon the termination of the Capital Lease, (iii) the foregoing exclusion of clause (c) shall not apply upon the termination of the purchase money security interest, (iv) the foregoing exclusions of clause (d) shall in no way be construed (1) to apply to the extent that any described prohibition or restriction is unenforceable under Legal Requirements, and/or (2) to apply to the extent that any consent or waiver has been obtained that would permit Lenders’ security interest or lien or assignment notwithstanding the prohibition or restriction on the pledge and/or assignment of such Contract or permit.

“ **Government Contract** ” means a contract between any Grantor and an agency, department or instrumentality of the United States or any state, municipal or local Governmental Authority located in the United States or all obligations of any such Governmental Authority arising under any Account now or hereafter owing by any such Governmental Authority, as account debtor, to any Grantor.

“ **Grantors** ” has the meaning set forth in the Preamble of this Agreement.

“ **Intellectual Property** ” means collectively, all of the following of any Grantor: (a) all systems software, applications software and internet rights, including screen displays and formats, internet domain names, web sites (including web links), program structures, sequence and organization, all documentation for such software, including user manuals, flowcharts, programmer’s notes, functional specifications, and operations manuals, all formulas, processes, ideas and know-how embodied in any of the foregoing, and all program materials, flowcharts, notes and outlines created in connection with any of the foregoing, whether or not patentable or copyrightable, (b) concepts, discoveries, improvements and ideas, (c) any useful information relating to the items described in clause (a) or (b), including know-how, technology, engineering drawings, reports, design information, trade secrets, practices, laboratory notebooks, specifications, test procedures, maintenance manuals, research, development, manufacturing, marketing, merchandising, selling, purchasing and accounting, (d) Patents and Patent Licenses, Copyrights and Copyright Licenses, Trademarks and Trademark Licenses, and (e) other licenses to use any of the items described in the foregoing clauses (a), (b), (c) and (d) or any other similar items of such Grantor necessary for the conduct of its business.

“ **Issuer** ” means any issuer of any Investment Property or Partnership/LLC Interests (including any “issuer” as defined in the UCC).

“ **Loan Agreement** ” has the meaning set forth in the Statement of Purpose of this Agreement.

“ **Obligations** ” means (a) with respect to Borrowers, the meaning set forth in the Loan Agreement, (b) with respect to each Guarantor, the obligations of such Guarantor under the applicable Guaranty executed by such Guarantor, and (c) with respect to all Grantors, all liabilities and obligations of Grantors hereunder and all liabilities and obligations of Grantors with respect to overdrafts, returned items and related liabilities and all indemnification obligations under the Loan Documents now or hereafter owing by any Grantor to any member of Lender Group arising from or in connection with treasury, depository or cash management services or in connection with any automated clearinghouse transfer of funds for the benefit of such Grantor. Notwithstanding the foregoing, the Obligations shall not include the obligations of the Parent under the Warrants issued in connection with the Loans.

“ **Partnership/LLC Interests** ” means, with respect to any Grantor, the entire partnership, membership interest or limited liability company interest, as applicable, of such Grantor in each partnership, limited partnership or limited liability company owned thereby, including such Grantor’s capital account, its interest as a partner or member, as applicable, in the net cash flow, net profit and net loss, and items of income, gain, loss, deduction and credit of any such partnership, limited partnership or limited liability company, as applicable, such Grantor’s interest in all Distributions made or to be made by any such partnership, limited partnership or limited liability company, as applicable, to such Grantor and all of the other economic rights, titles and interests of such Grantor as a partner or member, as applicable, of any such partnership, limited partnership or limited liability company, as applicable, whether set forth in the partnership agreement or membership agreement, as applicable, of such partnership, limited partnership or limited liability company, as applicable, by separate agreement or otherwise.

“ **Patents** ” means collectively, all of the following of any Grantor: (a) all patents, rights and interests in patents, patentable inventions and patent applications anywhere in the world, including those listed on Schedule 3.11 hereto, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages or payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including damages or payments for past, present or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing throughout the world.

“ **Patent License** ” means all agreements now or hereafter in existence, whether written, implied or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including any of the foregoing referred to in Schedule 3.11 hereto.

“ **POP Agreement** ” means each license or other agreement pursuant to which a Grantor is provided access to real property of the counterparty thereto to be used and occupied for the transmission and reception of radio telecommunication signals and for the construction, installation, operation, maintenance, repair and removal of such Grantor’s telecommunications equipment.

“ **Restricted Securities Collateral** ” means any or all Collateral that, in order to exercise its right to sell any or all of such Collateral, Administrative Agent determines that it is necessary or advisable to register such Collateral under the provisions of the Securities Act.

“**Rooftop Agreements**” means each agreement in form and substance similar to the Rooftop Agreement attached as Exhibit C pursuant to which a Grantor is granted the right of entry to property of the counterparty thereto for the purpose of installing, maintaining and operating a broadband wireless internet platform and system on a roof or alternative location of the counterparty.

“ **Secured Parties** ” has the meaning set forth in the Statement of Purpose of this Agreement.

“ **Securities Act** ” means the Securities Act of 1933, including all amendments thereto and regulations promulgated thereunder.

“ **Security Interests** ” means the security interests granted pursuant to Article 2, as well as all other security interests created or assigned as additional security for the Obligations pursuant to the provisions of the Loan Documents.

“ **Termination Date** ” means the date of Security Termination as defined in the Loan Agreement.

“ **Trademarks** ” means collectively all of the following of any Grantor: (a) all trademarks, rights and interests in trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, whether registered or unregistered, all registrations and recordings thereof, and all applications in connection therewith (other than each application to register any trademark or service mark prior to the filing under Legal Requirements of a verified statement of use for such trademark or service mark) anywhere in the world, including those listed on Schedule 3.11, (b) all reissues, extensions, continuations (in whole or in part) and renewals of any of the foregoing, (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including damages or payments for past, present or future infringements of any of the foregoing, (d) the right to sue for past, present and future infringements of any of the foregoing and (e) all rights corresponding to any of the foregoing (including the goodwill) throughout the world.

“ **Trademark License** ” means any agreement now or hereafter in existence, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including any of the foregoing referred to in Schedule 3.11.

“ **Trademark Security Agreement** ” means an agreement in form and substance attached hereto as Exhibit C.

1.3 **Construction** . Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term “including” is not limiting. The word “will” shall be construed to have the same meaning and effect as the word “shall.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. An Event of Default shall “continue” or be “continuing” until such Event of Default has been waived in writing by the requisite Lenders in accordance with Section 16.1 of the Loan Agreement. Any reference in this Agreement or in the other Loan Documents to this Agreement or any of the other Loan Documents or any other agreement, instrument or document shall include all alterations, amendments, changes, extensions, modifications, renewals, restatements, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, restatements, replacements, substitutions, joinders, and supplements set forth herein or in the other Loan Documents). Any reference herein to any Person shall be construed to include such Person’s permitted successors and assigns, and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities. Any requirement of a writing contained herein or in the other Loan Documents shall be satisfied by the transmission of a Record and any Record transmitted shall be subject to representations and warranties made herein as to the accuracy and completeness of the information contained therein. Any reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.” Any reference in this Agreement or in any of the other Loan Documents to a Default that is continuing or an Event of Default that is continuing or the continuance thereof, shall mean (i) in the case of a Default, one that has not been cured within any applicable cure period (to the extent susceptible to cure), and (ii) in the case of an Event of Default, one that has not been waived in writing by Administrative Agent and Lenders, as the case may be. In further clarification of the foregoing, any Event of Default under this Agreement or under any other Loan Document shall be “continuing” unless and until such Event of Default has been waived in writing by Administrative Agent and Lenders, as the case may be. The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

2. SECURITY INTEREST

2.1 **Grant of Security Interest** . Each Grantor hereby grants, pledges and collaterally assigns to Administrative Agent, for the ratable benefit of Secured Parties, a continuing security interest in all of such Grantor’s right, title and interest in and to all of the personal property of such Grantor, now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest, and wherever located or deemed located, including the following (collectively, the “**Collateral**”):

- (a) all Accounts;
- (b) all Avoidance Actions;
- (c) all cash and currency;
- (d) all Chattel Paper;
- (e) all Commercial Tort Claims identified on Schedule 3.9;
- (f) all Contracts;
- (g) all Deposit Accounts;
- (h) all Documents;
- (i) all Equipment;
- (j) all Fixtures;

- (k) all General Intangibles;
- (l) all Goods;
- (m) all Instruments;
- (n) all Intellectual Property;
- (o) all Network Assets;
- (p) all Investment Property;
- (q) all Letter of Credit Rights;
- (r) all other personal property and rights of every kind and description and interests therein not otherwise described above;
- (s) all books and records pertaining to the Collateral; and
- (t) to the extent not otherwise included, all Proceeds and products, rents, lease and license payments and profits of or from any and all of the foregoing and, to the extent not otherwise included, (i) all economic rights, (ii) all payments under insurance (whether or not Administrative Agent is the loss payee thereof), (iii) all claims and rights to recover for any past, present or future infringement or dilution of or injury to any Intellectual Property, and (iv) all tort claims, and all collateral security and Obligations given by any Person with respect to any of the foregoing, provided, that the Security Interests granted herein shall not extend to, and the term "Collateral" (including, any defined term comprising a part thereof) shall not include, any Excluded Collateral.

2.2 **Security for Obligations** . This Agreement and the Collateral of each Grantor secure the full and prompt payment and performance, at any time and from time to time as and when due (whether at the stated maturity, by acceleration or otherwise), of the Obligations.

2.3 **Grantors Remain Liable** . Anything herein to the contrary notwithstanding: (a) each Grantor shall remain liable to perform all of its duties and obligations under the Contracts included in the Collateral to the same extent as if this Agreement had not been executed, (b) the exercise by Administrative Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under the Contracts included in the Collateral, (c) neither Administrative Agent nor any other Secured Party shall have any obligation or liability under the Contracts included in the Collateral by reason of this Agreement, nor shall Administrative Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder, and (d) neither Administrative Agent nor any other Secured Party shall have any liability in contract or tort for any Grantor's acts or omissions.

2.4 **Distributions on Pledged Shares** . If any Distribution is made in contravention of Section 7.9 of the Loan Agreement, such Grantor shall hold the same segregated and in trust for Administrative Agent until paid to Administrative Agent in accordance with Section 5.2.

3. REPRESENTATIONS AND WARRANTIES

To induce Administrative Agent and Lenders to enter into the Loan Agreement and to induce Lenders to make their respective Loans to Borrowers thereunder, each Grantor makes the following representations and warranties to Lender Group which shall be true, correct, and complete in all material respects as of the Closing Date, and such representations and warranties shall survive the execution and delivery of this Agreement:

3.1 **Existence** . Each Grantor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the requisite power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization, except where the failure to be so qualified or authorized would not reasonably be expected to result in a Material Adverse Change .

3.2 **Authorization of Agreement; No Conflict** . Each Grantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement in accordance with its terms. This Agreement has been duly executed and delivered by the duly authorized officers of each Grantor and this Agreement constitutes the legal, valid and binding obligation of such Grantor, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies. The execution, delivery and performance by Grantors of this Agreement does not and will not, by the passage of time, the giving of notice or otherwise, (i) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of any Grantor, (ii) conflict with, result in a breach of or constitute a default under any Significant Contract or material Governmental Approval relating to such Grantor, except with respect to clauses (i) and (ii), where such conflict, breach or default would not reasonably be expected to cause a Material Adverse Change , or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property or revenues now owned or hereafter acquired by any Grantor other than Liens arising under the Loan Documents or Permitted Liens.

3.3 **Consents** . No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against any Grantor or any Issuer of this Agreement, except (a) as may be required by laws affecting the offering and sale of securities generally, (b) filings with the United States Copyright Office and/or the United States Patent and Trademark Office, (c) filings under the UCC and/or the Assignment of Claims Act, and (d) those that have been obtained or for which failure to obtain or make could not reasonably be expected to result in a Material Adverse Change .

3.4 **Perfected First Priority Liens** .

(a) Each Grantor is a Transmitting Utility.

(b) Each financing statement naming any Grantor as a debtor is in appropriate form for filing in the appropriate filing offices of the states specified on Schedule 3.4. The Security Interests granted pursuant to this Agreement (i) constitute valid security interests in all of the Collateral in favor of Administrative Agent, for the ratable benefit of the Secured Parties, as collateral security for the Obligations, and (ii): (A) when UCC financing statements containing an adequate description of the Collateral, the correct name of Grantor and the name of Administrative Agent shall have been filed in the offices specified in Schedule 3.4, the Security Interests will constitute valid first perfected security interests in all right, title and interest of such Grantor in the Collateral to the extent that a security interest therein may be perfected by filing pursuant to the UCC, prior to all other Liens and rights of others therein except for Permitted Liens; (B) when each Patent Security Agreements, Trademark Security Agreements and/or Copyright Security Agreements has been filed with the United States Patent and Trademark Office or the United States Copyright Office , the Security Interests will constitute valid first perfected security interests in all right, title and interest of such Grantor in the Intellectual Property therein described, prior to all other Liens and rights of others therein except for Permitted Liens; (C) when each Control Agreement has been executed and delivered to Administrative Agent, the Security Interests will constitute valid first perfected security interests in all right, title and interest of Grantors in the Deposit Accounts and/or Securities Accounts (as applicable) subject thereto, prior to all other Liens and rights of others therein and subject to no adverse claims except for Permitted Liens and customary Liens in favor of the depository at which such Deposit Accounts are maintained; and (D) when each stock power has been executed and delivered to Administrative Agent, together with the certificates evidencing the Capital Stock comprising part of the Collateral, the Security Interests will constitute valid first perfected security interests in all right, title and interest of such Grantor in the Capital Stock, prior to all other Liens and rights of others therein except for Permitted Liens.

3.5 Title; No Other Liens . Except for the Security Interests and as set forth on Schedule 3.5, each Grantor owns each item of Collateral free and clear of any and all Liens or claims other than Permitted Liens. No effective financing statement under the uniform commercial code of any state which names a Grantor as debtor or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of Administrative Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or in connection with Permitted Liens. Except as set forth in Schedule 3.5, no Collateral is in the possession or Control of any Person asserting any claim thereto or security interest therein, except that (a) Administrative Agent or its designee may have possession or Control of Collateral as contemplated hereby, (b) a depository bank may have Control of a Deposit Account owned by a Grantor at such depository bank and a Securities Intermediary may have Control over a Securities Account owned by a Grantor at such Securities Intermediary, in each case subject to the terms of any Control Agreement and to the extent required by Section 4, in favor of Administrative Agent, and (c) a bailee, consignee or other Person may have possession of the Collateral as contemplated by, and so long as the applicable Grantors have complied to the satisfaction of Administrative Agent, with the applicable provisions of Section 4.6(c).

3.6 State of Organization; Location of Certain Collateral; other Information .

(a) The exact legal name of each Grantor is set forth on Schedule 3.6. Except as set forth on Schedule 3.6 opposite such Grantor's name, during the twelve (12) months preceding the date hereof, no Grantor has been known by any other legal name, nor has any Grantor been the subject of any merger or other corporate reorganization.

(b) Each Grantor is a Registered Organization organized under the laws of the state identified on Schedule 3.6 under such Grantor's name. The FEIN and Registered Organization number of each Grantor is set forth on Schedule 3.6 under such Grantor's name.

(c) All Collateral consisting of Network Assets, Equipment and Fixtures (whether now owned or hereafter acquired) is (or will be) located at the locations specified on Schedule 3.6, except (i) as provided in Section 4.6(c), (ii) to the extent such Network Assets, Equipment and Fixtures are not subject to the provisions of Section 4.6(c), Network Assets, Equipment and Fixtures in transit or out for repair, or (iii) otherwise permitted hereunder. Except as may be otherwise noted therein, all locations specified on Schedule 3.6 are leased by the applicable Grantor.

(d) The mailing address of each Grantor is specified on Schedule 3.6 opposite such Grantor's name.

3.7 Accounts . The amount represented by each Grantor to Administrative Agent as owing by each Account Debtor is, or will be, the correct amount actually and unconditionally owing, except for ordinary cash discounts and allowances in accordance with such Grantor's prudent business conduct, as determined by such Grantor. No Account Debtor has any defense, set-off, claim or counterclaim against any Grantor that can be asserted against Administrative Agent, whether in any proceeding to enforce Administrative Agent's rights in the Collateral or otherwise. None of the Accounts is, nor will any hereafter arising Account be, evidenced by a promissory note or other Instrument (other than a check) that has not been pledged to Administrative Agent in accordance with the terms hereof.

3.8 Chattel Paper . No Grantor holds any Chattel Paper in the ordinary course of its business.

3.9 **Commercial Tort Claims** . No Grantor owns any Commercial Tort Claims except as set forth on Schedule 3.9.

3.10 **Deposit Accounts** . All Deposit Accounts (including cash management accounts that are Deposit Accounts, but excluding Deposit Accounts that constitute Excluded Collateral, if any) and lockboxes owned by any Grantor are listed on Schedule 3.10.

3.11 **Intellectual Property** .

(a) All Copyright registrations, Copyright applications, issued Patents, Patent applications, Trademark registrations and Trademark applications owned by any Grantor in its own name are listed on Schedule 3.11.

(b) Except as set forth in Schedule 3.11, none of the Intellectual Property owned by any Grantor is the subject of any written licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

3.12 **Investment Property; Partnership/LLC Interests** .

(a) All Investment Property (including Securities Accounts, Commodity Accounts, and cash management accounts that are Investment Property) and all Partnership/LLC Interests owned by any Grantor are listed on Schedule 3.12.

(b) All Investment Property and all Partnership/LLC Interests issued by any Issuer to any Grantor (i) have been duly and validly issued and, if applicable, are fully paid and nonassessable (except as such rights may arise under mandatory provisions of applicable statutory law that may not be waived or otherwise agreed and not as a result of any rights contained in any organizational document), (ii) are beneficially owned as of record by such Grantor and not subject to any preemptive rights, warrants, options or similar rights or restrictions in favor of third parties or any contractual or other restrictions upon transfer, and (iii) constitute all the issued and outstanding shares of the Capital Stock of such Issuer issued to such Grantor.

(c) Other than as disclosed on Schedule 3.12(c) hereto, all of the Partnership/LLC Interests by their terms expressly provide that they are Securities governed by Article 8 of the UCC.

3.13 **Instruments** . No Grantor holds any Instruments or is named a payee of any promissory note or other evidence of indebtedness.

3.14 **Farm Products** . None of the Collateral constitutes, or is the Proceeds of, Farm Products.

3.15 **Government Contracts** . No Grantor is party to any contract with a Governmental Authority under which such Governmental Authority, as account debtor, owes a monetary obligation to any Grantor under any account with a value in excess of \$100,000.

3.16 **Network Site Lease Agreements** . Exhibit A hereto sets forth a copy of the standard form of Rooftop Lease Agreement used by Grantors in the ordinary course of business. As to each Network Site Lease Agreement to which a Grantor is a party, (i) such Grantor is not in default in any material respect under such Network Site Lease Agreement, and to the knowledge of such Grantor, none of the other parties to such Network Site Lease Agreement are in default, except to the extent that such defaults, individually and in the aggregate, are not reasonably likely to result in a Material Adverse Change, (ii) such Network Site Lease Agreement is, or at the time of execution will be, the legal, valid and binding obligations of all parties thereto, enforceable against such parties in accordance with the respective terms thereof, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and no defense, offset, deduction or counterclaim will exist thereunder in favor of any such party, (iii) other than with respect to any Excluded Contract, to the knowledge of such Grantor, each Network Site Lease Agreement is assignable to the Administrative Agent without the consent of any other party, and (iv) the performance by such Grantor of its obligations under such Network Site Lease Agreement in accordance with its terms will not contravene, to the knowledge of such Grantor, any Legal Requirement applicable to or binding on such Grantor or any contractual restriction binding on or affecting such Grantor or any of its properties, except to the extent that any such contravention, individually and in the aggregate, are not reasonably likely to result in a Material Adverse Change and will not result in or require the creation of any Lien upon or with respect to any of its properties, except for Permitted Liens.

3.17 **Letter of Credit Rights .**

(a) No Grantor owns any Letter of Credit Rights.

(b) To the extent it does not constitute Excluded Collateral, each Grantor shall instruct (and otherwise use its commercially reasonable efforts to cause) each issuer of any letter of credit relating to any Letter of Credit Rights to provide a legal, valid and enforceable consent of assignment of the Proceeds of such letter of credit to Administrative Agent and no Grantor has consented to, and is otherwise aware of, any Person (other than Administrative Agent pursuant hereto) having control (within the meaning of Section 9-104 of the UCC) over, or any other interest in, any of such Grantor's rights in respect thereof.

4. COVENANTS

Until the Termination Date, each Grantor covenants and agrees that:

4.1 **Maintenance of Perfected Security Interest; Further Information .**

(a) Each Grantor shall maintain the Security Interest created by this Agreement in the Collateral as a first priority perfected Security Interest and shall defend such Security Interest against the claims and demands of all Persons whomsoever (other than holders of Permitted Liens).

(b) Each Grantor will furnish to Administrative Agent upon Administrative Agent's reasonable request statements and schedules further identifying and describing the assets and property of such Grantor that comprise the Collateral and such other reports in connection therewith as Administrative Agent may reasonably request, all in reasonable detail.

4.2 **Maintenance of Insurance** . Each Grantor will maintain, with financially sound and reputable companies, insurance policies in accordance with Section 6.8 of the Loan Agreement.

4.3 **Changes in Deposit Accounts and Investment Property** . No Grantor will, except upon thirty (30) days' prior written notice to Administrative Agent and delivery to Administrative Agent of (a) all additional financing statements and other instruments and documents reasonably requested by Administrative Agent to maintain the validity, perfection and priority of the Security Interests (including Control Agreements as required by Section 4.6) and (b) if applicable, a written supplement to the Schedules of this Agreement: (i) permit any Deposit Account (other than a Deposit Account that constitutes Excluded Collateral) to be held by or at a depository bank other than the depository bank that held such Deposit Account as of the date hereof as set forth on Schedule 3.10; or (ii) permit any Investment Property (other than Certificated Securities delivered to Administrative Agent pursuant to Section 4.5) to be held by a Securities Intermediary other than the Securities Intermediary that held such Investment Property as of the date hereof as set forth on Schedule 3.12.

4.4 **Required Notifications** . Each Grantor shall promptly notify Administrative Agent, in writing, of: (a) any Lien (other than Permitted Liens) on any of the Collateral which would adversely affect the ability of Administrative Agent to exercise any of its remedies hereunder, (b) the occurrence of any other event which could reasonably be expected to have a Material Adverse Change on the aggregate value of the Collateral or on the Security Interests, and (c) the acquisition or ownership by such Grantor of any (i) Commercial Tort Claim in excess of \$25,000 and deliver to Administrative Agent a written supplement to Schedule 3.9 of this Agreement describing such Commercial Tort Claim, (ii) Deposit Account (other than a Deposit Account that constitutes Excluded Collateral), or (iii) Investment Property in excess of \$25,000 after the date hereof.

4.5 **Delivery Covenants** . Each Grantor will deliver and pledge to Administrative Agent, for the ratable benefit of the Secured Parties, all Certificated Securities, Partnership/LLC Interests evidenced by a certificate, negotiable Documents, Instruments (in the face amount equal to, or greater than, \$50,000, and Tangible Chattel Paper owned or held by such Grantor, in each case, together with an Effective Endorsement and Assignment and all supporting Obligations, as applicable, unless such delivery and pledge has been waived in writing by Administrative Agent. For the avoidance of doubt, nothing contained in this Section 4.5 is intended to supersede, modify or abrogate the obligations of Grantors to comply with the requirements of Section 7.12 of the Loan Agreement.

4.6 **Control Covenants** .

(a) Each Grantor shall instruct (and otherwise use its commercially reasonable efforts to cause),

(i) each depository bank (other than Administrative Agent) holding a Deposit Account (other than a Deposit Account that constitutes Excluded Collateral) owned by such Grantor (unless (x) such Deposit Account has (and at all times during the term of this Agreement will have) a credit balance of less than \$50,000, and (y) such Deposit Account, together with all other Deposit Accounts for which there is no Control Agreement in effect and for which a Control Agreement would be required to be in effect but for these clauses (x) and (y), has an aggregate credit balance of less than \$200,000); and

(ii) each Securities Intermediary holding any Investment Property owned by such Grantor (unless (x) such Investment Property has (and at all times during the term of this Agreement will have) a value of less than \$50,000, and (y) such Investment Property, together with all other Investment Property for which there is no Control Agreement in effect and for which a Control Agreement would be required to be in effect but for these clauses (x) and (y), has an aggregate value of less than \$200,000),

to execute and deliver a Control Agreement in form and substance reasonably satisfactory to such depository bank and the Administrative Agent that is sufficient to provide Administrative Agent with Control of such Deposit Account or such Investment Property (as the case may be), providing that no such depository bank or Securities Intermediary shall take instructions from the applicable Grantor after notice from Administrative Agent of the commencement of a Cash Dominion Period (but upon expiration of any Cash Dominion Period Administrative Agent shall notify such depository bank or such Securities Intermediary that the applicable Grantor is once again entitled to give instructions to such depository bank or Securities Intermediary), and otherwise in form and substance reasonably satisfactory to Administrative Agent (any such depository bank executing and delivering any such Control Agreement, a “ **Controlled Depository** ”, and any such Securities Intermediary executing and delivering any such Control Agreement, a “ **Controlled Intermediary** ”). In the event any such depository bank or Securities Intermediary refuses to execute and deliver such Control Agreement, Administrative Agent, in its sole discretion, may require the applicable Deposit Account and Investment Property to be transferred to Administrative Agent or a Controlled Depository or Controlled Intermediary, as applicable. All Deposit Accounts and all Investment Property (other than such Deposit Accounts and Investment Property that constitute Excluded Collateral) will be maintained with Administrative Agent or with a Controlled Depository or a Controlled Intermediary, as applicable.

(b) Each Grantor will take such actions and deliver all such agreements as are reasonably requested by Administrative Agent to provide Administrative Agent with Control of all Letter of Credit Rights and Electronic Chattel Paper owned or held by such Grantor, including, with respect to any such Electronic Chattel Paper, by having Administrative Agent identified as the assignee on the Record(s) pertaining to the single authoritative copy thereof.

(c) If any Collateral (other than Collateral specifically subject to the provisions of Section 4.6(a) and Section 4.6(b)) exceeding in value \$1,000,000 individually at any one location (such Collateral exceeding such amount, the “ **Excess Collateral** ”) is at any time in the possession or control of any consignee, warehouseman, bailee (other than a carrier transporting Network Assets to a purchaser in the ordinary course of business), processor, or any other third party, such Grantor shall notify such Person in writing of the Security Interests created hereby, shall use its commercially reasonable efforts to obtain such Person’s written agreement to hold all such Excess Collateral for Administrative Agent’s account subject to Administrative Agent’s reasonable instructions, and shall use its commercially reasonable efforts to cause such Person to issue and deliver to Administrative Agent warehouse receipts, bills of lading or any similar documents relating to such Excess Collateral to Administrative Agent’s together with an Effective Endorsement and Assignment. Further, each Grantor shall use its commercially reasonable efforts to perfect and protect such Grantor’s ownership interests in all Network Assets that is Excess Collateral stored with a consignee for more than twelve (12) months against creditors of the consignee by filing and maintaining financing statements against the consignee reflecting the consignment arrangement filed in all appropriate filing offices, providing any written notices required to notify any prior creditors of the consignee of the consignment arrangement.

4.7 **Filing Covenants** . Immediately prior to the execution and delivery of this Agreement by the Grantors, pursuant to Section 9-509 of the UCC and any other Legal Requirements, each Grantor authorizes Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral to perfect as applicable, the Security Interests of Administrative Agent under this Agreement. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of Collateral that describes such property in any other manner as Administrative Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the Security Interest in the Collateral granted herein, including describing such property as “all assets” or “all personal property.”

4.8 Accounts .

(a) Other than in the ordinary course of business consistent with its past business conduct, no Grantor will (i) grant any extension of the time of payment of any Account, (ii) compromise or settle any Account for less than the full amount thereof, (iii) release, wholly or partially, any Account Debtor, (iv) allow any credit or discount on any Account or (v) amend, supplement or modify any Account in any manner that could reasonably be likely to adversely affect the value thereof.

(b) Each Grantor will deliver to Administrative Agent a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of any material Account.

(c) Upon the occurrence and during the continuance of an Event of Default, Administrative Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as Administrative Agent may reasonably require in connection with such test verifications. At any time and from time to time, upon Administrative Agent's reasonable request such Grantor shall cause independent public accountants to furnish to Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

4.9 Intellectual Property .

(a) Each Grantor (either itself or through licensees) (i) will continue to use each registered Trademark (owned by such Grantor) and Trademark for which an application (owned by such Grantor) is pending, to the extent reasonably necessary to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) will maintain products and services offered under such Trademark at a level substantially consistent with the quality of such products and services as of the date hereof, (iii) will not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark could reasonably be expected to become invalidated or impaired in any way, (iv) will not do any act, or knowingly omit to do any act, whereby any issued Patent owned by such Grantor would reasonably be expected to become forfeited, abandoned or dedicated to the public, (v) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any registered Copyright owned by such Grantor or Copyright for which an application is pending (owned by such Grantor) could reasonably be expected to become invalidated or otherwise impaired and (vi) will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(b) Each Grantor will notify Administrative Agent and the Lenders promptly if it knows, or has reason to know, that any application or registration relating to any Intellectual Property owned by such Grantor shall become forfeited, abandoned or dedicated to the public, or of any adverse final determination regarding such Grantor's ownership of, or the validity of, any Intellectual Property owned by such Grantor or such Grantor's right to register the same or to own and maintain the same.

(c) No less frequently than once per fiscal quarter (for each fiscal quarter in which any new application is made), Grantors shall provide a report to Administrative Agent of any new applications for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, made by Grantors during such fiscal quarter, whether such application is made by a Grantor or through any agent, employee, licensee or designee of a Grantor. Upon the reasonable request of Administrative Agent, the applicable Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as Administrative Agent may reasonably request to evidence the security interest of the Secured Parties in any Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby.

(d) Each Grantor will take all reasonable and necessary steps, at such Grantor's sole cost and expense, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (unless Grantor shall reasonably deem it appropriate under the circumstances not to pursue such application (and to obtain the relevant registration)) and to maintain each registration of material Intellectual Property, including filing of applications for renewal, affidavits of use and affidavits of incontestability.

(e) If any Grantor learns that any material Intellectual Property owned by a Grantor is materially infringed, misappropriated or diluted by a third party, the applicable Grantor shall (i) at such Grantor's sole cost and expense, take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) promptly notify Administrative Agent after it learns of such infringement, misappropriation or dilution.

4.10 **Investment Property; Partnership/LLC Interests .**

(a) Without the prior written consent of Administrative Agent, no Grantor will (i) vote to enable, or take any other action to permit, any applicable Issuer to issue any Investment Property or Partnership/LLC Interests, except for such additional Investment Property or Partnership/LLC Interests that will be subject to the Security Interest granted herein in favor of the Secured Parties, or (ii) enter into any agreement or undertaking in violation of the Loan Agreement or other Loan Documents. Grantors will defend the right, title and interest of Administrative Agent in and to any Investment Property and Partnership/LLC Interests against the claims and demands of all Persons whomsoever. With respect to any Investment Property or Partnership/LLC Interest that is an "uncertificated security" for purposes of the UCC (other than any "uncertificated securities" credited to a Securities Account), each Grantor shall cause the Issuer of such uncertificated security to either (i) register Administrative Agent as the registered owner thereof on the books and records of the Issuer or (ii) execute an uncertificated securities Control Agreement, pursuant to which such Issuer agrees to comply with Administrative Agent's instructions with respect to such uncertificated security without further consent by such Grantor.

(b) If any Grantor shall become entitled to receive or shall receive (i) any Certificated Securities (including any certificate representing a Distribution), option or rights in respect of the ownership interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any Investment Property, or otherwise in respect thereof, or (ii) any sums paid upon or in respect of any Investment Property upon the liquidation or dissolution of any Issuer, such Grantor shall accept the same as the agent of the Secured Parties, hold the same in trust for the Secured Parties, segregated from other funds of such Grantor, and promptly deliver the same to Administrative Agent, on behalf of the Secured Parties, in accordance with the terms hereof.

4.11 **Equipment .** In accordance with prudent business conduct, each Grantor will maintain each item of Equipment in good working order and condition (reasonable wear and tear and obsolescence excepted), and generally in accordance with any manufacturer's manual, and will as quickly as practicable provide all maintenance, service and repairs reasonably necessary for such purpose and will promptly furnish to Administrative Agent a statement respecting any material loss or damage to any of the Equipment in excess of \$100,000. Notwithstanding the foregoing, subject to Section 2.3 (c)(iii)(B) of the Loan Agreement, the Grantor shall be entitled to dispose of obsolete Equipment and other Network Assets in the ordinary course of its business. Subject to Section 2.3(c)(iii)(C) of the Loan Agreement, the the Grantor shall also be entitled to apply Net Cash Proceeds from insurance proceeds for any damaged or destroyed Equipment and/or Network Assets to replace such damaged or destroyed Equipment and/or Network Assets.

4.12 **Network Site Lease Agreements; Customer Contracts** . Upon the Administrative Agent's reasonable request therefor, such Grantor will furnish the Administrative Agent with a correct and complete copy of each Network Site Lease Agreement to which it is party as then in effect, including all amendments thereto. Each Grantor will, at its expense, at all times perform and comply with, in all material respects, all terms and provisions of each Network Site Lease Agreement to which it is or hereafter becomes a party required to be performed or complied with by it (including the payment of all license fees and other sums due and payable thereunder) and enforce the terms and provisions thereof in accordance with its terms, and will not waive, amend or modify any provision thereof in any material respect other than in the ordinary course of business of such Grantor in accordance with past practices and for a valid economic or other business reason benefiting such Grantor (provided that in no event may any waiver, amendment or modification be made that could reasonably be expected to result in a Material Adverse Change). Each Grantor covenants and agrees to exercise all of its material rights and remedies under such Network Site Lease Agreement to which it is a party in a commercially reasonable manner consistent with past practices. Each Grantor, in good faith, shall use commercially reasonable efforts to enter into Network Site Lease Agreements and Customer Contracts that by their terms permits the assignment of such Grantor's rights and interest thereunder in the manner contemplated by this Agreement; provided, however, that in the event such Grantor determines in good faith that entry into a Network Site Lease Agreement or Customer Contract that by its terms prohibits the assignment of Grantor's right and interest thereunder is in the best interest of Grantor and its shareholders, such Grantor shall be entitled to enter into such Network Site Lease Agreement or Customer Contract. Each Grantor will notify the Administrative Agent promptly in writing upon any termination of any material Network Site Lease Agreement or Customer Contract, in whole or in part, or any material breach, default or event of default by any party thereunder.

4.13 **FCC Licenses** . Each Grantor will maintain its FCC Licenses in compliance in all material respects with all Legal Requirements and shall not transfer any FCC License, except as otherwise permitted by this Agreement and in compliance with all Legal Requirements. Upon the occurrence of an Event of Default, each Grantor will exercise its commercially reasonable efforts to take any action reasonably requested by Administrative Agent in order to effectuate a transfer of such FCC Licenses to the Administrative Agent for the ratable benefit of the Secured Parties subject to necessary regulatory approvals.

4.14 **Further Assurances** . Upon the reasonable request of Administrative Agent and at the sole expense of Grantors, each Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including (i) the assignment of any Significant Contract or Network Site Lease Agreement (other than any Excluded Contract), and (iii) all applications, certificates, instruments, registration statements, and all other documents and papers Administrative Agent may reasonably request and as may be required by law in connection with the obtaining of any consent, approval, registration, qualification, or authorization of any Person deemed necessary or appropriate for the effective exercise of any rights under this Agreement.

5. **REMEDIAL PROVISIONS**

5.1 **General Remedies** . If an Event of Default shall occur and be continuing, Administrative Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC or any other Legal Requirements. Without limiting the generality of the foregoing, Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by Legal Requirements as referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived to the fullest extent permitted by Legal Requirements), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of Administrative Agent or any other Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Administrative Agent may disclaim all warranties in connection with any sale or other disposition of the Collateral, including any warranties of title, possession, quiet enjoyment and the like. Administrative Agent or any other Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at Administrative Agent's reasonable request, to assemble the Collateral and make it available to Administrative Agent at places which Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. To the fullest extent permitted by Legal Requirements, each Grantor waives all claims, damages and demands it may acquire against Administrative Agent or any other Secured Party arising out of the exercise by them of any rights hereunder except to the extent any such claims, damages, or demands result solely from the gross negligence or willful misconduct of Administrative Agent or any other Secured Party, in each case against whom such claim is asserted. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition.

5.2 Specific Remedies .

(a) Administrative Agent hereby authorizes each Grantor to collect such Grantor's Accounts in the ordinary course of its business; provided that, Administrative Agent may curtail or terminate such authority at any time after the occurrence and during the continuance of an Event of Default.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) Administrative Agent may communicate with Account Debtors of any Account and parties to any Significant Contract (other than an Excluded Contract) subject to a Security Interest and, upon the reasonable request of Administrative Agent, each Grantor shall notify (such notice to be in form and substance satisfactory to Administrative Agent) its Account Debtors and parties to the Significant Contracts (other than Excluded Contracts) subject to a Security Interest that such Accounts and the Significant Contracts (other than excluded Contracts) have been assigned to Administrative Agent, for the ratable benefit of the Secured Parties;

(ii) if reasonably requested by Administrative Agent, each Grantor shall forward to Administrative Agent, on the last Business Day of each week, deposit slips related to all cash, money, checks or any other similar items of payment received by Grantor during such week, and, if reasonably requested by Administrative Agent, copies of such checks or any other similar items of payment, together with a statement showing the application of all payments on the Collateral during such week and a collection report with regard thereto, in form and substance satisfactory to Administrative Agent;

(iii) Administrative Agent may deliver notices and instructions in accordance with Control Agreements covering Deposit Accounts and/or Securities Accounts. Other than during a Cash Dominion Period, Administrative Agent may not deliver any notices or instructions in accordance with the Control Agreements covering Deposit Accounts and/or Securities Accounts. In addition, whenever any Grantor shall receive any cash, money, checks or any other similar items of payment relating to any Collateral (including any Proceeds of any Collateral), subject to the terms of any Permitted Liens, such Grantor agrees that it will, within one (1) Business Day of such receipt, deposit all such items of payment into the Collateral Account or in a Deposit Account at a Controlled Depository, and until such Grantor shall deposit such cash, money, checks or any other similar items of payment in the Collateral Account or in a Deposit Account at a Controlled Depository, such Grantor shall hold such cash, money, checks or any other similar items of payment in trust for the Secured Parties and as property of the Secured Parties, and Administrative Agent shall have the right to transfer or direct the transfer of the balance of each Deposit Account to the Collateral Account. All such Collateral and Proceeds of Collateral received by the Administrative Agent hereunder shall be held by Administrative Agent in the Collateral Account as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 5.4;

(iv) Administrative Agent shall have the right to receive any and all cash dividends, payments or other Distributions made in respect of any Investment Property, any Partnership/LLC Interests or any other Proceeds paid in respect of any Investment Property or any Partnership/LLC Interests, except as may otherwise be provided for in the Loan Agreement, and any or all of any Investment Property (except for Excluded Collateral) or any Partnership/LLC Interests shall be registered in the name of Administrative Agent or its nominee, and Administrative Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such Investment Property or such Partnership/LLC Interests at any meeting of shareholders, partners or members of the relevant Issuers and (B) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property or such Partnership/LLC Interests as if it were the absolute owner thereof (including the right to exchange at its discretion any and all of the Investment Property or any and all of the Partnership/LLC Interests upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate, partnership or company structure of any Issuer or upon the exercise by any Grantor or Administrative Agent of any right, privilege or option pertaining to such Investment Property or such Partnership/LLC Interests, and in connection therewith, the right to deposit and deliver any and all of the Investment Property or any and all of the Partnership/LLC Interests with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Administrative Agent may determine), all without liability except to account for property actually received by it; but Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and Administrative Agent and the other Secured Parties shall not be responsible for any failure to do so or delay in so doing. In furtherance thereof, each Grantor hereby authorizes and instructs each Issuer with respect to any Collateral consisting of Investment Property and Partnership/LLC Interests to (i) comply with any instruction received by it from Administrative Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying following receipt of such notice and prior to notice that such Event of Default is no longer continuing, and (ii) except as otherwise expressly permitted hereby, pay any dividends, payments or other Distributions with respect to any Investment Property or any Partnership/LLC Interests directly to Administrative Agent.

(v) Other than in connection with any Excluded Contract, Administrative Agent shall be entitled to (but shall not be required to): (A) proceed to perform any and all obligations of the applicable Grantor under any Significant Contract and Network Site Lease Agreement and exercise all rights of such Grantor thereunder as fully as such Grantor itself could, (B) do all other acts which Administrative Agent may deem necessary or proper to protect its Security Interest granted hereunder, provided such acts are not inconsistent with or in violation of the terms of any of the Loan Agreement, the other Loan Documents or Legal Requirements, and (C) sell, assign or otherwise transfer any Significant Contract or Network Site Lease Agreement in accordance with the Loan Agreement, the other Loan Documents and Legal Requirements, subject, however, to the prior approval of each other party to such Significant Contract or Network Site Lease Agreement, to the extent required under the Significant Contract or Network Site Lease Agreement; and

(c) Unless an Event of Default shall have occurred and be continuing and Administrative Agent shall have given notice to the relevant Grantor of Administrative Agent's intent to exercise its corresponding rights pursuant to Section 5.2(b), each Grantor shall be permitted to receive all cash dividends, payments or other Distributions made in respect of any Investment Property and any Partnership/LLC Interests, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Loan Agreement, and to exercise all voting and other corporate, company and partnership rights with respect to any Investment Property and any Partnership/LLC Interests; provided, however, that no vote shall be cast or other corporate, company or partnership right exercised or other action taken which would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Loan Agreement, this Agreement or any other Loan Document.

5.3 Sale of Securities; Further Approvals .

(a) Each Grantor recognizes that Administrative Agent may be unable to effect a public sale of any or all the Restricted Securities Collateral, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof and otherwise in compliance with the rules and regulations promulgated pursuant to the Securities Act and applicable state securities laws. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Administrative Agent shall be under no obligation to delay a sale of any of the Restricted Securities Collateral for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(b) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Restricted Securities Collateral valid and binding and in compliance with any and all other Applicable Laws. Notwithstanding the foregoing, Grantors are not required to register the Restricted Securities Collateral for public sale under the Securities Act or under applicable state securities law.

(c) In connection with the exercise of the rights and remedies of the Secured Parties, it may be necessary to obtain the prior consent, waiver or approval of one or more Governmental Authorities to any transfer, assignment or other disposition of Collateral or with respect to the operation of any Collateral (including any Licenses issued by any Governmental Authority), including the FCC and any applicable PUC. Each Grantor hereby agrees, upon the occurrence and during the continuance of any Event of Default, that it will execute, deliver and file, and hereby appoints (to the extent not prohibited by Legal Requirements) Administrative Agent as its attorney-in-fact to execute, deliver and file, on each Grantor's behalf and in the applicable Grantor's name, all applications, certificates, filings, instruments and other documents (including an application for an assignment or transfer of control or ownership) that may be necessary or appropriate, in Administrative Agent's reasonable discretion, to obtain such consents or approvals. Each Grantor further agrees to take such further action as Administrative Agent may reasonably request in obtaining such approvals or consents upon and during the continuance of any Default or Event of Default.

5.4 **Application of Proceeds** . At such intervals as may be agreed upon in writing by the Borrowers and Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at Administrative Agent's election, Administrative Agent may apply all or any part of the Collateral or any Proceeds of the Collateral in payment in whole or in part of the Obligations (after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of Administrative Agent and the Lenders hereunder, including reasonable attorneys' fees and disbursements) in accordance with Section 2.3(b) of the Loan Agreement. Only after (i) the payment by Administrative Agent of any other amount required by any provision of Legal Requirements, including Section 9-610 and Section 9-615 of the UCC and (ii) the payment in full of the Obligations and the termination of the Commitments, shall Administrative Agent account for the surplus, if any, to any Grantor, or to whomever may be lawfully entitled to receive the same (if such Person is not a Grantor).

5.5 **Waiver, Deficiency** . Each Grantor hereby waives, to the fullest extent permitted by Legal Requirements, all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any Legal Requirements in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the reasonable fees and disbursements of any attorneys employed by Administrative Agent or any other Secured Party to collect such deficiency.

6. ADMINISTRATIVE AGENT

6.1 Administrative Agent's Appointment as Attorney-In-Fact .

(a) Each Grantor hereby irrevocably constitutes and appoints Administrative Agent, effective the date hereof and terminating upon the termination of this Agreement, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, solely and limited for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, such power of attorney to be exercised by Administrative Agent only upon the occurrence and during the continuance of an Event of Default, and, without limiting the generality of the foregoing, each Grantor hereby gives Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following upon the occurrence and during the continuation of an Event of Default:

(i) other than with respect to any Excluded Contract, in the name of such Grantor or its own name, or otherwise, take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Significant Contract, Customer Contract or Network Site Lease Agreement subject to a Security Interest or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Administrative Agent for the purpose of collecting any and all such moneys due under any Account, Significant Contract, Customer Contract or Network Site Lease Agreement subject to a Security Interest or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as Administrative Agent may reasonably request to evidence Administrative Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to Administrative Agent or as Administrative Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as Administrative Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains) or Network Site Lease Agreement, for such term or terms, on such conditions, and in such manner, as Administrative Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Administrative Agent were the absolute owner thereof for all purposes, and do, at Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Security Interests of the Secured Parties therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement in accordance with the provisions of Section 6.1(a).

(c) The reasonable expenses of Administrative Agent incurred in connection with actions taken pursuant to the terms of this Agreement, together with interest thereon at the Default Rate, from the date of payment by Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof in accordance with Section 6.1(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the Security Interests created hereby are released.

6.2 Duty of Administrative Agent . The sole duty of Administrative Agent with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as Administrative Agent deals with similar property for its own account. Neither Administrative Agent, any other Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on Administrative Agent and the other Secured Parties hereunder are solely to protect the interests of Administrative Agent, and the other Secured Parties in the Collateral and shall not impose any duty upon Administrative Agent or any other Secured Party to exercise any such powers. Administrative Agent and the other Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

6.3 **Authority of Administrative Agent** . Each Grantor acknowledges that the rights and responsibilities of Administrative Agent under this Agreement with respect to any action taken by Administrative Agent or the exercise or non exercise by Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between Administrative Agent and the Lenders, be governed by the Loan Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between Administrative Agent and Grantors, Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement to make any inquiry respecting such authority.

7. MISCELLANEOUS

7.1 **Notices** . All notices and communications hereunder shall be given to the addresses and otherwise made in accordance with Section 12 of the Loan Agreement; provided that notices and communications to Grantors shall be directed to Grantors, at the address of Parent set forth in Section 12 of the Loan Agreement.

7.2 **Amendments, Waivers and Consents** . None of the terms, covenants, agreements or conditions of this Agreement may be amended, supplemented or otherwise modified, nor may they be waived, nor may any consent be given, except in accordance with Section 16.1 of the Loan Agreement.

7.3 **Expenses, Indemnification, Waiver of Consequential Damages, etc** .

(a) Each Grantor, jointly and severally, shall pay all out-of-pocket expenses incurred by Administrative Agent and each other Secured Party pursuant to, and in accordance with, the applicable provisions of Section 11.1 of the Loan Agreement, with references to this "Agreement" in such section being deemed references to this "Security Agreement" for such references.

(b) Each Grantor, jointly and severally, shall indemnify each Indemnitee pursuant to, and in accordance with, Section 11.2 of the Loan Agreement, with references to this "Agreement" in such section being deemed references to this "Security Agreement" for such references.

(c) Notwithstanding anything to the contrary contained in this Agreement, to the fullest extent permitted by Legal Requirements, other than in connection with an Indemnitee's willful misconduct, bad faith or gross negligence, each Grantor shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loans or the use of the proceeds thereof.

(d) All amounts due under this Section 7.3 shall be payable no later than ten (10) Business Days after demand therefor.

7.4 **Right of Set Off** . If an Event of Default shall have occurred and be continuing and subject to Section 4.6, each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by Legal Requirements, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Secured Party to or for the credit or the account of such Grantor against any and all of the obligations of such Grantor now or hereafter existing under this Agreement or any other Loan Document to such Secured Party irrespective of whether or not such Secured Party shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Grantor may be contingent or unmatured or are owed to a branch or office of such Secured Party different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Secured Party under this Section are in addition to other rights and remedies (including other rights of set off) that such Secured Party may have. Each Secured Party agrees to notify such Grantor and Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

7.5 **Governing Law; Jurisdiction; Venue; Service of Process** .

(a) **Governing Law** . The validity of this agreement and the other Loan Documents (unless expressly provided to the contrary in another Loan Document in respect of such other Loan Document), the construction, interpretation, and enforcement hereof and thereof, and the rights of the parties hereto and thereto with respect to all matters arising hereunder or thereunder or related hereto or thereto 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).

(b) **Jurisdiction**. Grantors hereby irrevocably and unconditionally submit, for themselves and their property, to the nonexclusive jurisdiction of any United States Federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents, or for recognition or enforcement of any judgment, and each Borrower 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. Grantors 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 Article 7. Nothing in this Agreement or any of the other Loan Documents shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Loan Party or its Properties in the courts of any jurisdiction.

(c) **Service of Process** . 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.

(d) **Waiver of Jury Trial**. Grantors, Administrative Agent and the other Secured Parties hereby waive their respective rights to a jury trial of any claim or cause of action based upon or arising out of any of the Loan Documents or any of the transactions contemplated therein, including contract claims, tort claims, breach of duty claims, and all other common law or statutory claims. Grantors, Administrative Agent and the other Secured Parties 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.

7.6 **Appointment of Parent as Agent for Grantors** . Each Grantor hereby irrevocably appoints and authorizes Parent to act as its agent for service of process and notices required to be delivered under this Agreement or under the other Loan Documents, it being understood and agreed that receipt by Parent of any summons, notice or other similar item shall be deemed effective receipt by each Grantor and its Subsidiaries.

7.7 **Intentionally Omitted.**

7.8 **No Waiver by Course of Conduct; Cumulative Remedies** . Neither Administrative Agent nor any other Secured Party shall by any act (except by a written instrument pursuant to Section 7.2), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No delay or failure to take action on the part of Administrative Agent or any other Secured Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Administrative Agent or any other Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Administrative Agent or such other Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by Legal Requirements.

7.9 **Successors and Assigns** . The provisions of this Agreement shall be binding upon and inure to the benefit of each Grantor (and shall bind all Persons who become bound as a Grantor to this Agreement), Administrative Agent and the other Secured Parties and their respective successors and permitted assigns; except that no Grantor may assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of Administrative Agent and each of Lenders (except as otherwise provided by the Loan Agreement).

7.10 **Survival of Indemnities** . Notwithstanding any termination of this Agreement, the indemnities to which Administrative Agent and the other Secured Parties are entitled under the provisions of Section 7.3 and any other provision of this Agreement and the other Loan Documents shall continue in full force and effect and shall protect Administrative Agent and the other Secured Parties against events arising after such termination as well as before.

7.11 **Titles and Captions** . Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

7.12 **Severability of Provisions** . Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

7.13 **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. The forgoing shall apply to each other Loan Document mutatis mutandis. The words "execution," "signed," "signature," and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

7.14 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 . In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of the Loan Agreement shall control; provided that any provision of any other Loan Document which imposes additional burdens on any Grantor or further restricts the rights of any Grantor or gives Administrative Agent or the other Secured Parties additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

7.15 Advice of Counsel; No Strict Construction . Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

7.16 Acknowledgements .

(a) Each Grantor hereby acknowledges that: (i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party; (ii) it has received a copy of the Loan Agreement and has reviewed and understands same; (iii) neither Administrative Agent nor any other Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Grantors, on the one hand, and Administrative Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and (iv) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby or thereby among the Secured Parties or among Grantors and the Secured Parties.

(b) Each Issuer party to this Agreement acknowledges receipt of a copy of this Agreement and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. Each Issuer agrees to provide such notices to Administrative Agent as may be necessary to give full effect to the provisions of this Agreement.

7.17 Releases .

(a) On the Termination Date, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to Grantors. At the request and sole expense of any Grantor following any such termination, Administrative Agent shall deliver to such Grantor any Collateral held by Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Loan Agreement, then Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable to evidence the release of the Liens created hereby on such Collateral. In the event that all the Capital Stock of any Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Loan Agreement (other than to another Grantor), then, such Grantor shall be released from its obligations hereunder and, at the request of the Borrowers and at the expense of Grantor, Administrative Agent shall deliver to Grantor any such Capital Stock held by Administrative Agent hereunder and shall execute and deliver to such Grantor all releases or other documents reasonably necessary to evidence the release of the Liens created hereby on such Capital Stock; provided that the Borrowers shall have delivered to Administrative Agent, at least ten (10) Business Days prior to the date of the proposed release, a written request for release identifying the relevant Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrowers stating that such transaction is in compliance with the Loan Agreement and the other Loan Documents.

7.18 **Additional Grantors** . Each Subsidiary of the Borrowers that is required to become a party to this Agreement pursuant to Section 7.19 of the Loan Agreement shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a joinder agreement in form and substance attached hereto as Exhibit B.

7.19 **All Powers Coupled with Interest** . All powers of attorney and other authorizations granted to the Secured Parties, Administrative Agent and any Persons designated by Administrative Agent or any other Secured Party pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Commitments remain in effect or the Loan has not been terminated.

[Signature Pages to Follow]

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

GRANTOR S:

TOWERSTREAM CORPORATION, a Delaware corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

TOWERSTREAM I, INC., a Delaware corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

HETNETS TOWER CORPORATION, a Delaware corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

ALPHA COMMUNICATIONS CORP., a Delaware corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

OMEGA COMMUNICATIONS CORP., a Delaware corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

TOWERSTREAM HOUSTON, INC., a Texas corporation

By: /s/ Joseph Hernon
Joseph Hernon, Chief Financial Officer

ADMINISTRATIVE AGENT:

MELODY BUSINESS FINANCE, LLC, a Delaware
limited liability company

By: /s/ Andres Scaminaci
Andres Scaminaci
Authorized Signatory

WARRANT AND REGISTRATION RIGHTS AGREEMENT

by and among

**TOWERSTREAM CORPORATION,
AND**

**THE WARRANT HOLDERS SET FORTH
ON SCHEDULE A ATTACHED HERETO**

Dated as of October 16, 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| ARTICLE I | 1 |
| Definitions | 1 |
| ARTICLE II | 4 |
| Original Issue of Warrants | 4 |
| SECTION 2.01. Form of Warrant Certificates | 4 |
| SECTION 2.02. Execution and Delivery of Warrant Certificates | 4 |
| ARTICLE III | 5 |
| Exercise Price, Exercise of Warrants and Expiration of Warrants | 5 |
| SECTION 3.01. Exercise Price | 5 |
| SECTION 3.02. Exercise of Warrants | 5 |
| SECTION 3.03. Expiration of Warrants | 5 |
| SECTION 3.04. Method of Exercise; Payment of Exercise Price | 5 |
| SECTION 3.05. Transferability of the Warrants | 6 |
| SECTION 3.06. Compliance with the Securities Act | 6 |
| ARTICLE IV | 7 |
| Registration Rights and Procedures and Listing | 7 |
| SECTION 4.01. Required Registration | 7 |
| SECTION 4.02. Piggyback Registration Rights | 8 |
| SECTION 4.03. Expenses of Registration and Selling | 8 |
| SECTION 4.04. Obligations of the Company | 8 |
| SECTION 4.05. Suspension of Sales | 10 |
| SECTION 4.06. Furnishing Information | 10 |
| SECTION 4.07. Indemnification | 11 |
| SECTION 4.08. Contribution | 12 |
| SECTION 4.09. Representations, Warranties and Indemnities to Survive | 12 |
| SECTION 4.10. [Intentionally Left Blank] | 12 |
| SECTION 4.11. Rule 144 Reporting | 12 |
| ARTICLE V | 13 |
| Adjustments | 13 |
| SECTION 5.01. Adjustments for Cash Dividends | 13 |
| SECTION 5.02. Adjustments Upon Certain Transactions | 13 |
| SECTION 5.03. Dividends and Distributions | 13 |
| SECTION 5.04. [Intentionally Left Blank] | 14 |
| SECTION 5.05. Consolidation, Merger or Sale | 14 |
| SECTION 5.06. [Intentionally Left Blank] | 14 |
| SECTION 5.07. Minimal Adjustments | 14 |
| SECTION 5.08. Notice of Adjustment; Certificate as to Adjustments | 14 |
| SECTION 5.09. Miscellaneous | 15 |
| SECTION 5.10. Affiliate Transaction | 15 |
| ARTICLE VI | 15 |
| Warrant Transfer Books | 15 |
| SECTION 6.01. Warrant Transfer Books | 15 |
| ARTICLE VII | 16 |
| Warrant Holders | 16 |
| SECTION 7.01. No Voting Rights | 16 |
| SECTION 7.02. Right of Action | 16 |

| | |
|---|-----------|
| SECTION 7.03 Agent | 16 |
| ARTICLE VIII | 16 |
| Representations and Warranties | 16 |
| SECTION 8.01. Representations and Warranties of the Company | 16 |
| SECTION 8.02. Representations and Warranties of the Holders | 17 |
| ARTICLE IX | 17 |
| Covenants | 17 |
| SECTION 9.01. Reservation of Common Stock for Issuance on Exercise of Warrants | 17 |
| SECTION 9.02. Notice of Dividends | 18 |
| SECTION 9.03. Certain Other Events | 18 |
| SECTION 9.04. Transfers | 18 |
| ARTICLE X | 18 |
| Miscellaneous | 18 |
| SECTION 10.01. Tax Matters | 18 |
| SECTION 10.02. Surrender Certificates | 18 |
| SECTION 10.03. Mutilated, Destroyed, Lost and Stolen Warrant Certificates | 18 |
| SECTION 10.04. Removal of Legends | 19 |
| SECTION 10.05. Notices | 19 |
| SECTION 10.06. Applicable Law; Jurisdiction | 19 |
| SECTION 10.07. Persons Benefiting | 20 |
| SECTION 10.08. Counterparts | 20 |
| SECTION 10.09. Amendments | 20 |
| SECTION 10.10. Headings | 20 |
| SECTION 10.11. Entire Agreement | 20 |
| SECTION 10.12 [Intentionally Left Blank] | 20 |
| SECTION 10.13 Rights Make-Whole Right | 20 |
| SECTION 10.14 Severability | 21 |
| SECTION 10.15 Certain Other Adjustments | 21 |

SIGNATURES:

EXHIBIT A - Form of A-Warrant Certificate
EXHIBIT B - Form of B - Warrant Certificate

SCHEDULE - WARRANT HOLDERS AND WARRANT AMOUNTS

WARRANT AND REGISTRATION RIGHTS AGREEMENT

WARRANT AND REGISTRATION RIGHTS AGREEMENT dated as of October 16, 2014 (the “**Issuance Date**”), by and among TOWERSTREAM CORPORATION, a Delaware corporation (the “**Company**”), and the Warrant Holders (defined below).

WITNESSETH:

WHEREAS, the Company is issuing and delivering (i) warrant certificate(s) in the form of Exhibit A hereto (the “**A-Warrant Certificates**”) evidencing A-Warrants to purchase up to 1,200,000 shares, subject to adjustment, of its Common Stock and (ii) warrant certificate(s) in the form of Exhibit B hereto (the “**B-Warrant Certificates**”) evidencing the B-Warrants to purchase up to 2,400,000 shares, subject to adjustment, of its Common Stock; in each case in connection with the execution and delivery of a loan agreement dated as of even date herewith, among the Company, certain Company subsidiary borrowers, Melody Business Finance, LLC, as administrative agent, and the lenders party thereto, pursuant to which such lenders will make a term loan to the Company in the amount of \$35,000,000 (the “**Loan Agreement**”) in accordance with the terms of such Loan Agreement; and

WHEREAS, subject to certain adjustments and limitations provided herein, the Warrants are exercisable for shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the foregoing, the Company, the Agent and the Warrant Holders each hereby agree as follows:

ARTICLE I Definitions

As used in this Agreement, the following terms shall have the following meanings:

“**Affiliate**” means, with respect to any Person, a Person that directly or indirectly controls, is controlled by or is under direct or indirect common control with, such Person. For purposes of this definition, “**control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Agent**” means a nominee designated as agent by a majority in interest (based on Warrants then outstanding) of all Warrant Holders.

“**A-Warrant**” means the A-Warrants issued by the Company from time to time pursuant to this Agreement under an A-Warrant Certificate.

“**A-Warrant Certificate**” has the meaning set forth in the recitals to this Agreement.

“**Board**” means the board of directors of the Company.

“**Business Day**” means any day that is not a day on which banking institutions are authorized or required to be closed in the State of New York.

“**B-Warrant**” means the B-Warrants issued by the Company from time to time pursuant to this Agreement under a B-Warrant Certificate.

“**B-Warrant Certificate**” has the meaning set forth in the recitals to this Agreement.

“**Cashless Exercise**” has the meaning set forth in Section 4.01(f).

“**Certificate of Incorporation**” means the Company’s Amended Certificate of Incorporation, as amended from time to time.

“**Common Stock**” means the common stock, par value \$0.001 per share, of the Company.

“**Common Stock Equivalent**” means any warrant, right or option to acquire any shares of Common Stock or any security convertible into or exchangeable for shares of Common Stock.

“**Convertible Securities**” means any securities (directly or indirectly) convertible into or exchangeable for Common Stock or Common Stock Equivalents.

“**Company**” has the meaning set forth in the preamble to this Agreement, and its successors and assigns.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Excluded Securities**” means (i) the Qualifying Employee, Consultant or Director Stock; (ii) the Underlying Stock; (iii) any shares of Common Stock or Common Stock Equivalents issued for non-cash consideration in connection with any merger, consolidation, acquisition or similar business combination but solely to the extent such securities are not issued significantly for the purpose of raising capital or to an entity who is engaged in the business of investing in securities, provided that if any such transaction involves an Affiliate of the Company, such transaction is made on an arms'-length basis and supported by a fairness opinion from an Independent Financial Expert; and (iv) any shares of Common Stock or Common Stock Equivalents issued for non-cash consideration in connection with any joint venture, licensing, development or sponsorship activities in the ordinary course of business but solely to the extent such securities are not issued significantly for the purpose of raising capital or to an entity who is engaged in the business of investing in securities, provided that if any such transaction involves an Affiliate of the Company, such transaction is made on an arms'-length basis and supported by a fairness opinion from an Independent Financial Expert.

“**Ex-date**” has the meaning set forth in Section 5.03(a).

“**Exercise Date**” has the meaning set forth in Section 3.02.

“**Exercise Price**” has the meaning set forth in Section 3.01.

“**Expenses**” means all expenses incurred by the Company and the Holders in effecting any registration pursuant to this Agreement, including all registration and filing fees, printing expenses, reasonable fees and disbursements of one counsel selected by the Agent to represent all holders of Registrable Securities included in such registration, Blue Sky fees and expenses, and expenses of the Company’s independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, and all underwriting discounts and selling commissions applicable to the sale of the applicable Registrable Securities.

“**Expiration Date**” means such date that is seven and one-half (7.5) years from the Issuance Date.

“**Fair Market Value**” means:

(i) in the case of shares of stock where, at least four months prior to the issuance thereof, other shares of the same class had already been listed on the Principal Market (as defined in the Loan Agreement), the average of the daily volume-weighted average prices of such stock for the twenty (20) consecutive trading days immediately preceding the day as of which Fair Market Value is being determined;

(ii) in the case of securities not covered by clause (i) above or other property, the fair market value of such securities or such other property as determined by an Independent Financial Expert, using one or more valuation methods that the Independent Financial Expert in its best professional judgment determines to be most appropriate, assuming, in the case of securities, such securities are fully distributed and, in the case of securities or other property, such items are to be sold in an arm'-s-length transaction and there was no compulsion on the part of any party to such sale to buy or sell, and taking into account all relevant factors; and

(iii) in the case of cash, the amount thereof.

“ **Holders** ” means the Warrant Holders and any permitted assignee or transferee of the Warrant Holders and, unless otherwise provided or indicated herein, the holders of the Registrable Securities.

“ **including** ” means “including, without limitation”.

“ **Independent Financial Expert** ” means a nationally recognized investment banking firm mutually agreed by the Company and the Agent (on behalf of a majority in interest of Holders of then outstanding Warrants), which firm does not have a material financial interest in, or other material economic relationship with, either the Company or the Agent (on behalf of a majority in interest of Holders of then outstanding Warrants) or their respective Affiliates. If the Company and the Agent (on behalf of a majority in interest of Holders of then outstanding Warrants) are unable to agree on an Independent Financial Expert, each of them shall promptly choose a separate Independent Financial Expert who shall promptly choose a third Independent Financial Expert who shall serve as the Independent Financial Expert hereunder; provided that such third Independent Financial Expert does not have a material financial interest in, or other material economic relationship with, either the Company or the Agent or their respective Affiliates.

“ **Issuance Date** ” has the meaning set forth in the preamble to this Agreement.

“ **Listed** ” has the meaning set forth in Section 4.01(d).

“ **Material Adverse Change** ” shall have the meaning ascribed to such term in the Loan Agreement.

“ **Maximum Number of Shares** ” means the number of shares of Common Stock (and other Registrable Securities) proposed to be included in a Registration Statement that can be sold in an underwritten offering without materially delaying or jeopardizing the success of the subject offering (including the offering price per share).

“ **Person** ” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“ **Piggyback Registration** ” has the meaning set forth in Section 4.02(a).

“ **Prospectus** ” means the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus.

“ **Qualifying Employee or Director or Consultant Stock** ” means (i) rights and options issued in the ordinary course of business under any Company-sponsored employee benefit plan or agreement, any Company-sponsored director compensation plan or agreement and any Common Stock issued after the date hereof upon exercise of such rights and options and (ii) restricted stock and restricted stock units issued after the date hereof in the ordinary course of business under any Company-sponsored employee benefit plan or agreement, any Company-sponsored director compensation plan or agreement and Common Stock issued after the date hereof in settlement of any such restricted stock units; in each case pursuant to a plan or arrangement approved by the disinterested members of the Board and the stockholders of the Company.

“ **Recapitalization Event** ” has the meaning set forth in Section 5.03(a).

“ **Register, registered, and registration** ” shall refer to a registration effected by preparing and (a) filing a Registration Statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration of or automatic effectiveness of such Registration Statement or (b) filing a Prospectus and/or prospectus supplement in respect of an appropriate effective Registration Statement on Form S-1 or S-3 (or successor registration statement form).

“ **Registrable Securities** ” means the Common Stock (as well as or other securities issuable under the Warrants at any time during the term of this Agreement). Registrable Securities shall continue to be Registrable Securities (whether they continue to be held by the Warrant Holders or they are sold to other Persons) until (i) they are sold pursuant to an effective Registration Statement under the Securities Act; (ii) they may be sold by their holder pursuant to Rule 144 without limitation thereunder on volume or manner of sale; or (iii) they shall have otherwise been transferred and new securities not subject to transfer restrictions under any federal securities laws and not bearing any legend restricting further transfer shall have been delivered by the Company, all applicable holding periods shall have expired, and no other applicable and legally binding restriction on transfer by the Holder thereof shall exist under the Securities Act.

“ **Registration Rights** ” means the rights of Holders set forth in Article IV to have shares of Registrable Securities registered under the Securities Act for sale under one or more effective Registration Statements.

“ **Registration Statement** ” means any registration statement filed by the Company under the Securities Act pursuant to the Registration Rights, including the Prospectus, any amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

“ **Reorganization Event** ” has the meaning set forth in Section 5.05 .

“ **Required Registration Date** ” has the meaning set forth in Section 4.01(a).

“ **Required Registration Statement** ” has the meaning set forth in Section 4.01(a).

“ **Rule 144, Rule 144A and Rule 415** ” mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as such rules may be amended from time to time.

“ **Sale** ” has the meaning set forth in Section 3.06(a) .

“ **Scheduled Black-Out Period** ” means the periods from and including 9 a.m. on the calendar day that is 5 days before the end of each calendar quarter to and including 9 a.m. on the third calendar day after the Company filed the required SEC reports for that applicable quarter.

“ **SEC** ” means the Securities and Exchange Commission.

“ **Securities Act** ” means the Securities Act of 1933, as amended.

“ **Underlying Stock** ” means the shares of Common Stock issuable or issued upon the exercise of the Warrants.

“ **Voting Securities** ” means the Common Stock and any other securities of the Company of any kind or class having power generally to vote in the election of directors.

“ **Warrant Certificates** ” means the A-Warrant Certificates and the B-Warrant Certificates.

“ **Warrant Holders** ” means the initial holders of Warrants set forth on Schedule A attached hereto.

“ **Warrants** ” means, collectively, the A-Warrants and the B-Warrants.

ARTICLE II **Original Issue of Warrants**

SECTION 2.01. **Form of Warrant Certificates** . The Warrant Certificates shall be in registered form only and substantially in the forms attached hereto as Exhibits A and B (as applicable) and shall be dated the date on which signed by the Company and may have such legends and endorsements typed, stamped, printed, lithographed or engraved thereon as provided in Section 3.05 or as may be required to comply with any applicable law or with any applicable rule or regulation pursuant thereto or with any applicable rule or regulation of any securities exchange on which the Warrants may be Listed.

SECTION 2.02. **Execution and Delivery of Warrant Certificates** . (a) Simultaneously with the execution of this Agreement, (i) A-Warrant Certificates evidencing an aggregate of up to 1,200,000 A-Warrants entitling the holders thereof to collectively purchase an aggregate of up to 1,200,000 shares of Common Stock, subject to adjustment, shall be executed by the Company and delivered to the Warrant Holders and (ii) B-Warrant Certificates evidencing an aggregate of up to 2,400,000 B-Warrants entitling the holders thereof to collectively purchase an aggregate of up to 2,400,000 shares of Common Stock, subject to adjustment, shall be executed by the Company and delivered to the Warrant Holders; each in such amounts as set forth on Schedule A attached hereto.

(b) From time to time, the Company shall sign and deliver Warrant Certificates in required denominations to Persons entitled thereto in connection with any exchange permitted under this Agreement. The Warrant Certificates shall be executed on behalf of the Company by its President, Chief Executive Officer, Chief Financial Officer, Secretary or Executive Vice President, either manually or by facsimile signature printed thereon. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be such officer of the Company before issue and delivery thereof, such Warrant Certificates may, nevertheless, be issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

ARTICLE III

Exercise Price; Exercise of Warrants and Expiration of Warrants

SECTION 3.01. **Exercise Price**. Each Warrant Certificate shall entitle the Holder thereof, subject to the provisions of this Agreement, to purchase, except as provided in Section 3.04 hereof, one share of Common Stock for each Warrant represented thereby, at an exercise price per share of Common Stock as follows: (a) \$0.01 in respect of the A-Warrants and (b) \$1.26 in respect of the B-Warrants (in each case, such Warrant's applicable exercise price, the "**Exercise Price**"), subject to all adjustments made on or prior to the date of exercise thereof as provided in this Agreement.

SECTION 3.02. **Exercise of Warrants**. The Warrants shall be exercisable in whole or in part from time to time on any Business Day beginning on the Issuance Date and ending on the Expiration Date in each case in the manner provided for herein (any such date on which the applicable Warrant shall be exercisable, an "**Exercise Date**").

SECTION 3.03. **Expiration of Warrants**. Any unexercised Warrants shall expire and the rights of the Holders of such Warrants to purchase Underlying Stock shall terminate at the close of business on the Expiration Date. Under no circumstances shall the Warrants be redeemed for cash.

SECTION 3.04. **Method of Exercise; Payment of Exercise Price**. (a) In order to exercise a Warrant, the Holder thereof must (i) surrender the Warrant Certificate evidencing such Warrant to the Company, with the form on the reverse of or attached to the Warrant Certificate duly executed, and (ii) subject to Section 4.01(f), pay in full the Exercise Price then in effect for the shares of Underlying Stock as to which a Warrant Certificate is submitted for exercise in the manner provided in paragraph (b) of this Section 3.04.

(b) Simultaneously with the exercise of each Warrant, payment in full of the Exercise Price shall be delivered to the Company. Such payment shall be made in cash, by bank wire transfer in immediately available funds.

(c) If fewer than all the Warrants represented by a Warrant Certificate are surrendered, such Warrant Certificate shall be surrendered and a new Warrant Certificate of the same tenor and for the number of Warrants that were not surrendered shall promptly be executed and delivered to the Person or Persons as may be directed in writing by the Holder (subject to the terms hereof), and the Company shall register the new Warrant in the name of such Person or Persons.

(d) Upon surrender of a Warrant Certificate in accordance with the foregoing provisions, the Company shall instruct its transfer agent to transfer to the Holder of such Warrant Certificate appropriate evidence of ownership of any shares of Underlying Stock or other securities or property (including cash) to which the Holder is entitled, registered or otherwise placed in, or payable to the order of, such name or names as may be directed in writing by the Holder (subject to the terms hereof), and shall deliver such evidence of ownership and any other securities or property (including cash) to the Person or Persons entitled to receive the same, with any fraction of a share rounded up or down in accordance with Section 5.09. Upon payment of the Exercise Price therefor, a Holder shall be deemed to own and have all of the rights associated with any Underlying Stock or other securities or property (including cash) to which it is entitled pursuant to this Agreement upon the surrender of a Warrant Certificate in accordance with this Agreement. If the Holder shall direct that such securities be registered in a name other than that of the Holder, such direction shall be tendered in conjunction with a signature guarantee from an eligible guarantor institution participating in a signature guarantee program approved by the Securities Transfer Association.

SECTION 3.05. **Transferability of the Warrants**. At any time on or after the Issuance Date, the Warrants may be transferred by the Warrant Holders to any Person that is not a Warrant Holder. Subject to Section 10.04, each Warrant Certificate shall bear the following legend:

THESE WARRANTS MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT REFERRED TO BELOW. THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY BE OFFERED, SOLD OR TRANSFERRED ONLY IN COMPLIANCE WITH THE REQUIREMENTS OF SUCH ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS AND SUBJECT TO THE PROVISIONS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT DATED AS OF OCTOBER 16 , 201 4 , BY AND AMONG TOWERSTREAM CORPORATION (THE “COMPANY”) AND THE WARRANT HOLDER S PARTY THERETO . A COPY OF SUCH WARRANT AND REGISTRATION RIGHTS AGREEMENT IS AVAILABLE AT THE OFFICES OF THE COMPANY.

SECTION 3.06. **Compliance with the Securities Act**. (a) None of the Registrable Securities may be sold, transferred or otherwise disposed of (any such sale, transfer or other disposition, a “**Sale**”), except in compliance with this Section 3.06, but subject to Section 9.04.

(b) A Holder may sell its Registrable Securities to a transferee that is an “**accredited investor**” or “**qualified institutional buyer**”, as such terms are defined in Regulation D and Rule 144A, respectively, under the Securities Act, respectively; provided, however, that each of the following conditions is satisfied:

(i) with respect to any “**accredited investor**” that is not an institution, such transferee provides certification establishing to the reasonable satisfaction of the Company that it is an “**accredited investor**”;

(ii) such transferee represents that it is acquiring the Registrable Securities for its own account and that it is not acquiring such Registrable Securities with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any applicable state thereof, but subject, nevertheless, to the disposition of its property being at all times within its control; and

(iii) such transferee agrees to be bound by the provisions of this Section 3.06 with respect to any sale of the Registrable Securities.

(c) A Holder may sell its Registrable Securities in accordance with Regulation S under the Securities Act.

(d) A Holder may sell its Registrable Securities if:

(i) such Holder gives written notice to the Company of its intention to effect such Sale, which notice shall describe the manner and circumstances of the proposed transaction in reasonable detail;

(ii) such notice includes a certification by the Holder to the effect that such proposed Sale may be effected without registration under the Securities Act or under applicable Blue Sky laws; and

(iii) such transferee complies with Sections 3.06(b)(ii) and 3.06(b)(iii).

(e) Except for a Sale in accordance with Section 3.06(f), and subject to Section 10.04, all stock certificates issued pursuant to the exercise of the Warrants shall bear the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SHARES MAY BE OFFERED, SOLD OR TRANSFERRED ONLY IN COMPLIANCE WITH THE REQUIREMENTS OF SUCH ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS AND SUBJECT TO THE PROVISIONS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT DATED AS OF OCTOBER 16 , 201 4 , BY AND AMONG TOWERSTREAM CORPORATION (THE “COMPANY”) AND THE WARRANT HOLDER S PARTY THERETO . A COPY OF SUCH WARRANT AND REGISTRATION RIGHTS AGREEMENT IS AVAILABLE AT THE OFFICES OF THE COMPANY.

(f) Notwithstanding anything else to the contrary, a Holder may sell its Registrable Securities in a transaction that is registered under (or exempt from registration under) the Securities Act.

ARTICLE IV
Registration Rights and Procedures and Listing

SECTION 4.01. **Required Registration**. (a) Subject to the provisions hereof, on or before the first anniversary of the date hereof (such anniversary, the “**Required Registration Date**”), the Company shall (i) file a Registration Statement (which shall be a “**shelf**” Registration Statement under Rule 415 promulgated under the Securities Act registering for resale all Registrable Securities) (such Registration Statement, a “**Required Registration Statement**”) and (ii) cause such Required Registration Statement to be declared effective by the SEC. If permitted under the Securities Act, such Required Registration Statement shall be one that is automatically effective upon filing.

(b) **[Intentionally Left Blank.]**

(c) The Company may not include in the Required Registration Statement shares of Common Stock (or other securities) for sale for its own account or for the account of other security holders of the Company.

(d) In addition to the rights set forth in Section 4.01(f), if the Required Registration Statement is not filed and declared effective (or the Underlying Stock is not listed (“Listed”) on the Company’s Principal Market) on or prior to the Required Registration Date, the Company shall pay to the Holders of the Warrants liquidated damages and not as a penalty, an aggregate amount of \$5,000 per month until both (x) the Required Registration Statement has been filed and become effective and (y) the Underlying Stock is Listed on the Principal Market.

(e) Upon the date of effectiveness of the Required Registration Statement, the Company shall cause the Required Registration Statement to remain effective until such time as all of the Registrable Securities covered by such Required Registration Statement have been sold pursuant to such Required Registration Statement.

(f) In the event that (i) the required Registration Statement is not effective with the SEC (or the Underlying Stock is not Listed on the Company’s Principal Market) as at the Required Registration Date or (ii) at any time after the Required Registration Date the required Registration Statement is not effective with the SEC (or the Underlying Stock is not then Listed for trading), then, until the Required Registration Statement becomes effective (and the Underlying Stock is Listed for trading), any Holder who desires to then exercise a Warrant may do so by surrendering a number of Warrants (or fractional portions thereof) having a value equal to the Exercise Price (a “Cashless Exercise”) if the then Fair Market Value of a share of Common Stock exceeds the Exercise Price. The value of Warrants so surrendered for exercise in a Cashless Exercise shall be equal to the Fair Market Value, at the time of such surrender, of that number of shares of Common Stock into which such Warrant is then exercisable with respect to such exercise, less the aggregate Exercise Price of such exercised Warrants.

(g) In addition to the rights set forth in Section 4.01(f), if the Required Registration Statement does not remain effective with the SEC and Listed on the Principal Market until such time as all of the Registrable Securities covered by such Required Registration Statement have been sold pursuant to such Required Registration Statement, the Company shall pay to the Holders of the Warrants liquidated damages and not as a penalty, an aggregate of \$5,000 per month until the Required Registration Statement is again effective.

(h) The maximum amount of liquidated damages paid as noted in Section 4.01(d) and Section 4.01(g) in aggregate shall not to exceed \$50,000.

SECTION 4.02. **Piggyback Registration Rights**. (a) If at any time the Company has registered or has determined to register any of its securities for its own account or for the account of other security holders of the Company on any registration form (other than Form S-4 or S-8) which permits the inclusion of the Registrable Securities (a “**Piggyback Registration**”), the Company will give the Holders written notice thereof promptly (but in no event less than 15 days prior to the anticipated filing date) and, subject to Section 4.02(c), shall include in such registration all Registrable Securities requested to be included therein pursuant to the written request of one or more Holders received within 10 days after delivery of the Company’s notice. If a Piggyback Registration is initiated as a primary underwritten offering on behalf of the Company, and the managing underwriters advise the Company and the Holders that in their reasonable opinion the number of shares of Common Stock and other Registrable Securities proposed to be included in such registration exceeds the Maximum Number of Shares, the Company shall include in such registration: (i) first, the number of shares of Common Stock that the Company proposes to sell; and (ii) second, the number of shares of Common Stock and other Registrable Securities requested to be included therein by holders of Common Stock and other Registrable Securities, including Holders who have provided notice in accordance with this Section 4.02(a), pro rata among all such holders on the basis of the number of shares of Common Stock and other Registrable Securities requested to be included therein by all such holders or as such holders and the Company may otherwise agree.

(b) If a Piggyback Registration is initiated as an underwritten registration on behalf of a holder of shares of Common Stock other than the Holders, and the managing underwriters advise the Company that in their reasonable opinion the number of shares of Common Stock and other Registrable Securities proposed to be included in such registration exceeds the Maximum Number of Shares, then the Company shall include in such registration: (i) first, the number of shares of Common Stock requested to be included therein by the holder(s) requesting such registration; (ii) second, the number of shares of Common Stock and other Registrable Securities requested to be included therein by other holders of shares of Common Stock and other Registrable Securities, including the Holders (if the Holders have elected to include Registrable Securities in such Piggyback Registration), pro rata among such holders on the basis of the number of shares of Common Stock and other Registrable Securities requested to be included therein by such holders or as such holders and the Company may otherwise agree; and (iii) third, the number of shares of Common Stock that the Company proposes to sell.

(c) If any Piggyback Registration is a primary or secondary underwritten offering, the Company shall have the right to select, in its sole discretion, the managing underwriter or underwriters to administer any such offering.

(d) The Company shall not grant to any Person the right to request the Company to register any Common Stock in a Piggyback Registration unless such rights are consistent with the provisions of this Section 4.02.

SECTION 4.03. **Expenses of Registration and Selling**. All Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Expenses (including, for the avoidance of doubt, any underwriting discount or commission applicable to the sale by a Holder) incurred in connection with the sale of any securities registered hereunder shall also be borne by the Company.

SECTION 4.04. **Obligations of the Company**. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably practicable, subject to the other provisions of this Article IV:

(a) Prepare and file with the SEC a Registration Statement with respect to a proposed offering of Registrable Securities and use commercially reasonable efforts to have such Registration Statement declared effective as promptly as practicable.

(b) Prepare and file with the SEC such amendments and supplements to the applicable Registration Statement and the Prospectus or prospectus supplement used in connection with such Registration Statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement.

(c) Furnish to the selling Holder or Holders and any underwriters such number of copies of the applicable Registration Statement and each such amendment and supplement thereto (including in each case all exhibits) and of a Prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(d) Use commercially reasonable efforts to (i) register and qualify the securities covered by such Registration Statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the selling Holder or Holders or any managing underwriter(s), (ii) to keep such registration or qualification in effect for so long as such Registration Statement remains in effect, and (iii) to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such selling Holder or Holders; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business, to file a general consent to service of process or become subject to taxation in any such states or jurisdictions.

(e) Notify the selling Holder or Holders at any time when a Prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable Prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statements were made, not misleading.

(f) Give written notice to the selling Holder or Holders:

(i) when any Registration Statement filed pursuant to Section 4.01 or 4.02 or any amendment thereto has been filed with the SEC and when such Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the SEC for amendments or supplements to any Registration Statement or the Prospectus included therein or for additional information;

(iii) of the issuance by the SEC of any stop order suspending the effectiveness of any Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in any effective Registration Statement or Prospectus in order to make the statements therein not misleading (in the case of the Prospectus, in the light of the circumstances under which such statements were made) (which notice shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made).

(g) Use commercially reasonable efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any Registration Statement referred to in Section 4.04(f)(iii) at the earliest practicable time.

(h) Upon the occurrence of any event contemplated by Section 4.04(f)(v), promptly prepare a post-effective amendment to such Registration Statement or a supplement to the related Prospectus or file any other required document so that, as thereafter delivered to the selling Holder or Holders and any underwriters, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Company notifies the selling Holder or Holders in accordance with Section 4.04(f)(v) to suspend the use of the Prospectus until the requisite changes to the Prospectus have been made, then the selling Holder or Holders and any underwriters shall suspend use of such Prospectus and use commercially reasonable efforts to return to the Company all copies of such Prospectus (at the Company's expense) other than permanently filed copies then in the possession of the selling Holder or Holders or the underwriter.

(i) Use commercially reasonable efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the selling Holder or Holders or any managing underwriter(s).

(j) Enter into an underwriting agreement in form, scope and substance as is customarily entered into for similar underwritten offerings of equity securities by similar companies and take all such other actions reasonably requested by the selling Holder or Holders or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith (i) make such representations and warranties to the selling Holder or Holders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by the issuer in similar underwritten offerings of equity securities by similar companies, and, if true, confirm the same if and when requested; (ii) use commercially reasonable efforts to furnish the underwriter(s) with opinions of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in the opinions requested in similar underwritten offerings of equity securities by similar companies; (iii) use commercially reasonable efforts to obtain “cold comfort” letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Registration Statement) who have certified the financial statements included in such Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in “cold comfort” letters in connection with similar underwritten offerings of equity securities by similar companies; (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in similar underwritten offerings of equity securities by similar companies and consistent with the provisions of Section 4.07 hereof; and (v) deliver such documents and certificates as may be reasonably requested by the selling Holder or Holders, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(k) Make available for inspection by a single representative of the selling Holder or Holders and the managing underwriter(s), if any, and their respective attorneys or accountants, at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested by any such representative, managing underwriter(s), attorney or accountant in connection with such Registration Statement.

(l) (i) Use commercially reasonable efforts to cause all shares of Common Stock covered by a Registration Statement to be Listed on the Principal Market on which the Common Stock is then Listed, and enter into such customary agreements, including a supplemental listing application and indemnification agreement in customary form; provided, however, that the applicable listing requirements are satisfied, and (ii) provide a transfer agent and registrar for such Registrable Securities covered by such Registration Statement no later than the effective date of such Registration Statement. The Company shall bear the cost of all reasonable expenses associated with any listing. A copy of any opinion of counsel accompanying a listing application by the Company with respect to such Registrable Securities shall be furnished to the selling Holder or Holders.

(m) Make reasonably available senior executives of the Company to participate in “road show” and other marketing presentations from time to time as reasonably requested by the managing underwriter(s).

SECTION 4.05. Suspension of Sales. During any Scheduled Black-Out Period and upon receipt of written notice from the Company that a Registration Statement, Prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that circumstances exist that make the use of such Registration Statement, Prospectus or prospectus supplement inadvisable, the selling Holder or Holders shall forthwith discontinue disposition of Registrable Securities until termination of such Scheduled Black-Out Period or until the selling Holder or Holders have received copies of a supplemented or amended Prospectus or prospectus supplement, or until the selling Holder or Holders are advised in writing by the Company that the use of the Prospectus and, if applicable, prospectus supplement may be resumed. If so directed by the Company, the selling Holder or Holders shall deliver to the Company (at the Company’s expense) all copies, other than permanent file copies then in the selling Holder’s or Holders’ possession, of the Prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such suspension notice. The total number of days that any such suspension may be in effect in any 180-day period shall not exceed 60 days.

SECTION 4.06. Furnishing Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.04 that the selling Holder or Holders and the underwriter(s), if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

SECTION 4.07. **Indemnification**. (a) In connection with each registration pursuant to Article IV, the Company agrees to indemnify and hold harmless each selling Holder, and each Person, if any, who controls any selling Holder within the meaning of Section 15 of the Securities Act, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of an untrue statement of a material fact included in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company, which consent shall not be unreasonably withheld;

provided, however, that, with respect to any selling Holder, this indemnity shall not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by such selling Holder expressly for use in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(b) Each selling Holder agrees severally, and not jointly, to indemnify and hold harmless the Company, its directors, each of its officers who signed a Registration Statement, and the other selling Holders, and each Person, if any, who controls the Company and any other selling Holder within the meaning of Section 15 of the Securities Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 4.07(a), as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such selling Holder expressly for use in the Registration Statement (or any amendment thereto), or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); provided that no such selling Holder shall be liable under this Section 4.07 for any amounts exceeding the product of the sales price per Registrable Security and the number of Registrable Securities being sold pursuant to such Registration Statement or Prospectus by such selling Holder.

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve the indemnifying party from any liability it may have under this Agreement, except to the extent that the indemnifying party is prejudiced thereby. If it so elects, after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it; provided, however, that the indemnified party shall be entitled to participate in (but not control) the defense of such action with counsel chosen by it, the reasonable fees and expenses of which shall be paid by such indemnified party, unless a conflict would arise if one counsel were to represent both the indemnified party and the indemnifying party, in which case the reasonable fees and expenses of counsel to the indemnified party shall be paid by the indemnifying party or parties. In no event shall the indemnifying party or parties be liable for a settlement of an action with respect to which they have assumed the defense if such settlement is effected without the written consent of such indemnifying party, or for the reasonable fees and expenses of more than one counsel for (i) the Company, its officers, directors and controlling persons as a group, and (ii) the selling Holders and their controlling persons as a group, in each case, in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances; provided, however, that if, in the reasonable judgment of an indemnified party, a conflict of interest may exist between such indemnified party and the Company or any other of such indemnified parties with respect to such claim, the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel.

SECTION 4.08. **Contribution**. (a) If the indemnification provided for in or pursuant to Section 4.07 is due in accordance with the terms hereof, but held by a court of competent jurisdiction to be unavailable or unenforceable in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions which result in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying party on the one hand and of the indemnified party on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party, and by such party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. In no event shall the liability of the selling Holders be greater in amount than the amount for which such indemnifying party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 4.07(a) had been available under the circumstances.

(b) No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 4.08(b), each director of the Company, each officer of the Company who signed a Registration Statement, and each Person, if any, who controls the Company or a selling Holder within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company or such selling Holder, as the case may be.

SECTION 4.09. **Representations, Warranties and Indemnities to Survive**. The indemnity and contribution agreements contained in this Article IV and the representations and warranties of the Company referred to in Section 4.04(j) shall remain operative and in full force and effect regardless of (i) any termination of any underwriting or agency agreement; (ii) any investigation made by or on behalf of the selling Holder or Holders, the Company or any underwriter or agent or controlling Person; or (iii) the consummation of the sale or successive resales of the Registered Securities.

SECTION 4.10. **Intentionally Left Blank**.

SECTION 4.11. **Rule 144 Reporting**. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees, so long as it is subject to the periodic reporting requirements of the Exchange Act, to use commercially reasonable efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of this Agreement;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as the Holders own any Registrable Securities, furnish to such Holders forthwith upon request: (i) in the event the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act and of the Exchange Act; (ii) in the event the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, a copy of the most recent annual or quarterly report of the Company; and (iii) such other reports and documents as the Holders may reasonably request in availing themselves of any rule or regulation of the SEC allowing them to sell any such securities without registration; provided, however, that the Company shall be deemed to have furnished any such document if it shall have timely made such document available on the SEC's Electronic Data Gathering, Analysis and Retrieval System, or a successor system.

ARTICLE V
Adjustments

SECTION 5.01. **Adjustments for Cash Dividends**. In the event that the Company shall pay a cash dividend on the shares of its Common Stock, the Exercise Price for each Warrant shall be reduced by the cash dividend paid on each share of Common Stock (it being understood that such dividends are restricted by the Loan Agreement).

SECTION 5.02. **Adjustments Upon Certain Transactions**. The Exercise Price and the number of shares of Common Stock issuable upon exercise of each Warrant shall be adjusted in the event the Company (i) pays a dividend or makes any other distribution with respect to its Common Stock solely in shares of Common Stock or Common Stock Equivalents; (ii) subdivides its outstanding Common Stock; or (iii) combines its outstanding Common Stock into a smaller number of shares. In such event, the number of shares of Common Stock issuable upon exercise of each Warrant immediately prior to the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that the Holder of each Warrant shall thereafter be entitled to receive the number of shares of Common Stock that such Holder would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. In addition, upon an adjustment pursuant to this Section 5.02, the Exercise Price for each share of Common Stock payable upon exercise of such Warrant shall be adjusted (calculated to the nearest \$.0001) so that it shall equal the product of the Exercise Price immediately prior to such adjustment multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock issuable upon the exercise of each Warrant immediately prior to such adjustment, and the denominator of which shall be the number of shares of Common Stock so issuable immediately thereafter. Such adjustment shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

SECTION 5.03. **Dividends and Distributions**. (a) If the Company shall fix a record date for the payment of a dividend or the making of a distribution with respect to the Common Stock (other than one subject to Section 5.01 or Section 5.02), including in connection with a Recapitalization Event (it being understood that, if there is a distribution in connection with a Recapitalization Event and no record date is set therefor, the effective date of such Recapitalization Event shall be deemed to be the record date fixed by the Company for purposes of this Section 5.03), the Exercise Price immediately after the record date for such dividend or distribution shall be determined by multiplying (A) the Exercise Price in effect on such record date by (B) a fraction, the numerator of which shall be the Fair Market Value per share of Common Stock as of the last trading day before the date (the “**Ex-date**”) on which the Common Stock first trades without the right to receive such dividend or distribution less the Fair Market Value of the items distributed in respect of each share of Common Stock in such dividend or distribution, and the denominator of which shall be the Fair Market Value per share of Common Stock as of the last trading day before the Ex-date. As used in this Section 5.03, “**Recapitalization Event**” means any consolidation, merger or similar extraordinary transaction (other than any consolidation, merger or similar extraordinary transaction of the Company with an unaffiliated third party), or any recapitalization or reclassification of the Common Stock. Upon any adjustment of the Exercise Price pursuant to this Section 5.03, the total number of shares of Common Stock purchasable upon the exercise of each Warrant shall be such number of shares (calculated to the nearest hundredth) purchasable per Warrant immediately prior to such adjustment multiplied by a fraction, the numerator of which shall be the Fair Market Value per share of Common Stock as of the last trading date before the Ex-date, and the denominator of which shall be the Fair Market Value per share of Common Stock as of the last trading date before the Ex-date less the Fair Market Value of the items distributed in respect of each share of Common Stock in such dividend or distribution.

(b) In the case of a Recapitalization Event in which outstanding shares of Common Stock are converted either solely or partially into shares of common stock of another company, each Warrant shall also become a Warrant to purchase a number of shares of common stock of the other company for an Exercise Price per share calculated by (i) first, applying the rules in Sections 5.01 or 5.02, as applicable, and Section 5.03(a) to determine an initially adjusted Exercise Price per share and number of shares of Common Stock purchasable upon the exercise of each Warrant, (ii) second, multiplying the initially adjusted number of shares by the number of shares of common stock of the other company into which each share of Common Stock of the Company shall be converted in the Recapitalization Event to arrive at the final adjusted number of shares of common stock of the other company purchasable upon exercise of each Warrant and (iii) third, dividing the initially adjusted Exercise Price per share of Common Stock by the number of shares of common stock of the other company into which each share of Common Stock of the Company shall be converted in the Recapitalization Event to arrive at the final adjusted Exercise Price per share of common stock of the other company. In any case where this Section 5.03(b) applies, the second sentence of Section 5.05 shall also apply to the Recapitalization Event as though it were a Reorganization Event.

(c) Notwithstanding anything to the contrary contained herein, in the case of a Recapitalization Event, to the extent that one or more of the adjustments set forth in Section 5.01 or 5.02 would be applicable to such Recapitalization Event, the adjustments set forth in Sections 5.01, 5.02 and 5.03(a) shall be applied in the order in which the events described in such Sections occur; provided, however, that no adjustment pursuant to Section 5.01, 5.02 or 5.03(a), as applicable, shall be made for an event in connection with such Recapitalization Event for which an adjustment has already been made.

SECTION 5.04. **[Intentionally Left Blank.]**

SECTION 5.05. **Consolidation, Merger or Sale**. If any consolidation, merger or similar extraordinary transaction of the Company with another Person (other than any subsidiary of the Company), or the sale of all or substantially all of its assets, other than in any such case a Recapitalization Event, shall be effected (a "**Reorganization Event**"), and in connection with such Reorganization Event, the Common Stock shall be converted into or exchanged for or become the right to receive cash, securities or other property, then, as a condition of such Reorganization Event, lawful and adequate provisions shall be made by the Company whereby the Holder of each Warrant shall thereafter have the right to purchase and receive on exercise of such Warrant, for an aggregate price equal to the aggregate Exercise Price for all of the shares underlying the Warrant as in effect immediately before such transaction (subject to adjustment thereafter as contemplated by the succeeding sentence), the same kind and amount of cash, securities or other property as it would have had the right to receive if it had exercised such Warrant immediately before such transaction and been entitled to participate therein. In the event of any such Reorganization Event, the Company shall make appropriate provision to ensure that applicable provisions of this Agreement (including the provisions of Article IV and this Article V) shall thereafter be binding on the other party to such transaction (or the successor in such transaction) and applicable to any securities thereafter deliverable upon the exercise of Warrants. The Company will not affect any such Reorganization Event unless, prior to the consummation thereof, the successor entity (if other than the Company) resulting from such Reorganization Event or the entity purchasing such assets shall assume, by written instrument reasonably satisfactory in form and substance to the Agent, executed and mailed or delivered to each Holder of a Warrant at the last address of such Holder appearing on the books of the Company, the obligation to deliver the cash, securities or property deliverable upon exercise of Warrants. The Company shall notify the Holder of each Warrant of any such proposed Reorganization Event reasonably prior to the consummation thereof so as to provide such Holder with a reasonable opportunity prior to such consummation to exercise each Warrant in accordance with the terms and conditions hereof; provided, however, that in the case of a transaction which requires notice to be given to the holders of Common Stock of the Company, the Holder of each Warrant shall be provided the same notice given to the holders of Common Stock of the Company.

SECTION 5.06. **[Intentionally Left Blank.]**

SECTION 5.07 **Minimal Adjustments**. No adjustment in the Exercise Price or the number of shares of Stock to be obtained upon exercise of a Warrant shall be made if such adjustment would result in a change in the number of shares of Common Stock issuable upon the exercise of a Warrant of less than one share (the "**Adjustment Threshold Amount**"). Any adjustment not made because the Adjustment Threshold Amount is not satisfied shall be carried forward and made, together with any subsequent adjustments, at such time as (a) the aggregate amount of all such adjustments is equal to at least the Adjustment Threshold Amount or (b) a Warrant is exercised.

SECTION 5.08 **Notice of Adjustment; Certificate as to Adjustments**.

(a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Common Stock or to make any other distribution to the holders of its Common Stock, (ii) to distribute to the holders of its Common Stock rights to subscribe for or to purchase any Convertible Securities or additional shares of Common Stock or shares of stock of any class or any other securities, warrants, rights or options, (iii) to effect the liquidation, dissolution or winding up of the Company or (iv) to effect any merger, consolidation, share exchange or sale or other disposition of all or substantially all of the assets of the Company, then in each such case the Company shall give to the Holder written notice of such proposed action, which shall specify the date on which a record is to be taken for the purposes of such stock dividend, distribution or rights, or the date on which such merger, consolidation, share exchange, sale, disposition, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of Common Stock, if any such date is to be fixed, and shall also set forth such facts with respect thereto as shall be then reasonably available and reasonably necessary to indicate the effect of such action on the Common Stock and on the Exercise Price and number of shares of Underlying Stock after giving effect to any adjustment which will be required as a result of such action. Such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 5 Business Days prior to the record date for determining holders of the Common Stock for purposes of such action and, in the case of any other such action, at least 5 Business Days prior to the earlier of the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock.

(b) Upon the occurrence of each adjustment or readjustment of the Exercise Price and the number of shares of Common Stock to be obtained upon exercise of a Warrant pursuant to this Article V, a Warrant shall, without any action on the part of the Holder thereof, be adjusted in accordance with this Article V, and the Company promptly (and in any event within 10 Business Days after the event requiring the adjustment) shall compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish promptly to the Holders a certificate setting forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based. Such certificate shall be informational only and not binding on the Holder.

SECTION 5.09 **Miscellaneous**. The following provisions shall be applicable to the making of adjustments of the Exercise Price and number of shares of Underlying Stock as provided above in this Article V:

(a) The sale or other disposition of any issued shares of Common Stock owned or held by or for the account of the Company or any of its subsidiaries shall be deemed an issuance thereof for the purposes of this Article V.

(b) In computing adjustments under this Article V, fractional interests in Common Stock shall be taken into account to the nearest one-thousandth of a share.

SECTION 5.10. **Affiliate Transactions**. In the event that the Company shall issue any shares of Common Stock (or Common Stock Equivalents) to, or repurchase any shares of Common Stock (or Common Stock Equivalents) from, any Affiliate, other than Excluded Securities, such issuance or repurchase shall be on terms no less favorable to the Company than those obtainable by a party who is not an Affiliate.

ARTICLE VI

Warrant Transfer Books

SECTION 6.01. **Warrant Transfer Books**. Subject to Section 3.05:

(a) The Company shall keep at its principal place of business a register in which the Company shall provide for the registration of Warrant Certificates and of any exchanges of Warrant Certificates as herein provided.

(b) At the option of the Holder, Warrant Certificates may be exchanged at such office and upon payment of the charges hereinafter provided. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute and deliver the Warrant Certificates that the Holder making the exchange is entitled to receive.

(c) All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

(d) Every Warrant Certificate surrendered for registration of exchange shall (if so required by the Company) be duly endorsed, or be accompanied by a written instrument of transfer in form reasonably satisfactory to the Company, duly executed by the Holder thereof or his attorney duly authorized in writing.

(e) No service charge shall be made to a Holder for any registration of transfer or exchange of any Warrant Certificates, and the Company shall pay any taxes or other governmental charges that may be imposed in connection with any registration of exchange of Warrant Certificates.

(f) Any Warrant Certificate when duly endorsed in blank shall be deemed negotiable and when a Warrant Certificate shall have been so endorsed, the Holder thereof may be treated by the Company and all other Persons dealing therewith as the absolute owner thereof for any purpose and as the Person entitled to exercise the rights represented thereby.

ARTICLE VII
Warrant Holders

SECTION 7.01. **No Voting Rights**. Prior to the exercise of the Warrants, no Holder of a Warrant Certificate, in its capacity as such, shall be entitled to any rights of a stockholder of the Company, including the right to vote or to consent with respect to any matter (except, in the case of the “Agent” or a “Lender” under the Loan Agreement, to the extent provided for in the Loan Agreement).

SECTION 7.02. **Right of Action**. All rights of action in respect of this Agreement are vested in the Holders of the Warrants, and any Holder of Warrants, without the consent of the Holder of any other Warrant, may, on such Holder’s own behalf and for such Holder’s own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such Holder’s right to exercise or exchange such Holder’s Warrants in the manner provided in this Agreement or any other obligation of the Company under this Agreement.

SECTION 7.03. **Agent**. The Holders of the Warrants appoint Agent as their agent and authorize Agent to bind, and take all actions in connection with this Agreement on behalf of, the Holders which may be taken by the Agent as set forth in this Agreement. The Company shall be entitled to rely on direction by Agent on behalf of any Holder for the powers granted to the Agent herein. The initial Agent shall be designated by written notice to the Company as soon as practicable after the date hereof.

ARTICLE VIII
Representations and Warranties

SECTION 8.01. **Representations and Warranties of the Company**. The Company hereby represents and warrants that, as of the Issuance Date:

(a) **Existence, Power and Ownership**. It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) **Authorization**. It has the corporate power and authority to enter into this Agreement and to perform its obligations under, and consummate the transactions contemplated by, this Agreement and has by proper action duly authorized the execution and delivery of this Agreement.

(c) **No Conflicts**. None of the execution and delivery of this Agreement, the consummation of the transactions contemplated herein or the performance of and compliance with the terms and provisions hereof will: (i) violate or conflict with any provision of its Certificate of Incorporation or By-laws; (ii) violate any law, regulation (including Regulation G, T, U or X), order, writ, judgment, injunction, decree or permit applicable to it; (iii) violate or materially conflict with any contractual provisions of, or cause an event of default or give rise to any right of acceleration under, (A) any Material Agreement or Substantial Agreement (each as defined in the Loan Agreement) or (B) any other agreement, instrument or contract the breach of which or default thereunder is reasonably likely to result in a Material Adverse Change to the Company; or (iv) result in or require the creation of any lien, security interest or other charge or encumbrance (other than those contemplated in or in connection with this Agreement) upon or with respect to its properties.

(d) **Consents**. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or other Person (or group of Persons) is required in connection with the execution, delivery or performance of this Agreement or the Warrants.

(e) **Enforceable Obligations**. This Agreement has been duly executed and delivered by the Company and assuming due authorization, execution and delivery hereof by the Warrant Holders, constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors’ rights and to general equity principles.

(f) Capitalization. As of the date hereof, the Company's authorized capital stock consists of 95,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. As of the Issuance Date, 66,650,752 shares of Common Stock are issued and outstanding (excluding treasury stock) and no shares of the Company's Preferred Stock were issued and outstanding, and 4,666,314 stock options and other Common Stock Equivalents were issued and outstanding under the Company's restricted stock and stock option plans all of which shares constitute Qualifying Employee, Consultant or Director Stock or outside of such plans. There are no Voting Securities authorized or outstanding other than the Common Stock and there are no other classes of capital stock of the Company outstanding. The outstanding shares of Common Stock are duly authorized, validly issued, fully paid and non-assessable. There are no preemptive rights or, except as set forth above and except for the Warrants, other outstanding rights (other than the Rights Make-Whole Rights as defined below in Section 10.13), options, warrants, conversion rights or agreements or commitments of any character relating to the Company's authorized and issued, unissued or treasury shares of capital stock, and the Company has not issued any debt securities, other securities, rights or obligations that are currently outstanding and convertible into or exchangeable for, or giving any Person a right to subscribe for or acquire, capital stock of the Company.

(g) Board Approvals. The Board has granted all necessary approvals under the Company's constituent documentation and the Delaware General Corporation Law with respect to the acquisition and exercise of the Warrants by the Warrant Holders, including for purposes of Section 203 of the Delaware General Corporation Law.

(h) No Registration Requirement. None of the Company, its subsidiaries or any of their respective Affiliates has directly, or through any agent, (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Securities Act) that is or would be integrated with the issuance of the Warrants in a manner that would require the registration under the Securities Act of the Warrants or (ii) engaged in any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in connection with the offering of the Warrants or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act. Assuming the accuracy of the representations and warranties of the Holders in Section 8.02 hereof, it is not necessary in connection with the offer, sale and delivery of the Warrants to the Warrant Holders in the manner contemplated herein to register any of the Warrants under the Securities Act.

SECTION 8.02. Representations and Warranties of the Holders. Each Holder, severally and not jointly, hereby represents and warrants that:

(a) Investment Intent. Such Holder acknowledges that neither the issuance nor sale of the Warrants, nor the issuance of the shares of Common Stock issuable upon the exercise thereof, have been registered under the Securities Act or under any state securities laws. Such Holder (i) is acquiring the Warrants and the shares of Common Stock issuable upon the exercise thereof pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute any of the securities to any person in violation of the Securities Act or any other applicable securities laws and (ii) will not sell or otherwise dispose of any of the Warrants or the shares of Common Stock issuable upon the exercise thereof, except in compliance with the registration requirements or exemption provisions of the Securities Act and any other applicable securities laws.

(b) Accredited Investor Status. (i) Such Holder is an "accredited investor" as such term is defined in Rule 501(a) promulgated under the Securities Act whose knowledge and experience in financial and business matters are such that such Holder is capable of evaluating the merits and risks of its investment in the Warrants or the shares of Common Stock issuable upon the exercise thereof and (ii)(A) such Holder's financial situation is such that it can afford to bear the economic risk of holding the Warrants or the shares of Common Stock issuable upon the exercise thereof for an indefinite period of time, (B) such Holder can afford to suffer complete loss of its investment in the Warrants or the shares of Common Stock issuable upon the exercise thereof, (C) the Company has made available to such Holder all documents and information that such Holder has requested relating to an investment in the Company and (D) such Holder has had adequate opportunity to ask questions of, and receive answers from, the Company as well as the Company's officers, employees, agents and other representatives concerning the Company's business, operations, financial condition, assets, liabilities and all other matters relevant to such Holder's investment in the Warrants or the shares of Common Stock issuable upon the exercise thereof.

ARTICLE IX Covenants

SECTION 9.01. Reservation of Common Stock for Issuance on Exercise of Warrants. The Company covenants that it will at all times reserve and keep available, free from preemptive rights and solely for the purpose of issue upon exercise of the Warrants as herein provided, out of its authorized but unissued Common Stock, such number of shares of Common Stock as shall then be issuable upon the exercise of all Warrants issuable hereunder. The Company covenants that all shares of Common Stock issuable upon exercise of the Warrants shall, upon such issue, be duly and validly issued and fully paid and non-assessable.

SECTION 9.02. **Notice of Dividends**. At any time when the Company declares any dividend on its Common Stock, it shall give notice to the Agent and the Holders of all the then outstanding Warrants of any such declaration not less than (a) 15 days prior to the related record date for payment of the dividend so declared or (b) if such record date is during a Scheduled Black-Out Period (or other black-out period applicable to the Company), 15 days prior to the commencement of such Scheduled Black-Out Period (or other black-out period applicable to the Company).

SECTION 9.03. **Certain Other Events**. If any event occurs as to which the provisions of Article V are not strictly applicable or, if strictly applicable, would not fairly protect the rights of the Warrant Holders in accordance with the essential intent and principles of such provisions, then the Board shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith judgment of the disinterested members of the Board, to protect such purchase rights as aforesaid.

SECTION 9.04. **Transfers**. Subject to compliance with applicable Federal or state securities laws, the (a) Warrants and (b) Common Stock issuable upon exercise of the Warrants shall be freely transferable.

ARTICLE X **Miscellaneous**

SECTION 10.01. **Tax Matters**. The Company shall pay all transfer, stamp and other similar taxes that may be imposed in respect of the issuance or delivery of the Warrants or in respect of the issuance or delivery by the Company of any securities upon exercise of the Warrants with respect thereto. The Company shall not pay any tax or other charge imposed in connection with any transfer involved in the issue of any certificate for shares of Common Stock or payment of cash to any Person other than the Holder of a Warrant Certificate surrendered upon the exercise or purchase of a Warrant, and the Holder shall be responsible for any such tax or other charge.

SECTION 10.02. **Surrender of Certificates**. Any Warrant Certificate surrendered for exercise or purchase shall be promptly canceled by the Company and shall not be reissued by the Company. The Company shall destroy such canceled Warrant Certificates.

SECTION 10.03. **Mutilated, Destroyed, Lost and Stolen Warrant Certificates**. (a) If (i) any mutilated Warrant Certificate is surrendered to the Company or (ii) the Company receives evidence to its satisfaction of the destruction, loss or theft of any Warrant Certificate, and there is delivered to the Company such appropriate affidavit of loss, applicable processing fee and a corporate bond of indemnity as may be reasonably required by the Company to save it harmless, then, in the absence of notice to the Company that such Warrant Certificate has been acquired by a bona fide purchaser, the Company shall execute and deliver, in exchange for any such mutilated Warrant Certificate or in lieu of any such destroyed, lost or stolen Warrant Certificate, a new Warrant Certificate of like tenor and for a like aggregate number of Warrants.

(b) Upon the issuance of any new Warrant Certificate under this Section 10.03, the Company shall pay any taxes or other governmental charges that may be imposed in relation thereto and other expenses in connection therewith.

(c) Every new Warrant Certificate executed and delivered pursuant to this Section 10.03 in lieu of any destroyed, lost or stolen Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the destroyed, lost or stolen Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

(d) The provisions of this Section 10.03 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, destroyed, lost or stolen Warrant Certificates.

SECTION 10.04. **Removal of Legends**. In the event (a) the shares of Underlying Stock are registered under the Securities Act or (b) the Company is presented with an opinion of counsel, obtained at Holder's expense, reasonably satisfactory to the Company that transfers of shares of Underlying Stock do not require registration under the Securities Act, the Company shall direct its transfer agent, and the transfer agent shall, upon surrender by a Holder of its certificates evidencing such shares of Underlying Stock to the transfer agent, exchange such certificates for certificates without the legends referred to in Section 3.06(e).

SECTION 10.05. **Notices**. Any notice, demand or delivery to the Company or the Agent authorized by this Agreement shall be sufficiently given or made when mailed if sent by first-class mail, postage prepaid, addressed to the Company or the Agent, as applicable, as follows:

If to the Company:

Towerstream Corporation
88 Silva Lane
Middletown, Rhode Island 02842
Attn: Joseph Hemon (CFO)

With a copy to:

Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, NY 10006
Attn: Harvey J. Kesner, Esq.

If to the Agent:

To the address
furnished in writing
by Agent to the Company

With a copy to (which shall not constitute notice to Agent or any Holder):

Jaspan Schlesinger LLP
300 Garden City Plaza, 5th Floor
Garden City, New York 11530
Attention: Robert Londin, Esq.

or such other address as shall have been furnished to the party giving or making such notice, demand or delivery.

Any notice required to be given by the Company to the Holders pursuant to this Agreement shall be made by mailing by registered mail, return receipt requested, to the Holders at their respective addresses shown on the register of the Company. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given when mailed, whether or not the Holder receives the notice.

SECTION 10.06. **Applicable Law ; Jurisdiction**.

(a) **Applicable Law**. The validity of this Agreement and the construction, interpretation, and enforcement hereof, and the rights of the parties hereto and thereto 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 Sections 5-1401 and 5-1402 of the New York General Obligations Law, but otherwise excluding and without regard for the conflicts of law principles thereof).

(b) **Jurisdiction**. The Company hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any United States Federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and the Company 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 court or, to the extent permitted by law, in such Federal court. The Company waives, to the extent permitted under applicable law, any right it may have to assert the doctrine of *forum non conveniens* or to object to venue to the extent any proceedings is brought in accordance with this Section 10.6(b). Nothing in this Agreement shall affect any right that the Agent or any Holder may otherwise have to bring any action or proceeding relating to this Agreement against the Company or its properties in the courts of any jurisdiction.

SECTION 10.07. **Persons Benefiting**. This Agreement shall be binding upon and inure to the benefit of the Company and the Agent, and their successors, assigns, beneficiaries, executors and administrators, and the Holders from time to time of the Warrants. Except as otherwise expressly provided herein, nothing in this Agreement is intended or shall be construed to confer upon any Person, other than the Company, the Agent and the Holders, any right, remedy or claim under or by reason of this Agreement or any part hereof.

SECTION 10.08. **Counterparts**. This Agreement may be executed in any number of counterparts, including by means of facsimile and/or electronic mail transmission, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

SECTION 10.09. **Amendments**. Neither this Agreement nor any provisions hereof shall be waived, modified, changed, discharged or terminated other than in a writing signed by each of the Company and the Agent. For the avoidance of doubt, with the written consent of the Agent, the Company may from time to time (i) supplement or amend this Agreement to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with regard to matters or questions arising hereunder and (ii) modify the Agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or modifying in any manner the rights of the Holders hereunder.

SECTION 10.10. **Headings**. The descriptive headings of the several Articles and Sections of this Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 10.11. **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. In the event of any conflict, discrepancy or ambiguity between the terms and conditions contained in this Agreement and any schedules or attachments hereto, the terms and conditions contained in this Agreement shall take precedence.

SECTION 10.12 **Intentionally Left Blank**.

SECTION 10.13 **Rights Make-Whole Right**. (a) The Company represents and warrants that: on November 8, 2010, the Board of the Company authorized and declared a dividend of one preferred share purchase right (a "Right") for each then outstanding share of the Company's Common Stock. The dividend was paid to the Company's stockholders of record as of the close of business on November 24, 2010 (the "Record Date"). Each Right was issued pursuant to, and is subject to the terms and conditions of, the Rights Agreement, dated November 9, 2010 (the "Rights Agreement") between the Company and Continental Stock Transfer & Trust Company, as Rights Agent. Each Right, when exercisable, entitles the registered holder thereof to purchase from the Company one one-hundredth (1/100th) of a share of Series A Preferred Stock, par value \$0.001 per share of the Company (the "Preferred Stock") at a Purchase Price of \$18.00 per one-hundredth (1/100th) of a share of Preferred Stock (the "Purchase Price"), subject to certain adjustments. The Rights are currently represented by the certificate evidencing the outstanding shares of Common Stock and will not be exercisable, or transferable apart from the Common Stock, until after the "Distribution Date" which shall be the earlier to occur of: (i) the tenth business day after the first date or public announcement that any person, or group of affiliated or associated persons, has become the beneficial owner of 15% or more of the outstanding Common Stock of the Company (any such person or group, an "Acquiring Person"); or (ii) the tenth business day, or such later date as determined in the sole discretion of the Board of the Company, after the public announcement of a tender or exchange offer, the consummation of which would result in the beneficial ownership by an Acquiring Person of 15% or more of the outstanding Common Stock of the Company. The Rights provide that in the event that the Company is acquired in a merger or other business combination or 50% or more of the Company's assets, cash flow or earning power are sold (each, a "Rights Trigger"), each holder of a Right shall thereafter have a right to purchase (any exercise of such right, a "Rights Exercise") a number of shares of the acquiring company ("Acquired Company Shares") equal to the Purchase Price of the Right divided by 50% of the then current market price per share of the acquiring company.

(b) Since the Common Stock underlying the Warrants was not outstanding on the Record Date, in the event of any Rights Trigger, without further action of any Holder, the Company shall promptly make each Holder (and holder of Underlying Common Stock acquired pursuant to the exercise of a Warrant) whole by paying such Holder/holder an amount (as reasonably determined in good faith by the Agent on behalf of the Holders/holders; such right to receive payment, the "Rights Make-Whole Right") equal to the value which such Holder/holder would have possessed if (i) the Common Stock underlying the Warrants had been outstanding on the Record Date, (ii) such Holder/holder had received the dividend in connection with the Company's Rights plan on the Distribution Date, and (iii) the Rights Exercise occurred and immediately thereafter the Holder/holder received the Fair Market Value of the aggregate Acquired Company Shares which would have been otherwise so acquirable by the Holder/holder; in each case, solely to the extent that the Rights become exercisable under such Rights plan (and/or the Rights Agreement) and the Rights are not redeemed by the Company. Unless notified by the Agent in writing to the contrary, notwithstanding anything else to the contrary, (x) the Rights Make-Whole Right shall constitute Registrable Securities, (y) shall be coupled with the Warrants and the Underlying Stock on a pro rata basis consistent with the foregoing without separate certification thereof, and (z) may not be separately transferred by the Holders.

SECTION 10.14 Severability. The provisions of this Agreement, the A-Warrants and the B-Warrants are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, and shall not in any manner affect any other clause or provision of this Agreement, the A-Warrants or the B-Warrants. Notwithstanding anything to the contrary in Section 8.01(d), in the event that shareholder approval is required in connection with the issuance of the A-Warrants but not in connection with the issuance of the B-Warrants, the Company shall, to the extent legally permissible, issue the B-Warrants in accordance with the terms of this Agreement without obtaining prior shareholder approval for such issuance. This Section 10.14 is in addition to (and without prejudice to) the Holders' entitlements in the event of a breach of Section 8.01(d) above.

SECTION 10.15 Certain Other Adjustments. The representations and warranties set forth in Section 8.01(f) are a material inducement to each Warrant Holder to enter into this Agreement, and to the extent the representations and warranties set forth in this Section 8.01(f) are inaccurate in any respect, the number of shares of Underlying Stock for which the Warrants are exercisable will be equitably adjusted upward (but not downward), if necessary, such that the number of shares of Common Stock for which the Warrants were exercisable, as of the Issuance Date shall be adjusted to the sum of (a) the number of shares of Common Stock for which the Warrants were exercisable on the date hereof PLUS (b) a number of shares of Common Stock equal to (i) ten percent (10.00%) of (x) the sum of the number of shares of Common Stock outstanding as of the Issuance Date (excluding any treasury shares) and the number of shares of Common Stock into which Common Stock Equivalents outstanding as of the Issuance Date were exercisable minus (y) 71,317,066. Any such adjustment shall be shared ratably one-third among the A-Warrant Holders and two-thirds among the B-Warrant Holders.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

TOWERSTREAM CORPORATION

By: /s/ Joseph Hernon
Joseph Hernon
Chief Financial Officer

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

**By: Melody GP Holdings, LLC
(its General Partner)**

By: /s/ Andres Scaminaci
Andres Scaminaci
Authorized Signatory

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

**By: Melody GP Holdings, LLC
(its General Partner)**

By: /s/ Andres Scaminaci
Andres Scaminaci
Authorized Signatory

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

**By: Melody GP Holdings, LLC
(its General Partner)**

By: /s/ Andres Scaminaci
Andres Scaminaci
Authorized Signatory

**DRAWBRIDGE SPECIAL OPPORTUNITIES FUND
LP**

By: Drawbridge Special Opportunities GP LLC,
its general partner

By: /s/ Constantine M. Dakolias
Constantine M. Dakolias
President

SCHEDULE A

INITIAL WARRANT HOLDERS AND WARRANT AMOUNTS

| Holders | A Warrant Shares | B Warrant Shares |
|---|-----------------------------------|-------------------------------------|
| MELODY CAPITAL PARTNERS OFFSHORE CREDIT MINI-MASTER FUND, LP For Notices: C/O Melody Capital Partners, LP 717 Fifth Avenue, 12th Floor New York, NY 10022 Attn: Andres Scaminaci and Terri Lecamp | 227,188 Warrant Shares | 454,375 Warrant Shares |
| MELODY SPECIAL SITUATIONS OFFSHORE CREDIT MINI-MASTER FUND, LP For Notices: C/O Melody Capital Partners, LP 717 Fifth Avenue, 12th Floor New York, NY 10022 Attn: Andres Scaminaci and Terri Lecamp | 602,077 Warrant Shares | 1,204,154 Warrant Shares |
| MELODY CAPITAL PARTNERS ONSHORE CREDIT FUND, LP For Notices: C/O Melody Capital Partners, LP 717 Fifth Avenue, 12th Floor New York, NY 10022 Attn: Andres Scaminaci and Terri Lecamp | 224,708 Warrant Shares | 449,416 Warrant Shares |
| DRAWBRIDGE SPECIAL OPPORTUNITIES FUND LP 1345 Avenue of the Americas 46th Floor New York, NY 10105 Attn: David Sharpe | 146,027 Warrant Shares | 292,055 Warrant Shares |

THESE WARRANTS MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT REFERRED TO BELOW. THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY BE OFFERED, SOLD OR TRANSFERRED ONLY IN COMPLIANCE WITH THE REQUIREMENTS OF SUCH ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS AND SUBJECT TO THE PROVISIONS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT DATED AS OF OCTOBER __, 2014, BY AND AMONG TOWERSTREAM CORPORATION (THE "COMPANY") AND THE WARRANT HOLDER'S PARTY THERETO. A COPY OF SUCH WARRANT AND REGISTRATION RIGHTS AGREEMENT IS AVAILABLE AT THE OFFICES OF THE COMPANY.

WARRANT TO PURCHASE COMMON STOCK OF TOWERSTREAM CORPORATION

No. A-__ Certificate for A Warrants

This certifies that [INSERT NAME OF HOLDER], or registered assigns, is the registered holder of the number of Warrants set forth above. Each Warrant entitles the holder thereof (a "**Holder**"), subject to the provisions contained herein and in the Warrant Agreement (as defined below), to purchase from Towerstream Corporation, a Delaware corporation (the "**Company**"), one share of the Company's common stock, par value \$0.001 per share ("**Common Stock**"), subject to adjustment upon the occurrence of certain events specified herein and in the Warrant Agreement, at the exercise price of \$0.01 per share (the "**Exercise Price**"), subject to adjustment upon the occurrence of certain events specified herein and in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with the Warrant and Registration Rights Agreement, dated as of October __, 2014 (the "**Warrant Agreement**"), by and among the Company, the Warrant Holders and the Agent, and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof, including the representations and warranties of the Holder pursuant to Section 8.02 of the Warrant Agreement. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Holders of the Warrants and the Agent. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Warrant Agreement.

This Warrant Certificate shall terminate and be void as of the close of business on April __, 2022 (the "**Expiration Date**").

As provided in the Warrant Agreement and subject to the terms and conditions therein set forth, the Warrants shall be exercisable in whole or in part from time to time on any Business Day through and including the Expiration Date.

The Exercise Price and the number of shares of Common Stock issuable upon the exercise of each Warrant are subject to adjustment as provided in the Warrant Agreement.

All shares of Common Stock issuable by the Company upon the exercise of the Warrants shall, upon such issue, be duly and validly issued and fully paid and non-assessable. This Warrant includes the associated Rights Make-Whole Right in respect thereof.

In order to exercise a Warrant, the registered holder hereof must surrender this Warrant Certificate at the principal place of business of the Company, with the Exercise Subscription Form on the reverse hereof duly executed by the Holder hereof, with signature guaranteed as therein specified, together with any required payment in full of the Exercise Price then in effect for the share(s) of Underlying Stock as to which the Warrant (s) represented by this Warrant Certificate is (are) submitted for exercise, all subject to the terms and conditions hereof and of the Warrant Agreement. Any such payment of the Exercise Price shall be by bank wire transfer in immediately available funds or on a cashless basis as described in Section 4.01 (f) of the Warrant Agreement.

The Company shall pay all transfer, stamp and other similar taxes that may be imposed in respect of the issuance or delivery of the Warrants or in respect of the issuance or delivery by the Company of any securities upon exercise of the Warrants. The Company may require payment of a sum sufficient to pay certain taxes, assessments or other charges for which the Holder is responsible pursuant to the Warrant Agreement.

No service charge shall be made to a Holder for any registration or exchange of the Warrant Certificates, and the Company shall pay any taxes or other governmental charges payable in connection therewith.

Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that this Warrant Certificate when duly endorsed in blank shall be deemed negotiable and that when this Warrant Certificate shall have been so endorsed, the holder hereof may be treated by the Company and all other Persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the Person entitled to exercise the rights represented hereby.

The validity of this Warrant Certificate and 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 Sections 5-1401 and 5-1402 of the New York General Obligations Law, but otherwise excluding and without regard for the conflicts of law principles thereof).

The Company hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any United States Federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Warrant Certificate, or for recognition or enforcement of any judgment, and the Company 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 court or, to the extent permitted by law, in such Federal court. The Company waives, to the extent permitted under applicable law, any right it may have to assert the doctrine of *forum non conveniens* or to object to venue to the extent any proceedings is brought in accordance with this Warrant Certificate. Nothing in this Warrant Certificate shall affect any right that the Agent or any Holder may otherwise have to bring any action or proceeding relating to this Warrant Certificate against the Company or its properties in the courts of any jurisdiction.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the principal place of business of the Company and may be obtained by writing to the Company at the following address:

Towerstream Corporation
88 Silva Lane
Middletown, Rhode Island 02842
Attn: Joseph Hernon (CFO)

Dated: October __, 2014

TOWERSTREAM CORPORATION

By: _____
Name:
Title:

REVERSE OF A-WARRANT CERTIFICATE

EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

To: Towerstream Corporation (the "Company")

The undersigned irrevocably exercises _____ of the A -Warrants for the purchase of one share (subject to adjustment in accordance with the Warrant Agreement) of Common Stock, par value \$0.001 per share, of the Company, for each Warrant hereby exercised represented by the Warrant Certificate and herewith makes payment of \$ _____ (such payment being by bank wire transfer in immediately available funds or on a cashless basis as described in Section 4.01(f) of the Warrant Agreement), all at the Exercise Price and on the terms and conditions specified in the Warrant Certificate and the Warrant Agreement therein referred to, surrenders this Warrant Certificate and all right, title and interest therein to the Company and directs that the shares of Common Stock (and associated Rights Make-Whole Right) deliverable upon the exercise of such Warrants be registered in the name and delivered at the address specified below.

Date:

(Signature of Owner)(1)

(Street Address)

(City)

(State)

(Zip Code)

Signature Guaranteed by:

Securities to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or any change whatsoever, and must be guaranteed by a financial institution.

TWER WARRANT: B-__

THESE WARRANTS MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT REFERRED TO BELOW. THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY BE OFFERED, SOLD OR TRANSFERRED ONLY IN COMPLIANCE WITH THE REQUIREMENTS OF SUCH ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS AND SUBJECT TO THE PROVISIONS OF THE WARRANT AND REGISTRATION RIGHTS AGREEMENT DATED AS OF OCTOBER __, 2014, BY AND AMONG TOWERSTREAM CORPORATION (THE "COMPANY") AND THE WARRANT HOLDER S PARTY THERETO . A COPY OF SUCH WARRANT AND REGISTRATION RIGHTS AGREEMENT IS AVAILABLE AT THE OFFICES OF THE COMPANY.

WARRANT TO PURCHASE COMMON STOCK OF TOWERSTREAM CORPORATION

No. A-__ Certificate for A Warrants

This certifies that [INSERT NAME OF HOLDER] , or registered assigns, is the registered holder of the number of Warrants set forth above. Each Warrant entitles the holder thereof (a "**Holder**"), subject to the provisions contained herein and in the Warrant Agreement (as defined below), to purchase from Towerstream Corporation, a Delaware corporation (the "**Company**"), one share of the Company's common stock, par value \$0.001 per share ("**Common Stock**"), subject to adjustment upon the occurrence of certain events specified herein and in the Warrant Agreement, at the exercise price of \$ ____ per share (the "**Exercise Price**"), subject to adjustment upon the occurrence of certain events specified herein and in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with the Warrant and Registration Rights Agreement, dated as of October __, 2014 (the "**Warrant Agreement**"), by and among the Company, the Warrant Holders and the Agent, and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof, including the representations and warranties of the Holder pursuant to Section 8.02 of the Warrant Agreement. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Holders of the Warrants and the Agent. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Warrant Agreement.

This Warrant Certificate shall terminate and be void as of the close of business on April __, 2022 (the "**Expiration Date**").

As provided in the Warrant Agreement and subject to the terms and conditions therein set forth, the Warrants shall be exercisable in whole or in part from time to time on any Business Day through and including the Expiration Date.

The Exercise Price and the number of shares of Common Stock issuable upon the exercise of each Warrant are subject to adjustment as provided in the Warrant Agreement.

All shares of Common Stock issuable by the Company upon the exercise of the Warrants shall, upon such issue, be duly and validly issued and fully paid and non-assessable. This Warrant includes the associated Rights Make-Whole Right in respect thereof.

In order to exercise a Warrant, the registered holder hereof must surrender this Warrant Certificate at the principal place of business of the Company, with the Exercise Subscription Form on the reverse hereof duly executed by the Holder hereof, with signature guaranteed as therein specified, together with any required payment in full of the Exercise Price then in effect for the share(s) of Underlying Stock as to which the Warrant (s) represented by this Warrant Certificate is (are) submitted for exercise, all subject to the terms and conditions hereof and of the Warrant Agreement. Any such payment of the Exercise Price shall be by bank wire transfer in immediately available funds or on a cashless basis as described in Section 4.01 (f) of the Warrant Agreement.

The Company shall pay all transfer, stamp and other similar taxes that may be imposed in respect of the issuance or delivery of the Warrants or in respect of the issuance or delivery by the Company of any securities upon exercise of the Warrants. The Company may require payment of a sum sufficient to pay certain taxes, assessments or other charges for which the Holder is responsible pursuant to the Warrant Agreement.

No service charge shall be made to a Holder for any registration or exchange of the Warrant Certificates, and the Company shall pay any taxes or other governmental charges payable in connection therewith.

Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that this Warrant Certificate when duly endorsed in blank shall be deemed negotiable and that when this Warrant Certificate shall have been so endorsed, the holder hereof may be treated by the Company and all other Persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the Person entitled to exercise the rights represented hereby.

The validity of this Warrant Certificate and 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 Sections 5-1401 and 5-1402 of the New York General Obligations Law, but otherwise excluding and without regard for the conflicts of law principles thereof).

The Company hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any United States Federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Warrant Certificate, or for recognition or enforcement of any judgment, and the Company 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 court or, to the extent permitted by law, in such Federal court. The Company waives, to the extent permitted under applicable law, any right it may have to assert the doctrine of *forum non conveniens* or to object to venue to the extent any proceedings is brought in accordance with this Warrant Certificate. Nothing in this Warrant Certificate shall affect any right that the Agent or any Holder may otherwise have to bring any action or proceeding relating to this Warrant Certificate against the Company or its properties in the courts of any jurisdiction.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the principal place of business of the Company and may be obtained by writing to the Company at the following address:

Towerstream Corporation
88 Silva Lane
Middletown, Rhode Island 02842
Attn: Joseph Hernon (CFO)

Dated: October __, 2014

TOWERSTREAM CORPORATION

By: _____
Name:
Title:

REVERSE OF B -WARRANT CERTIFICATE

EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of Warrant)

To: Towerstream Corporation (the "Company")

The undersigned irrevocably exercises _____ of the B -Warrants for the purchase of one share (subject to adjustment in accordance with the Warrant Agreement) of Common Stock, par value \$0.001 per share, of the Company, for each Warrant hereby exercised represented by the Warrant Certificate and herewith makes payment of \$ _____ (such payment being by bank wire transfer in immediately available funds or on a cashless basis as described in Section 4.01(f) of the Warrant Agreement), all at the Exercise Price and on the terms and conditions specified in the Warrant Certificate and the Warrant Agreement therein referred to, surrenders this Warrant Certificate and all right, title and interest therein to the Company and directs that the shares of Common Stock (and associated Rights Make-Whole Right) deliverable upon the exercise of such Warrants be registered in the name and delivered at the address specified below.

Date:

(Signature of Owner)(1)

(Street Address)

(City)

(State)

(Zip Code)

Signature Guaranteed by:

Securities to be issued to:

Please insert social security or identifying number:

Name:

Street Address:

City, State and Zip Code:

(1) The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or any change whatsoever, and must be guaranteed by a financial institution.

**SECOND AMENDMENT
TO
EMPLOYMENT AGREEMENT**

This Second Amendment to Employment Agreement (this "Second Amendment") is entered into on December 12, 2014 and is effective November 18, 2014, by and between Towerstream Corporation, a Delaware corporation (the "Corporation"), and Jeffrey M. Thompson (the "Executive" and, together with the Corporation, the "Parties").

WHEREAS, the Parties have entered into that certain Employment Agreement dated and effective December 21, 2007 and that certain Amendment to Employment Agreement dated December 8, 2011 and effective as of December 10, 2011 (collectively, the "Original Agreement"); and

WHEREAS, the Parties desire to amend the Original Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Section 4(a) of the Original Agreement is hereby deleted in its entirety and replaced with the following:

"The Corporation shall pay the Executive as compensation for his services hereunder, in equal semi-monthly or bi-weekly installments during the Term, the sum of \$475,000 per annum (the "Base Salary"), less such deductions as shall be required to be withheld by applicable law and regulations."

2. Section 4(b) of the Original Agreement is hereby deleted in its entirety and replaced with the following:

"In addition to the Base Salary set forth in Section 4(a) above, the Executive shall be entitled to such bonus compensation (in cash, capital stock or other property) as the Compensation Committee of the Board of Directors (the "Compensation Committee") may determine from time to time in its sole discretion. In the event that the Compensation Committee is unable to act or if there shall be no such Compensation Committee, then all references herein to the Compensation Committee (except in the proviso to this sentence) shall be deemed to be references to the Board of Directors of the Corporation."

3. Section 4(f) of the Original Agreement is hereby deleted in its entirety and replaced with the following:

"Special Cash Bonus: The Corporation shall pay Executive \$175,000.00 as a bonus on December 8, 2014.

Option Grants: The Executive shall be eligible from time to time during the fiscal year ending December 31, 2015 for grants of options (the "Option Grants") to purchase up to an aggregate of 250,000 shares of the Corporation's common stock at a purchase price equal to the closing price of the common stock on the date of grant, as reported on Bloomberg, under the Corporation's 2010 Employee Stock Purchase Plan, 2007 Equity Compensation Plan or the 2007 Incentive Stock Plan, as applicable (or any successor or replacement plans adopted by the Board of Directors of the Corporation and approved by the stockholders of the Corporation) (each, a "Plan", and collectively, the "Plans"). The Option Grants shall be awarded at the sole discretion of the Compensation Committee. The options shall vest in equal quarterly installments over a two year period and shall have a term of ten years. Option Grants shall be subject to the applicable Plan terms and conditions, provided, however, that Option Grants shall be subject to any additional terms and conditions as are in any option agreement(s), which shall supersede any conflicting provisions governing Option Grants provided under the Plans.

4. Section 14 is hereby added to the Original Agreement as follows:

14. Clawback Rights. All amounts paid to Executive by the Corporation (other than Executive's Base Salary pursuant to Section 4(a) hereof and reimbursement of expenses pursuant to Section 4(c) hereof) during the Term and any time thereafter and any and all stock based compensation (such as options and equity awards, including the Option Grants) granted during the Term and any time thereafter (collectively, the "Clawback Benefits") shall be subject to "Clawback Rights" as follows: during the period that the Executive is employed by the Corporation and upon the termination or expiration of the Executive's employment and for a period of three (3) years thereafter, if any of the following events occurs, Executive agrees to repay or surrender to the Corporation the Clawback Benefits as set forth below:

(a) If a restatement (a "Restatement") of any financial results from which any Clawback Benefits to Executive shall have been determined (such restatement resulting from material non-compliance of the Corporation with any financial reporting requirement under the federal securities laws and shall not include a restatement of financial results resulting from subsequent changes in accounting pronouncements or requirements which were not in effect on the date the financial statements were originally prepared), then the Executive agrees to immediately repay or surrender upon demand by the Corporation any Clawback Benefits which were determined by reference to any Corporation financial results which were later restated, to the extent the Clawback Benefits amounts paid exceed the Clawback Benefits amounts that would have been paid, based on the Restatement of the Corporation's financial information. All Clawback Benefits amounts resulting from such Restatements shall be retroactively adjusted by the Compensation Committee to take into account the restated results and if any excess portion of the Clawback Benefits resulting from such restated results is not so repaid or surrendered by the Executive within ninety (90) days of the revised calculation being provided to the Executive by the Corporation following a publicly announced Restatement, the Corporation shall have the right to take any and all action to effectuate such adjustment.

(b) If any material breach of any Agreement by Executive relating to confidentiality, non-competition, non-raid of employees, or non-solicitation of vendors or customers (including, without limitation, Sections 9 or 10 hereof) or if any material breach of Corporation policy or procedures which causes material harm to the Corporation occurs, as determined by the Board in its sole discretion, then the Executive agrees to repay or surrender any Clawback Benefits upon demand by the Corporation and if not so repaid or surrendered within ninety (90) days of such demand, the Corporation shall have the right to take any and all action to effectuate such adjustment.

(c) The amount of Clawback Benefits to be repaid or surrendered to the Corporation shall be determined by the Compensation Committee and applicable law, rules and regulations. All determinations by the Compensation Committee with respect to the Clawback Rights shall be final and binding on the Corporation and Executive.

5. Terms used in this Second Amendment but not defined herein will have the respective meanings ascribed to such terms in the Original Agreement. In the event of any conflict between the terms of this Second Amendment and the terms of the Original Agreement, this Second Amendment shall control. Except as modified by this Second Amendment, the Original Agreement shall remain in full force and effect.

TOWERSTREAM CORPORATION

By: /s/ Dr. Howard L. Haronian
Name: Dr. Howard L. Haronian
Title: Chairman, Compensation Committee

JEFFREY M. THOMPSON

/s/ Jeffrey M. Thompson

OFFICE LEASE

THIS OFFICE LEASE (this “Lease”) dated the 17th day of December, 2014 (the “Effective Date”), is made by and between 6800 BROKEN SOUND, LLC, a Florida limited liability company (hereinafter, referred to as “Landlord”) and its successors or assigns, and TOWERSTREAM CORPORATION, a Delaware corporation (hereinafter, referred to as “Tenant”).

WITNESSETH:

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Premises described below for the term and subject to the terms, covenants and conditions hereinafter set forth:

1.0 DEFINITIONS. Unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

1.1. Base Rent: The base rent set forth in hereinafter shall increase yearly by an amount equal to 3.0% over each prior Lease Year (defined below) (plus all applicable sales tax legally required).

| <u>Lease Term</u> ^(a) | <u>Annual Base Rent per Square Foot</u> | <u>Annual Base Rent</u> | <u>Monthly Base Rent</u> | <u>Monthly CAM</u> | <u>Sales Monthly Tax</u> | <u>Total</u> |
|----------------------------------|---|-------------------------|--------------------------|--------------------|--------------------------|--------------|
| 1. 1/1/15-2/28/15 | \$0.00 | \$0.00 | \$0.00 | \$3,952.28 | \$237.14 | \$4,189.42 |
| 2. 3/1/15-2/28/16 | \$15.00 | \$53,130.00 | \$4,427.50 | \$3,952.28 | \$502.79 | \$8,882.57 |
| 3. 3/1/16-2/28/17 | \$15.45 | \$54,723.90 | \$4,560.33 | TBD | TBD | TBD |
| 4. 3/1/17-2/28/18 | \$15.91 | \$56,353.22 | \$4,696.10 | TBD | TBD | TBD |

(a) Upon ascertaining the actual Commencement Date pursuant to Section 1.4 herein, the Lease shall be amended to reflect the actual dates of the Lease Terms.

1.2. Brokers: Landlord is represented in this Lease by CB Richard Ellis, Inc. and Tenant is represented by Jones Lang LaSalle (collectively, the “Brokers”). The Brokers shall be paid a brokerage commission by Landlord pursuant to a separate written agreement. Landlord and Tenant do each hereby agree to indemnify, defend and hold the other harmless from any and all commissions, claims, finders fees, or other amounts claimed by any other real estate broker (other than the Brokers) claiming a commission by, through or under indemnifying party.

1.3. Building/Project: Collectively, the buildings and other improvements constructed on the Land (as hereinafter defined).

1.4. Commencement Date: The Commencement Date shall be the later of (i) the date Landlord notifies Tenant that the Premises shall be vacated, which shall in no event be later than ninety (90) days subsequent to the Effective Date; or (ii) when the Tenant Improvements are Substantially Completed. Substantially completed shall be defined to be when (i) all of the Tenant Improvements have been completed in accordance with all plans and specifications approved by Tenant (minor punch list items excepted), (ii) all Building services are available to the Premises; and (iii) the Premises has received a certificate of occupancy or other governmental authorization allowing Tenant to legally occupy the Premises. Provided Tenant has provided to Landlord Certificates of Insurance for the Premises as required within this Lease Agreement, and the Premises have been vacated by the prior tenant, or Landlord has obtained consent from the prior tenant, Tenant shall have the right to access to the Premises thirty (30) days prior to the Commencement Date for the purpose of installing furniture, fixtures, data, telephone systems and cabling, without an obligation to pay Rent at the Premises during such period of time. Tenant shall not interfere with any of the Landlord’s contractors, subcontractors or workers completing the Tenant Improvements at the Premises during such period of time in which the Tenant accesses the Premises or the purposes specifically set forth herein, and Tenant shall do so at its own risk, without liability on behalf of the Landlord for personal injury or damage to Tenant’s furniture, fixtures and cabling.

1.5. Governmental Authority : Any federal, state, county, municipal or other governmental department, entity, authority, commission, board, bureau, court, agency or any instrumentality of any of same.

1.6. Governmental Requirement : Any law, enactment, statute, code, ordinance, rule regulation, judgment, decree, writ, injunction, franchise, permit, certificate, license, authorization, agreement or requirement of any Governmental Authority now existing or hereafter enacted, adopted, promulgated, entered, or issued applicable to the Premises.

1.7. Land : The real property located in Arvida Park of Commerce in Boca Raton, Florida with a street address of 6800 Broken Sound Parkway, Boca Raton, Florida 33487, legally described in Exhibit "1.7", attached hereto and made a part hereof.

1.8. Lease Year : A period of twelve (12) consecutive full calendar months. The first Lease Year shall begin on the Rent Commencement Date, provided the Rent Commencement Date shall occur on the first day of a calendar month; otherwise, the first Lease Year shall begin on the first day of the calendar month next following the date of commencement of the Term hereof. Each succeeding Lease Year shall commence upon the anniversary of the first Lease Year.

1.9. Normal Building Hours of Operation. Monday through Friday, 8:00 AM through 6:00 PM. Notwithstanding the foregoing, Tenant shall have access to the Premises and operating elevators 24 hours per day, 365 days per year. Building holidays shall be limited to recognizable state and national holidays. In the event Tenant desires the HVAC to operate outside of normal building hours of operation, the Tenant shall notify the Landlord of same and the HVAC may be operated outside of normal building hours at a cost of \$35.00 per hour.

1.10. Occupancy Date : Provided the Premises has been vacated by the prior tenant, or Landlord has obtained consent from the prior tenant, the Tenant shall be allowed access to the Premises thirty (30) days prior to the Commencement Date (provided that Tenant has provided to Landlord certificates of all insurances required herein and shall be obligated to comply with all other terms and conditions of this Lease). From the Occupancy Date to the Commencement Date, the Tenant shall not be entitled to legally occupy the Premises for conduct of its business, but shall be entitled access to the Premises for the purpose of installing furniture, fixtures, equipment, data, telephone systems and cabling.

1.11. Option to Renew and Extend Lease : Provided the Tenant is not in default of any term or condition of this Lease Agreement beyond any applicable notice and curative periods, Tenant shall be granted one (1) five (5) year option to renew and extend the Lease at the prevailing market base rent and all other terms and conditions of the Lease Agreement, in accordance with the terms and conditions of that certain Option attached hereto and made a part hereof as Exhibit 1.11.

1.12. Premises : The Premises is designated as Suite 125, located at 6800 Broken Sound Parkway, Boca Raton, Florida 33487. The Premises consists of approximately 3,542 rentable square feet and constitutes 6.97% percentage of the gross rentable square footage of the Building which is 50,809 rentable square feet. The square footage and percentages set forth in herein shall be deemed conclusive, with the Landlord and Tenant agreeing upon the square footage and percentages to be paid which may take into account any loss factor, area located between demising walls, or may include exterior wall structures. The parties acknowledge and agree that the Tenant is satisfied with the square footage calculation and the percentage calculation and accepts the same, thereby waiving any right to object to the square footage or percentage calculation in the future.

1.13. Permitted Purpose : General office use, to the extent permitted by Governmental Requirements, and for no other purpose whatsoever.

1.14. Prepaid Rent. The first month's prepaid Rent in the total amount of Eight Thousand Eight Hundred Eighty Two and 57/100 Dollars (\$8,882.57) shall be due upon the execution of this Lease by Tenant.

1.15. Rent Commencement Date : March 1, 2015, or such later date which is two (2) full months subsequent to the Commencement Date.

1.16. Security Deposit : Three months gross rent in the total amount of Twenty Six Thousand Six Hundred Forty Seven and 71/100 Dollars (\$26,647.71) which is due upon execution of this Lease by Tenant.

1.17. Signage : Tenant shall be provided, at Landlord's cost, a lobby directory signage strip in accordance with the Building's standard lettering signifying Tenant and the Tenant's Premises suite number, and individually signage on the suite in accordance with the Building standard signage. There are no other signage rights, which are granted within this Lease to Tenant.

1.18. Tenant Improvements . Landlord shall deliver the Premises in broom clean condition, in compliance with all state and local codes and ordinances governing the Premises, including the Americans with Disabilities Act with all Building systems (including HVAC, plumbing, electrical, structural, floor condition, fire and life safety) in good working order. Other than as specifically set forth herein Tenants accepts the Premises and its "AS IS, Where is" condition with any and all faults. Tenant has performed such inspections of the Premises as it deems necessary in its sole and absolute discretion and understands Tenants acceptance of the Premises in accordance with the terms and conditions contained herein is a material inducement to Landlord entering into this Lease.

1.19. Tenant Improvement Allowance . Upon Tenant's occupying the Premises and first payment of Rent by Tenant to Landlord and upon Tenant providing to Landlord lien releases and lien waivers from all contractors, sub-contractors or material men providing work or labor to the Premises for any Tenant's Improvements constructed thereon, Landlord shall pay to Tenant a Tenant Improvement Allowance equal to \$3.00 per rentable square foot which equals \$10,626.00. The Tenant Improvement Allowance may be used by Tenant for painting, carpeting, installing supplemental HVAC system for the IT room, and if sufficient funds are left over for moving costs into the Premises. Tenant shall have the right to use their own architect for general services for space planning or construction documents. Landlord shall reimburse Tenant for space planning services and construction documents in an amount not to exceed fifteen cents (\$0.15) per rentable square foot, which equals Five Hundred Thirty One and 30/100 (\$531.30) Dollars. The space planning allowance shall be paid to Tenant upon Tenant's provision to Landlord of proper invoices from any such space planner or engineer for such space planning services. Tenant has request removal of the eight (8) foot wall as set forth on Exhibit 1.19 attached hereto and made a part hereof (the "Removed Wall"). Tenant agrees that it shall patch the carpet in such place as the wall has been removed, as well as finish off all adjacent walls and connector walls to that of a smooth, clean, painted finish consistent with the finishes within the Premises. Upon expiration or termination of this Lease Agreement, Landlord may, in Landlord's sole discretion require the Tenant to reconstruct the Removed Wall to its condition prior to its removal, and Tenant shall restore all finishes, carpeting, and all other areas surrounding the Removed Wall to that condition which it existed prior to its removal. Completion of the restoration of the Removed Wall as required herein, if required by Landlord shall be a condition precedent to Tenant's right to receive any portion of its Security Deposit herein upon expiration or termination of the Lease, and in the event that the cost of restoration of the Removed Wall is greater than Security Deposit, the Tenant shall remain responsible for all costs of same. Tenant shall provide to Landlord a copy of all plans for removal of the Removed Wall and shall have such alterations performed in a good and workman like manner, by a licensed general contractor and after obtaining all building permits which may be required by the City of Boca Raton, Florida or Palm Beach County, Florida and providing lien releases for all work and materials required to complete such restoration.

1.20. Tenant's Proportionate Share : Tenant's proportionate share shall be 6.97%, which is determined by dividing the gross rentable square footage of the Building by the gross rentable square footage of the Premises.

1.21. Term : That time period between the Commencement Date and the Termination Date.

1.22. Termination Date : The date that is thirty eight (38) full calendar months following the Commencement Date.

2.0 USE/COMPLIANCE . Tenant shall use the Premises solely for the Permitted Purpose, and for no other purpose whatsoever. Tenant shall not at any time use or occupy the Premises or the Building, or suffer or permit anyone to use or occupy the Premises, or do anything in the Premises or the Building, or suffer or permit anything to be done in, brought into or kept on the Premises, which in any manner is inconsistent with the Permitted Purpose and in the reasonable discretion of Landlord (a) violates the Certificate of Occupancy for the Premises or for the Building, (b) causes or is liable to cause injury to the Premises or the Building or any equipment, facilities or systems therein, (c) constitutes a violation of the laws and requirements of any public authorities or the reasonable requirements of insurance bodies, (d) impairs or tends to impair the current character, reputation or appearance of the Building, (e) impairs or tends to impair the proper and customary maintenance, operation and repair of the Building and/or its equipment, Common Areas (hereinafter defined), (f) constitutes a nuisance, public or private, or violates any environmental law, ordinance or regulation, (g) discharges objectionable fumes, vapors or odors into the building vents or otherwise in such a manner as to offend or inconvenience the other tenants or occupants of the Building, or (h) is inconsistent with the occupational licenses issued by any governmental authority, if any. Tenant shall timely obtain all occupational licenses required for the use, occupation, or employment of any person within the Premises, if any. Tenant agrees to comply with the Rules and Regulations (defined below) Landlord may adopt from time to time. Further, Tenant specifically agrees that Tenant shall not (i) conduct, or permit or suffer to be conducted, any solicitation, demonstration, business, occupation undertaking or activity outside of the Building in which the Premises are located; (ii) use or permit or suffer the use of any portion of the Premises for any unlawful, improper, objectionable purpose (i .e., for itinerant vending or for any other activity of a type which is inconsistent with reasonable commercial standards as determined by Landlord). Trash compactors or similar apparatus shall be located in a screened or enclosed area, and no trash or garbage shall be stored in any area other than inside the Premises (and Tenant shall attend to the timely disposal of trash in the manner provided in this Lease). In the event Tenant uses the Premises for purposes not expressly permitted herein, Landlord may deem it an Event of Default (as defined in Section 22 below) and Landlord may restrain said improper use by injunction.

3.0 CONTROL OF COMMON AREAS BY LANDLORD . The Common Areas shall be kept free of existing and future Tenant marketing materials and medical waste containers. All areas within the exterior boundaries of the Building or outside the exterior boundaries of the Building which are now or hereafter held for lease or occupation by the Landlord, or used by other persons entitled to occupy floor space in the Building including, without limitation, all automobile parking areas, driveways, entrance and exits thereto, landscaped areas, drainage areas, easements, utility areas, and other facilities furnished by Landlord in or near the Building, including employee parking areas, covered reserved parking leased to a specific tenant, pedestrian sidewalks and ramps, and other areas and improvements provided by Landlord for the general use, in common, of tenants, their officers, agents, employees and customers, ("Common Areas"), shall at all times be subject to the exclusive control and management of Landlord, and Landlord shall have the right, but not the obligation, to construct, maintain and operate lighting facilities on all said areas and improvements, to police the same, from time to time to change the area, level, location and arrangement of parking areas and other facilities herein above referred, to restrict parking by tenants, their officers, agents and employees to employee parking areas, to require tenants, their officers, agents and employees to provide vehicle license numbers and to use parking decals or other reasonable parking identification procedures.

Landlord shall have the right to close all or any portion of said areas or facilities to such extent as may, in the opinion of Landlord, be legally sufficient to prevent a dedication thereof or the accrual of any rights to any person or the public therein, to close temporarily all or any portion of the parking areas or facilities for repairs or improvements, to discourage non-customer parking; and to do and perform such other acts in and to said areas and improvements, as Landlord shall determine in its reasonable discretion to be advisable with a view to the improvement of the convenience and use thereof by tenants, their officers, agents, employees and customers. Landlord shall keep the Common Areas clean and in good repair and available for the purposes for which they are intended. Landlord shall have the full right and authority to employ all personnel and to make all Rules and Regulations pertaining to and necessary for the proper operation and maintenance of the Building, and all Common Areas.

4.0 USE OF ADDITIONAL AREAS . The use and occupation by the Tenant of the Premises shall include a revocable license for the non-exclusive use in common with others entitled thereto of the common areas, employees parking areas, sidewalks and parking areas as such Common Areas now exist or as such Common Areas may hereafter be constructed, and other facilities as may be designated from time to time by the Landlord, subject however to the terms and conditions of this Lease and to Rules and Regulations for the use thereof (including parking allocation and validation procedures) as prescribed from time to time by the Landlord, and if any such license be revoked, or if the amount of such areas be diminished, Landlord shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of Rent, nor shall such revocation or diminution of such areas be deemed constructive or actual eviction, provided Tenant shall at all times have reasonable access to and parking for the Premises.

5.0 RENT .

5.1. The term "Rent" as used in this Lease, shall include the Base Rent, and all other items, costs and expenses identified herein as "Additional Rent," together with all other amounts payable by Tenant to Landlord under this Lease. Beginning on the Rent Commencement Date, Tenant shall pay each monthly installment of Rent (plus all sales taxes from time to time imposed by any Governmental Authority in connection with rents paid by Tenant under this Lease), in advance on the first calendar day of each month during the Term. Monthly installments for any fractional calendar month, at the beginning or end of the Term, shall be prorated based on the number of days in such month, which fall during the Term. Tenant shall pay all Rent, without demand, deduction or set off, to Landlord at the place specified for notice in Section 33 below. Tenant also shall pay a late charge ("Late Charge") equal to the maximum lawful rate of interest per annum, on a per diem basis, of the amount of any delinquent installment of Rent as an administrative fee with each payment of Rent not paid within three (3) days after same is due hereunder. The provisions herein for a Late Charge shall not be construed to extend the date for payment of any sums required to be paid by Tenant hereunder or to relieve Tenant of its obligations to pay all such items at the time or times herein stipulated. Notwithstanding the imposition of such Late Charge pursuant to this Section, an Event of Default shall occur if any or all payments required to be made by Tenant are not made before the expiration of any applicable notice and cure periods set forth in this Lease, and neither demand nor collection by Landlord of any such Late Charge shall be construed as a cure for such Event of Default on the part of Tenant.

5.2. This Lease is intended to be a “triple net” Lease beginning on the Rent Commencement Date. Beginning on the Rent Commencement Date, in addition to the Base Rent hereunder, Tenant shall pay, as Additional Rent, Tenant’s Proportionate Share of 1/12th of the (“Expenses” as hereinafter defined) monthly, in advance, together with the payment of Base Rent. Landlord shall reasonably estimate the Expenses which will be payable for each year during the Term, in advance. Landlord estimates that as of the Effective Date, the Expenses are Thirteen and 39/100 Dollars (\$13.39), a rentable square foot per annum. Landlord shall have the right at any time during the Term or during any Lease Year to revise the estimated Expenses in the event Landlord obtains estimates which may be different than that determined prior to the Lease Year, in which event, Tenant shall be responsible for paying each month the estimated Expenses as the same may be revised. Notwithstanding the foregoing, Tenant’s obligation for payment for the Controllable (“Controllable” expenses shall mean all expense obligations of Tenant other than Uncontrollable Expenses as defined hereinafter) portion of Expenses shall not increase in excess of five percent (5%) annually above the actual Expenses as calculated for each prior Lease Year on a cumulative basis. After the end of each Lease Year during the Term, Landlord shall furnish Tenant a detailed statement of the actual Expenses incurred throughout the prior Lease Year. If the actual Expenses incurred exceed the payments made by the Tenant, then the Tenant shall pay the balance owed within fifteen (15) days after receipt of the detailed statement from the Landlord. If the actual Expenses incurred are less than the payments made by the Tenant, then the Landlord shall refund the excess amount within fifteen (15) days after mailing the detailed statement to the Tenant.

5.3. “Uncontrollable Expenses” shall mean all expenses, costs and amounts of every kind and nature relating to the Premises, including any amounts paid for: (i) Taxes, real property taxes, assessments (general, special, public and private and governmental charges or impositions of any kind or nature whatsoever levied or assessed against the Premises (including all costs reasonably incurred by Landlord in connection with any proceeding brought by Landlord to reduce, abate or limit the increase of said amounts); (ii) payments, assessments, fees and costs due to any property association encumbering the Property, under any applicable declaration, or pursuant to any easement, cross or reciprocal easement, operating agreement, development and/or parking rights agreement, declaration, covenant or other agreement or instrument pertaining to the payment or sharing of costs for common or parking areas or other matters of any kind of nature whatsoever levied or assessed against the Building and Land; (iii) costs of permits and licenses necessary to operate, manage and lease the Building and Land; (iv) insurance premiums applicable to the Building and Land, but not limited to that required under the Lease, and which may include windstorm, terrorism, boiler, rent loss, workers’ compensation and employers’ liability, builders’ risk, automobile and other coverages, including a reasonable allocation of costs under any blanket policies and/or other insurance maintained in connection with the ownership, operation, maintenance or management of the Building and Land together with any insurance deductible paid by Landlord in connection therewith; and (v) impositions, charges or fees of whatever kind or nature for water, sewer, gas, electric or other utilities with respect to the Building and Land. In the event that the Association is dissolved or is at any time not maintaining the Common Areas, Uncontrollable Expenses shall also include an equitable allocation (as reasonably determined by Landlord) of the Expenses incurred by Landlord or its designee to maintain, repair, replace and operate the Common Areas of the Building (excluding costs solely applicable to any building other than the Building).

5.4. For purposes of this Section, the term Expenses shall mean all cost and expense of the ownership, operation, use, repair and maintenance of the Land, the Common Areas, the Building and the Premises, including, without limitation, Real Estate Taxes (as hereinafter defined), management fees, insurance expenses, all expenses paid or incurred by Landlord or on Landlord's behalf in respect of the repair, maintenance, repair and operation of the Land, Common Areas and Building, including, without limitation, the following (i) salaries, wages, medical, surgical, union and general welfare benefits of employees while they are engaged in the repair, operation or maintenance of the Building and/or Land; (ii) payroll taxes, workmen's compensation, uniforms and the related expenses from employees; (iii) the costs of all charges for gas, electricity, water, sewer, garbage collection, and other utilities furnished to the Building and Land, together with any tax on such utilities; (iv) the cost of painting; (v) the costs of all charges for rent, casualty and liability insurance with regard to the Building or Land and maintenance and/or operation thereof, office, postage and normal telephone usage, (vi) the cost or rental of all supplies (including, without limitation, cleaning supplies) tools, materials and equipment, and sales and other taxes thereon; (vii) depreciation of tools, equipment and other items used in repair, maintenance or operation of the Building; (viii) the cost of all charges for window and other cleaning and janitorial and security services (if provided); (ix) amounts charged to Landlord by contractors for services, materials and supplies furnished in connection with the operation, maintenance and repair of any part of the Building or the heating, air conditioning, ventilating, plumbing, electrical and other systems of the Building; (x) repairs and replacements made by Landlord at its expense; (xi) alterations and improvements to the Building and/or the Land made by reasons of laws and requirements of any public authorities or the requirements of insurance bodies; (xii) the cost of any capital improvements to the Building and/or land and/or any machinery or equipment installed in the Building which is made or becomes operational as the case may be; (xiii) the cost of amortization or depreciation of any improvement, machinery or equipment; (xiv) reasonable legal (for administration of the property), authority and professional fees incurred in connection with the operation, maintenance and management of the Building and/or Land; (xv) painting, refurbishing, recarpeting, redecorating or landscaping any portion of the Land or Building, exclusive of any work done in any tenant space, and which shall include (a) roof maintenances, which may include the replacement of the roof should the Landlord deem it necessary, (b) repainting the Building, (c) maintenance of the parking lot, including, but not limited to, resealing, restriping, resurfacing, (d) all amounts collected and held by Landlord with respect to reserve accounts for those items which Landlord has designated, (e) all the charges properly applicable to the repair, operation and maintenance of the Building and Land in accordance with generally accepted accounting principles, and (f) reserves for any item of repair or replacement; (xvi) property association maintenance and assessments expense ; (xvii) utilities for the Building including electricity, power, gas, steam, oil, other fuel, water, sewer, lighting, heating, air conditioning, ventilating; (xviii) all insurance applicable for the Building and Land; (xix) management company fees; (xx) payments pursuant to any easement, cross or reciprocal easement, operating agreement, development and/or parking rights agreement, declaration, covenant or other agreement or instrument pertaining to the payment or showing of costs for common or areas or other matters; (xxi) operation, maintenance, repair, installation, replacement, inspection, test, painting, decorating, cleaning of the Building and Land including: (a) Building identification and monument signs, directional signs, traffic signals and markers, flag poles and canopies, (b) sidewalks, curbs, stairways, parking structures, lots, loading and service areas and driveways, (c) storm and drainage systems, (d) irrigation systems, (e) elevators, (f) systems and equipment, (g) interior and exterior flowers and landscaping, (h) all other portions, facilities, features and amenities of the Building and Land including common areas, wall coverings, lobbies.

5.5. For purposes of this Section. "Real Estate Taxes" shall include any form of real estate tax or assessment, imposition, general, special, or extraordinary and any license fee, commercial rental tax, improvement bond(s), levy or tax (other than inheritance, personal income, estate, net income, franchise, capital stock or gift taxes) imposed on the Premises from time to time by any Governmental Authority. Tenant shall also pay before delinquency all taxes, assessments, license fees, and other charges that are levied and assessed against Tenant's personal property installed or located in or on the Premises. Further, Tenant shall, upon request, deliver to Landlord paid tax receipts evidencing Tenant's timely payment of all taxes assessed upon Tenant's personal property.

5.6. Landlord shall provide to Tenant subsequent to the end of each fiscal year of Landlord, a statement of amounts actually paid as Building Expenses for the preceding year and a statement of actual Building expenses in such detail as necessary to determine the various cost components and in such form as is customary in commercial office property management. Provided that Tenant is not at the time in default under this Lease after the expiration of all applicable notice and grace periods, and provided further that Tenant strictly complies with the provisions of this Section, Tenant shall have the right to reasonably review supporting data for any portion of the Building Expenses in this Section that Tenant desires to review for a period not to exceed two (2) years subsequent to the provision by Landlord of any such statement of Building Expenses. In order for Tenant to exercise its right under this Section, Tenant shall, within two (2) years after presentation of a statement of the actual Building Expenses deliver a written notice to Landlord specifying the portions of such Building Expenses Tenant desires to review. Tenant shall pay the Building Expenses and other sums as provided herein prior to exercising the right granted in this subparagraph although such payment may be made under protest. In no event shall Tenant be entitled to withhold, deduct, or offset any monetary obligation of Tenant to Landlord under the Lease (including, without limitation, Tenant's obligation to make all rental payments and all payments for its share of estimated and actual Building Operating Costs and Expenses) pending the completion of and regardless of the results of any review of records under this subparagraph 5.5.

As a condition precedent to Tenant's exercise of its right to review provided for in this subparagraph 5.5, Tenant shall deliver to Landlord a reasonable Confidentiality Agreement (in form and content as prepared by Landlord) executed by Tenant and any person or entity participating in the review, acknowledging that all results of such review, as well as any compromise, settlement or adjustment reached between Landlord and Tenant shall be held in strict confidence and shall not be revealed in any manner to any person, except Tenant's accountants, tax advisors, attorneys, other Tenant's professionals, and Tenant's employee, except if required to in a court order, subpoena or litigation between Landlord and Tenant pursuant to any litigation between Landlord and Tenant or other governmental requirement, regulation, law or ordinance.

Tenant agrees that any review of records under this subparagraph shall occur at Landlord's office or such other location designated by Landlord in the county in which the Building is located. Any review to be conducted under this subparagraph shall be at the sole expense of Tenant and shall be conducted by an independent firm of certified public accountants that are not being compensated on a contingency fee basis and are licensed in the State of Florida. Tenant acknowledges and agrees that any records reviewed under this subparagraph constitute confidential information of Landlord, which shall not be disclosed to anyone other than the certified public accountants performing the review and the principals of Tenant who receive the results of the review and as set forth in the immediately preceding paragraph. Tenant understands and agrees that this provision is of material importance to the Landlord and that any violation of the terms of this provision shall result in immediate and irreparable harm to the Landlord. Landlord shall have all rights allowed by law or equity if Tenant, its officers, agents or employees and/or the auditor violate the terms of this provision, including, without limitation, the right to terminate Tenant's right to review in the future pursuant to this subparagraph. Tenant shall indemnify, defend upon request, and hold Landlord harmless from and against all costs, damages, claims, liabilities, expenses, losses, court costs, and attorneys' fees suffered by or claimed against Landlord, based in whole or in part, upon the breach of this subparagraph 5.5 by Tenant and/or its certified public accountant, and shall cause its certified public accountant to be similarly bound.

Any errors disclosed by the review of records under subparagraph 5.5 shall be promptly corrected, provided that Landlord shall have the right at Landlord's sole cost and expense to cause another review of the records to be made by an independent firm of certified public accountants licensed under the laws of the State of Florida. In the event of a disagreement between the two accounting firms, the two accounting firms shall mutually agree upon the selection of a third accounting firm, which shall cause another review of the records to be made. The cost and expense of the third review shall be paid equally by Landlord and Tenant. The results of the review of the third independent certified public accounting firm shall be binding upon Landlord and Tenant. In the event that the results of the review of records reveal that Tenant has overpaid obligations for a preceding period, the amount of such overpayment shall be credited against Tenant's next subsequent payment of Rent or, if the Lease Term has expired, paid to Tenant within thirty (30) days after final determination of such adjustment. In the event that such results show that Tenant has underpaid its obligations for a preceding period the amount of such underpayment shall be paid by Tenant to Landlord with the next succeeding payment of Rent. In the event that the results of the review of the third independent certified public accounting firm are not disputed, and the public accounting firm retained by Tenant to perform the review reveals that the Building Expenses were overstated in error by greater than five (5%) percent, then Landlord shall be responsible for the reasonable fees and costs of the certified public accountant for such review not to exceed Five Thousand and 00/100 (\$5,000.00) Dollars. In the event that the results of such review reveals that the Building Expenses were not overstated, then the Tenant shall pay for the cost of Tenant's professionals and Landlord's professionals in defending such review, which costs shall not exceed Five Thousand and 00/100 (\$5,000.00) Dollars.

5.7. The Term taxes or Real Estate Taxes shall mean (1) the accurate amount for which the Building, and all Land or real property owned or leased by Landlord underlying the Building or adjacent thereto and used in connection with the operation of the Building are assessed by the Palm Beach County Tax Collector and the City or Municipal body having jurisdiction for the purposes of imposition of Ad Valorem Real Property Taxes; and (2) any expenses incurred by Landlord in contesting such Real Estate Taxes or assessments on the assessed value of the Building and/or the Land, which expenses shall be allocated to the tax year to which such expenses relate. Any special and other assessments in any tax year which are imposed upon the Property, and/or the Building shall be added to the amounts determined and shall be deemed to be included within the term "Real Estate Taxes" for the purposes hereof. If at any time during the Term of this Lease, the methods of taxation prevailing on the date hereof shall be altered, such additional or substitute tax assessment, levy, imposition, special assessment or charge, shall be deemed to be included within the term "Real Estate Taxes" for the purpose hereof. Any special assessment against the property made by the City of Boca Raton, Palm Beach County or any other taxing authority which may be made directly against the Land or by or through any association which encumbers the Land shall also be deemed to be an assessment within the definition of "Real Estate Taxes" which may be imposed and charged to Tenant pursuant to the terms herein for Additional Rent.

5.8. Tenant shall also pay, as Rent, all sales, rental or use or excise tax imposed, levied or assessed against any Rent and any other charges or impositions required to be paid by Tenant to Landlord herein, or any other charge or payment required herein by any governmental authority having jurisdiction thereover, even though the taxing statute or ordinance may purport to impose such sales tax against the Landlord. The payment of any such rental, use sales tax or other tax or imposition shall be made by Tenant on a monthly basis, concurrently with payment of the Base Rent and Rent.

5.9. Variable Expense, Grossing Up. If the Building is not fully occupied during all or a portion of any calendar year, Landlord may, in accordance with sound accounting and management practices, determine the amount of variable Expenses (i.e. those items which vary according to occupancy levels) that have been paid by the Building, and the amount so determined shall be deemed to have been the amount of Expenses for such year and such variable Expenses shall be paid by Tenant prorata based upon the square footage of the Premises, divided by the occupied square footage within the Building for such calendar year. For example, but not in limitation thereof, in the event the Building was 80% occupied (80% multiplied by 50,809 square feet equals 40,647.2) the Building variable Expenses would be allocated to the Tenant pro rata based upon the Premises square footage of 3,542 square feet divided by the occupied square footage of the Building of that 40,647.2.

Similarly, if Landlord is not furnishing any particular utility or service (the costs of which, if performed by Landlord, would be included in Expenses) to a tenant during any period, Landlord may for such period adjust Expenses to exclude the rentable area of such tenant from the rentable area of the Building in computing Tenant's Share of Expenses of the component of Expenses for such utility or service. For example in the event another tenant in the Building which occupies 10,000 square foot is not receiving certain services rendered to the Tenant, such expenses would only be allocated to the Tenant and any other tenants receiving such services on a per square foot basis.

5.10. Additional Rent. Any and all sums of money or charges required to be paid by Tenant under this Lease, whether or not the same be so designated, shall be considered "Additional Rent." If such amounts or charges are not paid at the time provided in this Lease, they shall nevertheless, if not paid when due, be collectible as Additional Rent with the next installment of Rent thereafter falling due hereunder, but nothing herein contained shall be deemed to suspend or delay the payment of any amount of money or charges as the same becomes due and payable hereunder, or limit any other remedy of the Landlord.

6.0 C ONSTRUCTION .

6.1. Landlord agrees that prior to the Commencement Date, Landlord shall complete the Tenant Improvements.

6.2. Except for the Tenant Improvements, Tenant certifies that it has inspected the Premises and accepts same in its existing condition; and that no repair work, alterations or remodeling of the Premises shall be required to be done by Landlord as a condition of this Lease or otherwise.

7.0 CHANGES AND ADDITIONS TO BUILDING . Landlord hereby reserves the right at any time to perform maintenance operations and to make repairs, alterations, or additions, and to build adjoining or annexed to any existing building. Tenant agrees to cooperate with Landlord permitting Landlord to accomplish any such maintenance, repairs, alterations, additions or construction. Temporary (defined as not longer than 9 months) or Partial Obstruction (defined as still allowing access in a reduced capacity) of access to the Common Facilities caused by such construction shall not be a default by Landlord.

8.0 PREPAID RENT: SECURITY DEPOSIT . Landlord acknowledges receipt from Tenant of the Security Deposit. The Security Deposit shall be held as collateral security for the payment of Rent and other sums of money payable by Tenant under this Lease, and for the faithful performance of all other terms, covenants and conditions of Tenant hereunder; the amount of the Security Deposit, without interest, shall be repaid to Tenant after the expiration of the Term, provided Tenant shall have made all payments and performed all terms, covenants and conditions required under this Lease. Upon any Event of Default by Tenant hereunder, all or part of the Security Deposit may, at Landlord's sole discretion, be applied on account of such Event of Default, and thereafter Tenant shall promptly restore the resulting deficiency in the Security Deposit. Tenant hereby waives the benefit of any provisions of law requiring the Security Deposit to be held in escrow or in trust , and the Security Deposit shall be deemed to be the property of Landlord and may be co-mingled by Landlord with its own funds. Tenant further acknowledges that the Security Deposit is not to be construed as prepaid Rent by Tenant for the last rental period of the Term.

9.0 UTILITIES . Tenant shall be responsible for any and all costs of telephone and any and all other expenses required to maintain the Premises and all interior components of the Premises, and any and all other utilities servicing the Premises, as more particularly set forth below. The generator currently serving the Building is for life safety only and may not be utilized by Tenant in any manner whatsoever. Tenant may, at Tenant's sole cost install their own generator to serve the Premises, provided that the same meets all city codes and ordinances, all appropriate approvals are obtain from the City of Boca Raton, Florida, and the same is subject to the approval of Landlord, which shall not be unreasonably withheld. Any such generator shall be the sole and absolute responsibility of Tenant for full maintenance of same and in the event of such request, Landlord and Tenant shall enter into an Amendment to this Lease specifying the responsibilities of the Tenant relative to such generator. Upon expiration of the Lease Term, the generator and its service of the Premises and any and all electric lines or other facilities required for such generator to service the Premises shall become the Property of the Landlord and same shall not be removed by the Tenant upon the expiration of the Lease Term or any earlier default by Tenant in the Lease Term.

10.0 MAINTENANCE AND REPAIR BY TENANT . Tenant shall not store any trash, merchandise, crates, pallets or materials of any kind outside the Premises or Building. It is the intention of all parties to this Lease that it be a "triple net lease" and that Tenant shall pay, in addition to Rent, as Additional Rent, all items set forth in Section 5.3, and its subparts herein, and all costs and expenses related to the Premises, including, without limitation, all taxes, maintenance and repair expenses (except as otherwise specified herein). Except as set forth below, Tenant shall, at its sole cost and expense, maintain all of the Premises, including, but not limited to, interior walls, windows, doors, display windows, and all portions of the Premises in good and sanitary order, condition and repair. Tenant shall, at its sole cost and expense, keep and maintain all utilities, fixtures, mechanical, electrical and plumbing systems and equipment located in, on or about the Premises. Tenant shall be responsible for the maintenance of any and all interior and other areas of the Premises including, but not limited to, all walls, ceilings, fixtures, floors, all improvements, all tenant additions and any and all other areas within the Premises whatsoever. No vehicles, including, but not limited to, inoperable vehicles, recreational vehicles or vehicles without valid inspection tags, boats, motors or other similar equipment shall be stored or kept outside the Building. It is the intent of this Lease to prohibit any outside storage of any type. If Tenant fails to make, maintain or keep the Premises in good repair and such failure continues for five (5) days after written notice from Landlord, the same shall be deemed an Event of Default, and Landlord may perform, but is not obligated to perform any such required maintenance and repairs, and the cost thereof shall be Additional Rent payable by Tenant within ten (10) days of receipt of an invoice from Landlord.

11.0 MAINTENANCE BY LANDLORD. Landlord shall provide the following utilities and services (the cost of which shall be included in Expenses, except as provided below):

11.1. Heat and air-conditioning shall be controlled by Landlord, in Landlord's reasonable discretion for comfortable occupancy (estimated to be a range of 70 degrees to 76 degrees) of the Premises as offices, during Building Hours (as defined in Section 1.9). Tenant may request adjustments to the Premises temperature maintained during Business Hours, or before and after Building Hours at Tenant's expense pursuant to Section 1.9 herein.

11.2. Water for drinking, lavatory and toilet purposes only, at those points of supply provided for nonexclusive general use of tenants at the Building, or points of supply in the Premises installed by or with Landlord's written consent for such purpose.

11.3. Cleaning and trash removal service in and about the Premises comparable to those provided as a standard service by landlords for office space in comparable office buildings in the nearby vicinity of the Property, but at least during business days as provided to other tenants in the Building.

11.4. Passenger elevator service at all times (subject to changes in the number of elevators in service after Building Hours or at other times), freight elevator service (if the Building has such service, subject to scheduling by Landlord), in common with Landlord and other parties.

11.5. Electricity for building-standard overhead office lighting fixtures, and equipment and accessories customary for offices, where: (i) Tenant uses an amount of electricity that is generally consistent with average office use at the Building as reasonably determined by Landlord, and (ii) the Systems and Equipment are suitable, the safe and lawful capacity thereof is not exceeded, (iii) sufficient capacity remains at all times for other existing and future tenants, as determined in Landlord's reasonable discretion, and (iv) the electricity is at nominal 120 volts, single phase (or 110 volts, depending on available service in the Building).

11.6. Additional Utilities and Services. Landlord shall not be responsible for inadequate air-conditioning or ventilation whenever the use or occupancy of the Premises exceeds the normal capacity or design loads of, affects the temperature or humidity otherwise maintained by, or otherwise adversely affects the operation of, the Systems and Equipment for the Building, whether due to items of equipment or machinery generating heat, above normal concentrations of personnel or equipment, alterations to the Premises made by or through Tenant without balancing the air or installing supplemental HVAC equipment. Landlord shall seek to provide such extra utilities or services as Tenant may from time to time request, if the same are reasonable and feasible for Landlord to provide and do not involve modifications or additions to the Building or existing Systems and Equipment, and if Landlord shall receive Tenant's request within a reasonable period prior to the time such extra utilities or services are required. Tenant shall pay, for any extra utilities or services, such standard charges as Landlord shall from time to time establish, Landlord's out-of-pocket costs for architects, engineers, consultants and other parties relating to such extra utilities or services, and a fee equal to fifteen percent (15%) of such costs (provided that, Landlord's standard overtime HVAC charges shall not require an additional charged percentage thereon). All payments for such extra utilities or services shall be due at the same time as the installment of Base Rent with which the same are billed, or if billed separately, shall be due within ten (10) days after such billing. Notwithstanding the foregoing to the contrary, in lieu of charging separately for additional utilities and services, Landlord may reasonably elect from time to time to expand or modify the amounts of services and utilities available without separate charge, in which case the costs thereof shall be included in Expenses.

11.7. Monitoring. Landlord may install and operate meters, sub meters or any other reasonable system for monitoring or estimating any services or utilities used by Tenant in excess of those required to be provided by Landlord under this Article (including a system for Landlord's engineer to reasonably estimate any such excess usage). If such system indicates such excess services or utilities, Tenant shall pay Landlord's charges and fees for installing and operating such system and any supplementary air-conditioning, ventilation, heat, electrical or other systems or equipment (or adjustments or modifications to the existing Systems and Equipment) which Landlord may make, and Landlord's charges for such amount of excess services or utilities used by Tenant.

The failure by Landlord to any extent to furnish, or the interruption, cessation or termination of services in whole or in part, or any curtailment in the use of the Premises resulting from any of the matters and things herein referred to shall not render Landlord liable in any respect nor be construed as an eviction (constructive or otherwise) of Tenant, nor work an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement of this Lease. If any of the equipment or machinery used to provide the foregoing services does not function properly, Tenant shall have no claim for offset or abatement of rent or damages on account of any resulting interruption in service unless caused by the negligent acts or omissions of Landlord.

12.0 INSURANCE: INDEMNITY.

12.1. Tenant, at its sole cost and expense, shall, throughout the Term, procure and maintain:

(a) Commercial general liability insurance with respect to the Premises and Tenant's activities therein and thereabout, insuring against liability for personal injury or death, property damage or other loss, including liability arising out of Tenant's indemnity set forth in this Lease (contractual liability endorsement) with self-insured deductibles and a combined single limit of not less than three million and 00/100 (\$3,000,000.00) Dollars per occurrence for bodily injury and property damage;

- (b) Worker's Compensation Insurance in at least the statutorily required amounts;
- (c) Causes of Loss-Special Form Extended Coverage, vandalism and malicious mischief, all risks and flood insurance in an amount adequate to cover the replacement costs of all personal property, decorations, trade fixtures, furnishings, equipment, and all contents of the Premises;
- (d) Rental interruption or business interruption insurance in the amount no less than one (1) year of Rents herein;
- (e) Such other forms of insurance as may be reasonably required by any lender or mortgagee of Landlord; and
- (f) Such other forms of insurance as may be reasonably required to cover future risks against which a reasonably prudent Landlord or Tenant would protect itself.

12.2. Tenant's insurance shall be with companies with at least a Best's A rating that are authorized to transact business in the State of Florida. Landlord shall be named as an additional insured under Tenant's insurance, and such insurance shall be primary and non-contributing with any insurance carried by Landlord. If, on account of the failure of Tenant to comply with the above, Landlord is adjudged to be a coinsurer by its insurance carrier, then any loss or damage Landlord may sustain by reason thereof shall be borne by Tenant and shall be immediately paid by Tenant upon receipt of a bill thereof. Tenant shall provide endorsements of the insurance policies from Tenant's insurance agent on which Tenant's insurance agent or the terms of such policy provide Landlord thirty (30) days notice to Landlord prior to any cancellation of the coverages required hereunder. Tenant shall deliver to Landlord as a condition precedent to its taking occupancy of the Premises, (but not to its obligation to pay Rent), endorsements of the insurance policies evidencing such insurance acceptable to Landlord, and Tenant shall within thirty (30) days of the expiration of such policies, deliver to Landlord endorsements of the insurance policies evidencing the renewal of such policies.

12.3. Each policy evidencing insurance required to be carried by Tenant pursuant to this Section 12 shall contain the following clauses and provisions (which may be provided through blanket endorsements) (i) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord be excess insurance; (ii) a provision including Landlord and any mortgagee of Landlord as an additional insured; (iii) a waiver by the insurer of any right to subrogation against Landlord, its agents, employees and representatives which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees or representatives; and (iv) a severability of interest clause or endorsement.

12.4. In the event that Tenant fails to procure or to maintain, at the times and for the duration specified in this Section 12, any insurance required by this Section 12, or fails to carry insurance required by law or governmental regulation, Landlord may (but shall not be required to) at any time or from time to time, and without notice to Tenant, procure such insurance and pay the premiums therefore, and the cost of same, plus a fifteen (15%) percent administrative fee shall be deemed Additional Rent and shall be payable upon the Landlord's demand.

12.5. Tenant will not do or suffer to be done, or keep or suffer to be kept, anything in, upon or about the Premises which will violate Landlord's policies of hazard or liability insurance or which will prevent Landlord from procuring such policies with companies acceptable to Landlord. If anything done, omitted to be done or suffered by Tenant to be kept in, upon or about the Premises shall cause the rate of fire or other insurance on the Premises or on other property of Landlord or of others within the building located within the Land to be increased beyond the minimum rate from time to time applicable to the Premises or to any property for the use or uses made thereof, Tenant will pay, as Additional Rent, the amount of any such increase upon Landlord's demand.

12.6. Tenant, as a material part of the consideration to be rendered to Landlord, hereby agrees that it will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and or damage to property arising from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or any part thereof, occasioned wholly or in part by any act or omission of Tenant, its agents, employees, licensees, invitees, third persons in or about the Premises except any damage or loss attributable to Landlord's negligence, act or omission, arising at any time. In addition, Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives all claims against Landlord for personal injury or death, property damage or other loss to Tenant, its agents, employees, licensees, invitees or third persons in or about the Premises from any cause, except any damage or loss attributed to Landlord's negligence or omission, arising at any time. Notwithstanding anything to the contrary in this Section, the amounts of insurance required of Tenant shall not be construed in any manner whatsoever so as to limit Tenant's liability hereunder and Tenant's indemnification and holding harmless of Landlord shall survive the termination of this Lease.

13.0 WAIVER OF SUBROGATION. Tenant and Landlord release each other and waive any right of recovery against each other for loss or damage to their respective property, which occurs on or about the Premises (whether due to the negligence of either party, their agents, employees, licensees, invitees or otherwise), to the extent that such loss or damage is reimbursed by insurance proceeds. Tenant and Landlord agree that all policies of insurance obtained by either of them in connection with the Premises shall contain appropriate waiver of subrogation clauses.

14.0 TENANT'S PROPERTY. Furnishings, trade fixtures and equipment installed by Tenant shall be the property of Tenant, and upon expiration of the Term, if there is then no existing Event of Default, Tenant may remove any such property and shall repair the Premises to the same condition as when the Term commenced, ordinary wear and tear excepted, or reimburse Landlord for the cost of so repairing the Premises. If Tenant fails to remove such property as required under this Lease, Landlord may do so and keep and use or dispose of the same in its sole discretion without any liability to Tenant on account thereof, and further may charge the reasonable and actual cost of any such removal, storage or disposition to Tenant

15.0 ALTERATIONS BY TENANT.

15.1. Tenant shall not cut, drill into, disfigure, deface, or injure any part of the Premises, nor obstruct or permit any obstruction, alteration, addition, or installation in the Premises without the prior written consent of Landlord, which shall be in Landlord's sole discretion. All alterations, additions or installations, including, but not limited to partitions, air conditioning ducts or equipment (except movable furniture and fixtures put in at the expense of Tenant and removable without defacing or injuring the Premises), shall become the property of Landlord at the expiration or any earlier termination of the Term. Landlord, however, reserves the option to require Tenant, at Tenant's sole cost and expense, upon written notice at the time of installation, to remove all fixtures, alterations, additions, decorations or installations (including those not removable without defacing or injuring the Premises) and to restore the Premises to the same condition as when originally leased to Tenant, reasonable wear and tear excepted. All work performed by Tenant shall be done (a) in a good and workmanlike manner, (b) with materials of the quality and appearance comparable to those in the Building Project, (c) in compliance with all governmental requirements, and (d) by contractors or mechanics fully licensed by all applicable governmental authorities. Prior to the commencement of any work by or for Tenant, Tenant shall furnish to Landlord endorsements evidencing the existence of worker's compensation insurance covering all persons employed for such work and with respect to whom death or bodily injury claims could be asserted against Landlord, Tenant or the Premises.

15.2. Tenant shall pay, when due, all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics, or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any such work in the Premises and Landlord shall have the right to post notices of non-responsibility in or on the Premises as provided by law. These provisions are made with express reference to Section 713.10, Florida Statutes.

15.3. All Tenant improvements and fixtures installed by Tenant shall be new or like new and in good working order. Tenant shall not make or cause to be made any alterations, additions or improvements or install or cause to be installed any exterior signs, exterior lighting, plumbing fixtures, shades or awnings or make any changes to the exterior of the Premises. Tenant shall present to Landlord plans and specifications for such work at the time approval is sought, and simultaneously demonstrate to Landlord that the proposed alterations comply with local zoning and building codes. Tenant shall pay to Landlord the reasonable costs of Landlord's attorney, architect and engineers to review such plans on behalf of the Landlord. Tenant shall not commence work on any Tenant improvements until Tenant has received from Landlord, Landlord's written approval of Tenant's plans and specifications.

15.4. All construction work done by Tenant within the Premises shall be performed in a good and workmanlike manner, in compliance with all governmental requirements, and in such manner as to cause a minimum of interference with other construction in progress (if any) and with the transaction of business in the Building. Without limitation on the generality of the foregoing, Landlord shall have the right to require that any of such work, which in Landlord's reasonable judgment, generates excessive noise, odor or disruption be performed during hours when the Building is not open for business, and in accordance with other Rules and Regulations which Landlord may from time to time prescribe. Tenant agrees to indemnify Landlord and hold Landlord harmless against any loss, liability or damage, resulting from such work, and Tenant shall, if requested by Landlord, furnish bond or other security satisfactory to Landlord against any such loss, liability or damage.

16.0 ASSIGNMENT: SUBLETTING.

16.1. The identity and financial position of the Tenant is a material consideration of Landlord entering into this Lease. Tenant shall not, directly or indirectly, assign or sublet under this Lease or any part thereof, nor permit all or any part of the Premises to be used or occupied by another, without first obtaining the written consent of Landlord which consent shall not be unreasonably withheld. Subletting to a corporation which is a wholly owned subsidiary of the Tenant, or which has common ownership of the Tenant, shall not require consent of Landlord, provided that Tenant shall remain liable for all terms and conditions (financial or otherwise) of the Lease. The transfer of forty (40%) percent or more of the issued and outstanding capital stock of Tenant, however accomplished, whether in a single transaction or a series of related or unrelated transactions, shall constitute an assignment for the purposes of this Section. Any mortgage, pledge or assignment of this Lease, or any transfer of this Lease from Tenant through any change in the power to vote the majority of the outstanding voting stock of Tenant, shall constitute an assignment for the purposes of this Section. Any assignment or subletting made without such Landlord's consent shall be voidable by Landlord. Any consent by Landlord, unless specifically stated therein, shall not relieve Tenant from its obligations under this Lease. To be effective, any assignment or sublease must be in writing and signed by the Landlord, Tenant and assignee/subtenant, and shall set forth the entire consideration being given and received. The acceptance of Rent from any other person shall neither be deemed to be a waiver of any of the provisions of this Lease nor be deemed to be a consent to the assignment of this Lease or subletting of the Premises. If Landlord shall consent to any assignment or subletting, the assignee/subtenant shall assume all obligations of Tenant hereunder and neither Tenant nor any assignee/subtenant shall be relieved of any liability hereunder in the performance of any of the terms, covenants and conditions hereof. In the event Tenant shall request the consent of Landlord to any assignment or subletting of this Lease, Tenant shall pay, as Additional Rent, all of Landlord's administrative costs, reasonable attorney fees and processing costs incurred by Landlord in connection therewith regardless of whether or not Landlord consents to any such assignment or subletting.

16.2. Any assignment made pursuant to subparagraph 16.1 above shall be subject to the following provisions: It is further agreed between Landlord and Tenant that Landlord shall be entitled to receive any increase in the Rent or other considerations paid by an assignee or subtenant in excess of the rental obligations of the Tenant to the Landlord as set forth in this Lease. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. If this Lease is assigned without consent of Landlord, or if the Premises or any part thereof be underlet or occupied by any party other than Tenant without consent of Landlord, Landlord may collect Rent from the assignee, subtenant or occupant, and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as Tenant, or a release of Tenant from the further performance by Tenant of the covenants on the part of Tenant herein contained, or Landlord shall have the option of terminating this Lease on written notice to Tenant. This prohibition against assignment or subletting shall be construed to include prohibition against any assignment or subleasing by operation of law, legal process, receivership, bankruptcy or otherwise, whether voluntary or involuntary. Notwithstanding any assignment or sublease, Tenant shall remain fully liable on this Lease and shall not be released from performing any of the terms, covenants and conditions of this Lease.

16.3. Assignment by Tenant. Any assignment or transfer, whether made with Landlord's consent or without Landlord's consent, shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby the assignee shall assume the obligations of this Lease on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions herein shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of all future assignments and transfers. The original named Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Base Rent and/or Additional Rent by Landlord from an assignee, transferee, or any other party, the original named Tenant shall remain fully liable for the payment of the Base Rent and Additional Rent and for the other obligations of this Lease on the part of Tenant to be performed or observed.

16.4. Recapture. If at any time or from time to time during the term of this Lease and any option terms, Tenant desires to assign this Lease or to sublet all or any part of the Premises, then, not less than thirty (30) days nor more than sixty (60) days prior to the date (the "Transfer Date") on which Tenant desires the assignment or sublease to become effective, Tenant shall give Landlord a notice (the "Transfer Notice") that shall set forth the name, address and business of the proposed assignee or sublessee, all of the substantive and financial terms of the proposed transaction in full detail, and information (including, without limitation, all relevant financial statements and references) concerning the character, financial condition and retail business experience of the proposed assignee or sublessee. Notwithstanding anything to the contrary contained in this Section 16.4, Landlord shall have the option exercisable by giving notice to Tenant at any time within twenty (20) days after Landlord's receipt of the Transfer Notice (i) in the case of an assignment or sublease, to terminate this Lease as to the portion of the Premises proposed to be sublet or assigned, in which event Tenant shall be relieved of all obligations under this Lease accruing after the Transfer Date; or (ii) in the case of a sublease, to sublease such portion of the Premises from Tenant upon the terms and conditions set forth in the Transfer Notice. No failure of Landlord to exercise either option with respect to the applicable portion of the Premises shall be deemed to be a consent by Landlord to the assignment or subletting of all or any portion of the Premises. If, after receipt of any Transfer Notice, Landlord exercises its right to terminate this Lease with respect to, or enter into a sublease for, the applicable portion of the Premises, Tenant shall have the right, exercisable by written notice to Landlord sent with ten (10) days after its receipt of Landlord's said notice, to rescind the applicable Transfer Notice.

17.0 LIENS. Notwithstanding any provisions of this Lease to the contrary, Tenant shall never, under any circumstances, have the power to subject the interest of Landlord in the Premises to any mechanics' or materialmen's liens or liens of any kind nor shall any provision in this Lease ever be construed as empowering Tenant to encumber or cause Tenant to encumber the title or interest of Landlord in the Premises. In order to comply with the provisions of Section 713.10 Florida Statutes, it is specifically provided that neither Tenant nor anyone claiming by, through or under Tenant, including, but not limited to, contractors, subcontractors, materialmen, mechanics and laborers, shall have any right to file or place any kind of lien whatsoever upon the Premises or any improvement thereon, any such liens are specifically prohibited. All parties with whom Tenant may deal are put on notice that Tenant has no power to subject Landlord's interest to any claim or lien of any kind or character, and all such persons so dealing with Tenant must look solely to the credit of Tenant, and not to Landlord's interest or assets. Tenant shall put all such parties with whom Tenant may deal on notice of the terms of this Section. If at any time a lien or encumbrance is filed against the Premises as a result of Tenant's work, materials or obligations, Tenant shall promptly discharge said lien or encumbrance, and if said lien or encumbrance has not been removed within ten (10) days from the date it is filed, Tenant agrees to deposit with Landlord cash in an amount equal to one hundred fifty (150%) percent of the amount of any such lien or encumbrance, to be held by Landlord (without interest to Tenant, except as may be required by law) until any such lien or encumbrance is discharged.

18.0 CASUALTY/DAMAGE AND DESTRUCTION.

18.1. Partial Damage: "Partial Damage" means damage or destruction to the Premises to the extent that the cost of repair is less than fifty (50%) percent of the fair market value of the Building immediately prior to such damage or destruction, as reasonably determined by Landlord. If at any time during the Term there is Partial Damage, Landlord may, at Landlord's option, either (i) repair such damage, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to terminate this Lease, which termination shall be effective as of the date of the occurrence of such damage.

18.2. Total Destruction : “Total Destruction” means damage or destruction to the Premises to the extent that the cost of repair is fifty (50%) percent or more of the fair market value of the Building immediately prior to such damage or destruction, as reasonably determined by Landlord, if at any time during the Term there is a Total Destruction, Landlord may, at Landlord’s option, either (i) repair such damage in which event this Lease shall continue in full force and effect, or (ii) Landlord may terminate this Lease as of the date of such Total Destruction.

18.3. A batement of Rent : If Landlord repairs or restores the Premises pursuant to the provisions of this Section, the Rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant’s use of the Premises is impaired. Except for abatement of Rent, if any, Tenant shall have no claim against Landlord as a result of any such damage. Furthermore, notwithstanding anything above to the contrary, Tenant shall not be entitled to any abatement of Rent if such damage is caused by Tenant.

19.0 CONDEMNATION . If all or any part of the Premises shall be taken under power of eminent domain or like power, or sold under imminent threat thereof to any public authority or private entity having such power, this Lease shall terminate as to the part of the Premises so taken or sold, effective as of the date possession is required to be delivered to such authority or entity. Rent for the remaining Term shall be reduced in the proportion that the Premises is reduced by the taking. If a partial taking or sale of the Premises (i) reduces the size of the Premises by more than twenty (20%) percent, or (ii) renders the Premises commercially unviable to Landlord (in Landlord’s sole discretion), then Landlord may terminate this Lease by notice to Tenant within thirty (30) days after Landlord receives written notice of the portion to be taken or sold, such termination to be effective one hundred eighty (180) days after notice thereof, or when the portion is taken or sold, whichever is sooner. All condemnation awards and similar payments shall be paid and belong to Landlord, except any amounts awarded or paid specifically for Tenant’s trade fixtures and relocation costs (provided such awards do not reduce Landlord’s award). Without limiting the generality of the foregoing, all leasehold interest awards shall belong to and be paid to Landlord, and Tenant shall execute any assignment or other documentation requested by Landlord to effectuate such award or payment.

20.0 ACCESS . Tenant shall permit Landlord to enter the Premises at all reasonable times with reasonable notice for the purposes of inspecting and repairing the Premises and for ascertaining compliance by Tenant with the provisions of this Lease. Landlord shall use reasonable efforts so as to minimize any inconvenience to or disruption of Tenant. Landlord may show the Premises to prospective purchasers, mortgagees, or tenants at any time upon reasonable notice. If representatives of Tenant shall not be present to open and permit entry into the Premises at anytime when such entry by Landlord is necessary or permitted hereunder, Landlord, or its employees or agents may enter by means of a master key (or forcibly in the event of an emergency), without liability of Landlord to Tenant, and without such entry constituting an eviction of Tenant, and without such entry constituting an eviction of Tenant, and without incurring liability for trespass or causing a termination of this Lease.

21.0 SIGNS . All signs and symbols placed in or about doors, windows or elsewhere in or about the Premises, shall be subject to the consent of the Landlord, which consent shall not be unreasonably withheld or delayed. Additionally, all such signs must comply with all applicable Governmental Requirements. Upon expiration or termination of this Lease, all signs installed by Tenant shall be removed and any damage resulting therefrom shall be promptly repaired, or such removal and repair may be done by Landlord and the cost thereof charged to Tenant as Additional Rent hereunder.

22.0 TENANT'S DEFAULT.

22.1. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other rights or remedies allowed by law or in equity. The occurrence of any of the following shall constitute an "Event of Default" under this Lease by Tenant (i) Tenant shall fail to make payment of any monthly installment of Rent or any other charges hereunder when due, where such failure shall continue for a period of three (3) days; (ii) Tenant shall violate or fail to perform any of the other terms, covenants or conditions herein made by Tenant, and such violation or failure shall continue for a period of thirty (30) days after written notice thereof to Tenant by Landlord or, if such violation or failure shall reasonably require longer than thirty (30) days to cure, if Tenant shall fail to commence to cure same within thirty (30) days after receipt of notice thereof and continuously prosecute the curing of the same to completion with due diligence, but in no event longer than sixty (60) days after receipt of notice thereof; (iii) Tenant shall make a general assignment for the benefit of its creditors or shall file, a petition for bankruptcy or other reorganization, liquidation, dissolution or similar relief; (iv) a proceeding is filed against Tenant seeking any relief mentioned in (iii) above and said proceeding is not discharged within sixty (60) days of the filing hereof; (v) a trustee, receiver or liquidator shall be appointed for Tenant on a substantial part of its property; (vi) Tenant shall vacate or abandon the Premises; or (vii) Tenant shall mortgage, assign or otherwise encumber its leasehold interest other than as specifically permitted under this Lease.

22.2. UPON ANY EVENT OF DEFAULT BY TENANT, LANDLORD SHALL HAVE THE FOLLOWING RIGHTS AND REMEDIES, WHICH MAY BE EXERCISED CUMULATIVELY OR INDIVIDUALLY:

(a) Declare the entire balance of all forms of Rent due under this Lease for the remainder of the Term to be due and payable and may collect the then present value of the same (calculated using a discount equal to the yield then obtainable from the United States Treasury Bill or Note with a maturity date closest to the date of expiration of the Term) by distress or otherwise;

(b) Apply the Security Deposit against all Rent and Additional Rent due under the Lease for the remaining term;

(c) Terminate Tenant's right to occupy the Premises;

(d) Except in the event where Landlord has elected to accelerate Rent as provided for in Section 22.2(a), enter the Premises and relet the same or any part of the Premises in the name of Landlord, or otherwise, as Tenant's agent, for a term shorter or longer than the balance of the Term, and may grant concessions or free rent in connection therewith, thereby terminating Tenant's right to possess the Premises, without terminating Tenant's obligations to pay the entire balance of all forms of Rent for the remainder of the Term, plus repairs and expense (including, but not limited to, the expenses of obtaining possession, brokerage expenses, tenant work modifications, legal fees, and decorating expenses) in connection therewith. Landlord shall have no obligation to relet the Premises, and its failure to do so, or failure to collect rent on reletting, shall not affect Tenant's liability under this Lease. In no event shall Tenant be entitled to a credit or repayment for rental income which is payable by Tenant under this Lease or which covers a period after the original term of this Lease; and/or

(e) Terminate this Lease and any right of renewal and retake possession of the Premises.

22.3. Any and all property which may be removed from the Premises by Landlord, pursuant to the authority of this Lease or of law, to which Tenant is or may be entitled, may be handled, removed or stored by Landlord at the sole risk, cost and expense of Tenant, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand any and all expenses incurred in such removal and all storage charges against such property. Any such property of Tenant not removed from the Premises or retaken from storage by Tenant within thirty (30) days after the end of the Term or of Tenant's right to possession of the Premises, however terminated, shall be conclusively deemed to have been forever abandoned by Tenant and may either be retained by Landlord as its property or may be disposed in such manner as Landlord may see fit in its sole discretion. Further, Tenant shall be responsible for paying for any cost of reletting the Premises, including, but not limited to, reconfiguring, redesigning, reconstructing the Premises and any and all leasing or brokerage commissions which may be paid in the process of releasing the Premises.

22.4. Tenant agrees, that if it shall at any time, fail to make any payment or perform any other act on its part to be made or performed under this Lease, Landlord may, but shall not be obligated to, and after reasonable notice or demand and without waiving, or releasing Tenant from any obligation under this Lease, make such payment or perform such other act to the extent Landlord, in its sole discretion, may deem desirable, and in connection therewith, to pay expenses. All sums so paid by Landlord and all expenses in connection therewith, together with interest thereon at the maximum lawful rate of interest allowed per annum from the date of payment, shall be deemed Additional Rent hereunder and payable at the time of the next installment of Rent, thereafter becoming due and Landlord shall have the same rights and remedies for the non-payment thereof, or of any other Additional Rent, as in the case of default in the Payment of Rent.

22.5. Notwithstanding anything to the contrary contained herein, if Landlord elects to terminate this Lease as a result of any of the contingencies specified in this Section, Landlord shall forthwith, upon such termination, be immediately entitled to recover as damages, and not as a penalty, an amount equal to the Rent and Additional Rent provided in this Lease for the remainder of the Term.

22.6. If any of Tenant's checks for Rent are dishonored by Tenant's bank, the amount due shall be deemed a Late Charge and treated accordingly. In addition thereto, Tenant shall pay to Landlord a service charge covering administrative expenses relating thereto in the amount of One Hundred and 00/100 (\$100.00) Dollars per such check. If during the Term more than two (2) of Tenant's checks are so dishonored by Tenant's bank, then Landlord, in its sole discretion, may require all future Rent of Tenant to be paid by cashiers check or money order only.

22.7. Any payment required to be made by Tenant under the provisions of this Lease not made by Tenant when and as due shall, from the date when the particular amount became due to the date of payment thereof to Landlord, bear interest at the maximum lawful rate of interest allowed per annum. Notwithstanding anything to the contrary in this Lease, Tenant does not intend or expect to pay, nor does Landlord expect to charge, accept, or collect any Rent, Late Charge or interest which collectively would be greater than the highest legal rate of interest which may be charged under the laws of the State of Florida.

22.8. In the event of a breach or threatened breach by Tenant of any of the terms, covenants and conditions or this Lease, Landlord shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Reference in this Lease of any particular remedy shall not preclude Landlord from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord's obtaining possession of the Premises, by reason of the violation by Tenant of any of the terms, covenants or conditions of this Lease or otherwise; and further expressly waives service of any notice of Landlord's intention to re-enter. Notwithstanding the aforementioned, Tenant shall pay all and singular the costs, charges, and expenses, and attorneys' fees, reasonably incurred or paid at any time by Landlord, including initial collection efforts until fully satisfied, because of the failure of Tenant to perform, comply with and abide by each and every of the terms, covenants and conditions of this Lease, provided such expenses, costs, charges and attorneys' fees are awarded by a court of competent jurisdiction.

23.0 BANKRUPTCY OR INSOLVENCY. Tenant shall not assign, mortgage or encumber this Lease, nor sublet, nor suffer or permit the Premises or any part thereof to be used by others, except as allowed herein; provided, however, that if this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), any and all monies or other considerations payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other consideration constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid to or turned over to Landlord. In the event that Tenant shall become a Debtor under the Bankruptcy Code, and the Trustee or Tenant shall elect to assume this Lease for the purpose of assigning the same or otherwise, such election and assignment may only be made if all the terms and conditions herein are satisfied. If such Trustee shall fail to elect to assume this Lease within sixty (60) days after the filing of the Petition or such shorter period as imposed by law, this Lease shall be deemed to have been rejected. Landlord shall be thereupon immediately entitled to possession of the Premises without further obligation to Tenant or the Trustee, and this Lease shall be terminated, but Landlord's right to be compensated for damages both at law and as provided herein in such case shall survive.

23.1. Assumption by Trustee.

(a) No election by the Trustee or Debtor-In-Possession to assume this Lease, whether under Chapter 7, 11, or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge and agree are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(1) The Trustee or the Debtor-In-Possession has cured, or has provided Landlord adequate assurance (as hereinafter defined) that:

- (a) Within ten (10) days from the date of such assumption, the Trustee will cure all monetary defaults under this Lease; and
- (b) Within thirty (30) days from the date of such assumption, the Trustee will cure all nonmonetary defaults under this Lease.

(2) The Trustee or Debtor-In-Possession has compensated or has provided to Landlord adequate assurance (as hereinafter defined) that within ten (10) days from the date of assumption, Landlord will be compensated for any pecuniary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the Debtor-In-Possession as recited in Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-In-Possession.

(3) The Trustee or the Debtor-In-Possession has provided Landlord with adequate assurance (as hereinafter defined) of the future performance of each of Tenant's, the Trustee's or Debtor-In-Possession's obligations under this Lease, provided, however, that:

- (a) The Trustee or Debtor-In-Possession shall also deposit with Landlord, in addition to any other security deposit required under the provisions of this Lease, as security for the timely payment of rent, an amount equal to three (3) months rent (as adjusted pursuant to Section 23.1(A)(3)(b) and (c) below) and other monetary charges accruing under this Lease;
- (b) If not otherwise required by the terms of this Lease, the Trustee or Debtor-In-Possession shall also pay in advance on the date minimum rent is payable hereunder, one-twelfth (1/12th) of Tenant's annual obligations under this Lease for common area maintenance, Taxes, and any other charges payable hereunder
- (c) From and after the date of the assumption of this Lease, the Trustee or Debtor-In-Possession shall pay as minimum rent an amount equal to the sum of the minimum rent otherwise payable hereunder, plus the highest of the amounts of the annual percentage rent payable by Tenant to Landlord for and with respect to any of the then last three (3) full Lease Years prior to the date of Tenant's Petition under the Bankruptcy Code, which amount shall be payable in advance in equal monthly installments on the date minimum rent is payable hereunder.
- (d) The obligations imposed upon the Trustee or Debtor-In-Possession under this Lease shall continue with respect to Tenant or any assignee of this Lease after the completion of the bankruptcy case, subject to any increased obligations, which thereafter are imposed by any provisions of this Lease.

(4) The Assumption of this Lease will not:

- (a) Breach any provision in this or any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Building;

(5) The assumption has been ratified and approved by order of such court or courts as have final jurisdiction over the Bankruptcy Code.

B. For the purposes of this Section 23, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum, "adequate assurance" shall mean:

(1) The Trustee or Debtor-In-Possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-In-Possession will have sufficient funds to fulfill the obligations of Tenant under this Lease, and to keep the Premises stocked with merchandise and properly staffed with sufficient employees to conduct a fully-operational, actively promoted business on the Premises; and

(2) The Bankruptcy Court or such court as is exercising jurisdiction over the Bankruptcy Code shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Debtor-In-Possession shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant, the Trustee or Debtor-In-Possession, acceptable as to value and kind to the Landlord, to secure to Landlord the obligation of the Trustee or Debtor-In-Possession to cure the monetary and/or nonmonetary defaults under this Lease within the time periods set forth above.

23.2. Subsequent Proceeding. In the event that this Lease is assumed by a Trustee appointed for Tenant or by Tenant as Debtor-In-Possession under the provisions of Section 23 hereof, and thereafter Tenant is liquidated or files a subsequent Petition for reorganization or adjustment of debts under Chapter 11 or 13 of the Bankruptcy Code, then, and in either such event, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of its election to so terminate, within thirty (30) days after Landlord shall have received written notice of the occurrence of either such event, but Landlord's right to be compensated for damages both at law and as provided shall survive.

23.3. Intentionally Omitted.

23.4. Assignment by Trustee. If the Trustee or Debtor-In-Possession has assumed this Lease pursuant to the terms and provisions hereof, for the purpose of assigning (or elects to assign) Tenant's interest under this Lease, or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided adequate assurance of the future performance (as defined below) of all of the terms, covenants and conditions of this lease to be performed by Tenant. For the purposes of this Section 23, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum, "adequate assurance of future performance" shall mean that each of the following conditions have been satisfied, and Landlord has so acknowledged in writing:

(1) The assignee has submitted a current financial statement audited by a Certified Public Accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of Tenant's obligations under this Lease;

(2) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance satisfactory to the Landlord from one or more persons who satisfy Landlord's standards of creditworthiness;

(3) Landlord has obtained all consents and waivers from any third party required under any lease, mortgage, financing arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such assignment;

(4) The assignee has supplied such additional information required to be supplied herein and has complied with any other conditions set forth herein for an assignment of Tenant's interest in this Lease or the estate created thereby; and

(5) The Assignee has deposited with Landlord a security deposit in such amount as has been determined by Landlord to be appropriate based upon the financial information supplied under this Section.

23.5. Use and Occupancy Charges. When, pursuant to the Bankruptcy Code, the Trustee or Debtor-In-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the Premises or any portion thereof, such charges shall not be less than the Rent specified herein and any other charges payable by Tenant hereunder, including, without limitation, Tenant's share of common area maintenance expenses, Taxes and the Marketing Charges.

23.6. No Assignment. Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant created hereby, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Tenant unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive, the need to obtain Landlord's consent or Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

Tenant hereby agrees that, in consideration of the recitals and mutual covenants contained herein, and for other good and valuable consideration, Tenant hereby acknowledges that in the event that it shall (i) file in any bankruptcy court of competent jurisdiction a petition in bankruptcy or be the subject of any voluntary or involuntary petition under Title 11 of the U.S. Code as amended ("Bankruptcy Code"); (ii) be the subject of any order of relief issued under the Bankruptcy Code; (iii) file or be the subject of any petition seeking any reorganization, or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors; (iv) have sought or consented to or acquiesced to the appointment of any trustee or receiver, conservator, or liquidator; or (v) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against Tenant, for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors under any present or future federal or state law relating to bankruptcy, insolvency or relief for debtors, then, subject only to obtaining prior court approval, and without the need for any further showing of cause, Landlord shall thereupon be entitled to, and Tenant hereby irrevocably consents to the granting of relief from any automatic stay imposed by Section 362 of the Bankruptcy Code, or otherwise, and waives any rights under Section 11 U.S.C. Section 365, on or against the exercise of the rights and remedies otherwise available to Tenant as provided by law, any legal action under the applicable state laws (including, without limitation, the right of Landlord to begin or complete the eviction suit and sale of the collateral) and otherwise provided by law, and Tenant irrevocably waives its respective right to object to such relief. Tenant specifically agrees not to directly or indirectly oppose, interfere with, impede or otherwise defend against Tenant's efforts to gain relief from the automatic stay or to otherwise enforce its rights hereunder. The remedies described in this paragraph are not exclusive and shall not limit Tenant's rights.

23.7. Miscellaneous. The rights and remedies of Landlord contained in the provisions of this Section 23 are and shall be deemed to be in addition to, and not in limitation of, applicable rights which Landlord may have hereunder and under applicable statutory and case law. Whenever any of the terms or provisions of this Lease, including, without limitation, rental obligations, are modified pursuant to the provisions of Lease upon Landlord's request, the parties hereto promptly shall execute, acknowledge and deliver to each other a written instrument evidencing and confirming the same. In no event shall this Lease, if the term hereof has expired or has been terminated in accordance with the provisions hereof, be revived, and no stay or other proceeding shall nullify, postpone or otherwise affect the expiration or earlier termination of the term of this Lease pursuant to the provisions of Section 23 or prevent Landlord from regaining possession of the Premises thereupon.

24.0 Intentionally omitted.

25.0 ROOF. Use of the roof and/or air space above the Premises is reserved exclusively to Landlord. Any use of the roof and/or air space above the Lease Premises or the Building is prohibited.

26.0 TAXES ON LEASEHOLD OR PERSONALTY. Tenant shall be responsible for and shall pay before delinquent all municipal, county or state taxes assessed during the term of this Lease against any leasehold interest or personal property of any kind, owned by or placed in, upon or about the Premises by the Tenant.

27.0 INTENTIONALLY OMITTED

28.0 TENANT FINANCIAL INFORMATION. In the event, at any time during the Lease Term, Tenant's financial information is not published and available to the general public, upon request of Landlord, Tenant shall supply bank references, balance sheets and financial statements on an annual basis during the Lease Term within ten (10) days of receipt of written notice from Landlord requesting same.

29.0 EASEMENTS. Landlord reserves to itself the right, from time to time, to grant such easements, rights and dedications that Landlord deems necessary or desirable, and to cause the recordation of site plans, restrictions and similar instruments so long as such easements, rights and dedications do not unreasonably interfere with the use of the Premises by Tenant. Tenant shall sign any consent to the aforementioned documents upon request of Landlord and failure to do so shall constitute an Event of Default under this Lease.

30.0 QUIET ENJOYMENT. If and so long as Tenant pays all Rent and keeps and performs each and every term, covenant and condition herein contained on the part of Tenant to be kept and performed, Tenant shall quietly enjoy the Premises without hindrance by Landlord, subject to the terms, covenants and conditions of this Lease and of any superior instruments.

31.0 HOLDOVER TENANCY. If Tenant shall hold over after the expiration of the Term, at Landlord's option, Tenant may be deemed to be occupying the Premises as a tenant from month to month, which tenancy may be terminated by seven (7) days' notice. During such tenancy, unless otherwise agreed to by Landlord, Tenant agrees to pay to Landlord, monthly in advance, Rent and Additional Rent in an amount equal to two hundred (150%) percent of the monthly installment of the Base Rent plus Additional Rent which was payable on the last day of the Term, unless a different rate is agreed upon, and to be bound by all of the terms, covenants and conditions herein specified. If Landlord relets during the period for which Tenant holds over, Landlord shall be entitled to recover from Tenant any and all costs, legal expenses, attorneys' fees (provided the same are awarded by a court of competent jurisdiction), damages, loss of profits or any other expenses incurred by Landlord as a result of Tenant's failure or inability to deliver possession of the Premises to Landlord when required under this Lease.

32.0 AMENDMENT; WAIVER; APPROVAL; CONSENT. This Lease constitutes the entire agreement between the parties. This Lease shall not be amended or modified except in writing signed by both parties. Failure of Landlord or Tenant to exercise any of its rights in one or more instances shall not be construed as a waiver of its right to strict performance of such rights or as to any subsequent breach of any such rights. Wherever this Lease requires either the Landlord's or Tenant's consent or approval, such consent or approval shall only be deemed given when in writing and, unless set forth expressly to the contrary, such consent or approval shall be in the reasonable discretion of Landlord or Tenant.

33.0 NOTICES. All notices, communications and statements required or permitted under this Lease shall be in writing, delivered in person or sent by United State Registered or Certified Mail, return receipt requested, with postage prepaid, or Express Mail or Federal Express (or other similar courier service having a delivery system which provides for or makes available a signed receipt of delivery) or by facsimile transmission (provided an original copy is thereafter provided by Express Mail or Federal Express overnight carrier service, addressed to the parties as follows:

AS TO TENANT:
Towerstream Corporation
Attention:
6800 Broken Sound Parkway
Suite 125
Boca Raton, FL 33487
Phone: To be determined

AS TO LANDLORD:
6800 Broken Sound, LLC
Attention: Marc Bell
6800 Broken Sound Parkway
Boca Raton, FL 33487
Phone: (561) 988-1700

With Copy to:

Joseph Hernon
Chief Financial Officer
Towerstream Corporation
88 Silva Lane
Middletown, RI 02840
Phone: 401-648-1839

With a Copy to:

Scott A. Elk, Esq.
Scott A. Elk, P.A.
750 Park of Commerce Blvd.
Suite 400
Boca Raton, FL 33487
Phone: (561) 368-5551

Mail service shall be deemed effective upon the earlier of either seventy two (72) hours after deposit in the U.S. mail, in accordance herewith, or upon receipt or refusal to accept receipt by a reputable courier service. Notices sent by facsimile transmission which are received by 4:00 p.m. (in the addressee's time zone), shall be deemed delivered as of the date of such transmission, provided that an original copy of such transmission is delivered to the addressee by a nationally utilized overnight courier service on the day following such transmission. Either party by written notice to the other may designate additional parties to receive copies of notices sent to it. Such designees may be changed by written notice. Either party may at any time, in the manner set forth for giving notice to the other, designate a different address to which notices, communication and statements to it shall be sent.

34.0 SCHEDULES; EXHIBITS. All schedules, exhibits and typewritten riders, if any, attached or added hereto are made a part of this Lease by reference and the terms, covenants, and conditions thereof shall control over any inconsistent provisions in the Sections of this Lease.

35.0 LIMITATION OF LANDLORD'S LIABILITY. The term "Landlord" as used herein shall mean only the owner or owners, at the time in question, of the fee title to the Premises. In the event of any transfer of such title or interest, Landlord herein named (and in the case of any subsequent transfers, then the grantor) shall be relieved from and after the date of such transfer of all liability in respect of Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Landlord shall, subject to the above, be binding on Landlord's successors and assigns, only during their respective periods of ownership. The obligations of Landlord under this Lease do not constitute personal obligations of Landlord or the individual partners, shareholders, directors, and officers, and Tenant shall look solely to Landlord's then existing interest in the Building and Project, and to no other assets of Landlord, for satisfaction of any liability in respect of this Lease, and will not seek recourse against the individual partners, shareholders, directors, officers, or any of their personal assets for such satisfaction. No other properties or assets of Landlord shall be subject to levy, execution, or other enforcement procedures for the satisfaction of any judgment (or other judicial process) or for the satisfaction of any other remedy of Tenant arising out of or in connection with this Lease, the relationship of landlord and tenant, or Tenant's use of the Premises.

36.0 LANDLORD'S RESERVED RIGHTS. With prior written notice to Tenant, but without being required to obtain Tenant's consent, and without liability to Tenant, Landlord shall have the right to (i) sell the Premises (or any portion(s) thereof) and assign this Lease, the Deposit and Prepaid Rent to the purchaser, and upon such assignment Landlord shall be released from all of its obligations under this Lease and Tenant agrees to attorn to such purchaser, or any other successor or assign of Landlord through foreclosure or deed in lieu of foreclosure or otherwise, and to recognize such person as successor Landlord under this Lease, provided such new owner assumes all of the obligations of Landlord under this Lease in writing, respects all of the terms and conditions of this lease; and installs and maintains signs on the Premises.

37.0 ESTOPPEL CERTIFICATE. Within ten (10) days after request therefore by Landlord or Tenant, the recipient of such request ("Recipient") shall execute and deliver (in recordable form) a certificate to any proposed mortgagee or purchaser, requested by the requesting party, together with a true and correct copy of this Lease, certifying (with such exceptions or modifications as may be the case) that to the actual knowledge of the recipient, this Lease is in full force and effect without modification, (i) the amount, if any, of Prepaid Rent and Deposit paid by Tenant to Landlord, (ii) that the Recipient has performed all of its obligations due to be performed under this Lease and that there are no defenses, counterclaims, deductions or offsets outstanding or other excuses for the Recipient's performance under this Lease, and (iii) any other fact reasonably requested by requesting party or such proposed mortgagee or purchaser. The requesting party may present to the Recipient a form of such certificate, and Recipient's failure to properly execute and deliver such form of certificate (with such exceptions or modifications noted therein as may be asserted by the Recipient in good faith) within ten (10) days after receipt of written request therefore shall be deemed conclusive upon the Recipient as to the truth of all statements contained therein as presented and may be relied on by any person holding or proposing to acquire an interest in the Premises or any part thereof or this Lease from or through the other party, that this Lease is unmodified and in full force and effect. Further, the Recipient's failure to properly execute and deliver such form of certificate within ten (10) days after receipt of written request therefore, shall, at the requesting party's option, be an Event of Default under this Lease.

38.0 ACCORD AND SATISFACTION. No receipt and retention by Landlord of any payment tendered by Tenant in connection with this Lease shall give rise to or support or constitute an accord or satisfaction, or a compromise or other settlement, notwithstanding any accompanying statement, instruction or other assertion to the contrary (whether by notation on a check or in a transmittal letter or otherwise), unless Landlord expressly agrees to an accord and satisfaction, or a compromise or other settlement, in a separate writing duly executed by Landlord. Landlord may receive and retain, absolutely and for itself, any and all payments so tendered, notwithstanding any accompanying instructions by Tenant to the contrary

39.0 SEVERABILITY. The parties intend this Lease to be legally valid and enforceable in accordance with all of its terms, covenants and conditions to the fullest extent permitted by law. If any term, covenant or condition hereof shall be invalid or unenforceable, the parties agree that such term, covenant or condition shall be stricken from this Lease, the same as if it never had been contained herein. Such invalidity or unenforceability shall not extend to any other term, covenant or condition of this Lease, and the remaining terms, covenants or conditions hereof shall continue in effect to the fullest extent permitted by law, the same as if such stricken term, covenant and condition never had been contained herein.

40.0 SUBORDINATION AND NON-DISTURBANCE. This Lease is and shall be subject and subordinate at all times to the lien of any first mortgage now or hereafter covering the Premises and to all renewals, modifications, consolidations, replacements and extensions thereof, and Tenant agrees to execute any commercially reasonable form of documents required to effect or express such subordination. Tenant shall, in the event of a sale or assignment of Landlord's interest in the premises or the Building which the Premises is located or this Lease or the total tract, or if the Premises or such Building comes into the hands of a mortgagee, ground lessor or any other person, whether because of a mortgage foreclosure, exercise of a power of sale under a mortgage, termination of the ground lease, or otherwise, attorn to the purchaser or such mortgagee or other person and recognize the same as Landlord hereunder. Tenant shall execute, at Landlord's request, any commercially reasonable form of subordination and/or attornment agreement required by any mortgagee, ground lessor or other such party to be executed, containing such provisions as such mortgagee, ground lessor or other person requires. Tenant acknowledges and agrees that a form of subordination and non-disturbance required by any lender of Landlord shall be deemed acceptable to Tenant.

If any superior mortgagee shall succeed to the rights of Landlord hereunder, whether through possession or foreclosure action, or deed, then, at the request of such party (hereinafter referred to as "Successor Landlord"), Tenant shall attorn to and recognize each Successor Landlord as Tenant's Landlord under this lease and shall promptly execute and deliver any instrument as Successor Landlord may reasonably request to confirm such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between successor Landlord and Tenant on all the terms, covenants, and conditions as set forth in this Lease. Further, upon such attornment, Landlord shall be released from any further obligation hereunder.

In accordance with the execution of this Lease Agreement, Landlord shall use its best commercial reasonable efforts to provide Tenant with a non-disturbance Agreement in a form reasonably acceptable to Tenant or any ground lessor, mortgage holder or lien holder of Landlord and encumbering Property. Landlord shall also use its best commercial reasonable efforts to provide Tenant with a non-disturbance Agreement in a form reasonable acceptable to Tenant for any ground lessors, mortgage holders, or lien holders of Landlord who may later come into existence at any time after Lease execution, but during the Term of the Lease or a renewal option thereof. Any such subordination non-disturbance and Attornment Agreement on Lender's form of such document. The initial proposed form of same is attached hereto as Exhibit "40.0" and made a part hereof.

41.0 TIME. Time is of the essence of this Lease with respect to Tenant's obligations hereunder and applies to all terms, covenants, and conditions contained herein with respect to Tenant's obligation hereunder. All "days" set forth in this Lease shall be deemed to be "calendar days" unless specifically stated to the contrary.

42.0 SUCCESSORS AND ASSIGNS. All terms and conditions to be observed and performed by Tenant hereunder shall be applicable to and binding upon Tenant's respective heirs, administrators, executors, and permitted successors and assigns. All expressed covenants of this Lease shall be deemed to be covenants running with the land.

43.0 RELATIONSHIP OF PARTIES. Anything in this Lease to the contrary notwithstanding, it is agreed that Landlord shall in no event be deemed to be a partner or engaged in a joint venture with, or an associate of Tenant in the conduct of its business nor shall Landlord be liable for any debts incurred by Tenant in the conduct of its business. Nothing contained in this Lease shall be deemed or construed to confer upon Landlord any interest in the business of the Tenant. The relationship of the parties during the Term shall at all times be that of landlord and tenant.

44.0 CAPTIONS AND SECTION NUMBERS. The captions and section numbers are for convenience of reference only and in no way shall be used to construe or modify the provisions set forth in this Lease. It is understood and agreed that verbs and pronouns in the singular number are uniformly used throughout this Lease regardless of gender, or number of the parties hereto.

45.0 AUTHORITY. The person executing this Lease, on behalf of Tenant, does hereby covenant and warrant that Tenant is duly authorized to transact business, is in good standing and existing, that Tenant is qualified to do business in the State of Florida, Tenant has full right and authority to enter into this Lease, and that the persons signing on behalf of Tenant were authorized to do so.

46.0 APPLICABLE LAW. This Lease shall be construed according to the laws of the State of Florida. Should any provision of this Lease require judicial interpretation, it is agreed by the parties hereto that the court interpreting or construing the same shall not apply a presumption that any such provision shall be more strictly construed against the party who itself or through its agent prepared the same, as all parties have participated in the preparation of the provisions of this Lease and that all terms, covenants and conditions were negotiable.

47.0 BROKER INDEMNIFICATION. As part of the consideration for the granting of this Lease, Landlord and Tenant each represent and warrant to the other that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease other than the Brokers. Each party agrees to indemnify the other against any loss, expense (including reasonable attorneys, fees), cost or liability incurred by the other party as a result of a claim by any other broker or finder (other than Broker) against the indemnifying party.

48.0 SURRENDER OF PREMISES. Tenant agrees to surrender to Landlord, at the end of the Term or upon any earlier termination of this Lease, the Premises in (i) as good condition as the Premises were at the Occupancy Date, ordinary wear and tear excepted; (ii) except as otherwise provided in this Lease, Tenant shall remove its trade fixtures, furnishings and equipment from the Premises and shall repair any damage caused by such removal; and (iii) Tenant shall also remove all rubbish from the Premises. Tenant hereby expressly authorizes Landlord, as agent of Tenant, to remove such rubbish and make such repairs as may be necessary to restore the Premises to such condition and charge Tenant the reasonable and actual cost. At the expiration or earlier termination of this Lease of Tenant's right of possession, Tenant shall vacate and surrender possession of the entire Premises, ordinary wear and tear excepted, shall surrender all keys and key cards, and any parking transmitters, stickers or cards, to Landlord, and shall remove all personal property and office trade fixtures (except Landlord's Personal Property) that may be readily removed without damage to the Premises, the Building or the Property. All improvements, fixtures and other items, including ceiling light fixtures, HVAC equipment, plumbing fixtures, hot water heaters, fire suppression and sprinkler systems, "Lines", wall coverings, carpeting, and other flooring, blinds, drapes and window treatments, in or serving the Premises, whether installed by Tenant or Landlord, and Landlord's Personal Property, shall be Landlord's property and shall remain upon the Premises, all without compensation, allowance or credit to Tenant, unless Landlord elects otherwise as provided herein. If prior to such termination Landlord so directs by notice, Tenant shall promptly remove such of the foregoing items as are designated in such notice and restore the Premises to the condition prior to the installation of such items in a good and workmanlike manner, provided, Landlord shall not require removal of customary office improvements installed with Landlord's written approval (except as expressly and reasonably required by Landlord in connection with granting such approval). If Tenant shall fail to perform any repairs or restoration, or fail to remove any items from the Premises required hereunder, Landlord may do so and Tenant shall pay Landlord's charges therefor upon demand. All property removed from the Premises by the Landlord pursuant to any provisions of this Lease or any Law may be handled or stored by Landlord at Tenant's expense, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. All property not removed from the Premises or retaken from storage by Tenant within thirty (30) days after expiration or earlier termination of this Lease or Tenant's right to possession, shall at Landlord's option be conclusively deemed to have been conveyed by Tenant to Landlord as if by bill of sale without payment by Landlord. Unless prohibited by applicable Law, Landlord shall have a lien against such property for the costs incurred in removing and storing the same. Tenant hereby waives any statutory notice to vacate or quit the Premises upon expiration of this Lease.

49.0 ATTORNEYS' FEES. If either party herein brings an action to enforce the terms hereof or declare their rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to its costs and reasonable attorney's fees, including all appeals from the non-prevailing party, in any action as awarded by a court of competent jurisdiction.

50.0 RECORDING/MEMORANDUM OF LEASE. At Landlord's request at any time during the Term, Tenant agrees to join in a memorandum of Lease in form and content reasonably satisfactory to Landlord, which Memorandum may be recorded in the Public Records of Palm Beach County, Florida. In no event shall this Lease be recorded.

51.0 LANDLORD'S DEFAULT. Should Landlord be in default under any of the terms, covenants or conditions of this Lease, Tenant shall give Landlord prompt written notice thereof, and Tenant shall allow Landlord thirty (30) days in which to cure such default, which time shall not, in any event be less than thirty (30) days from the date of Landlord's receipt of such notice. If the default cannot be cured within such thirty (30) days, no event of default shall be deemed to have occurred so long as Landlord shall commence the curing of such default within the thirty (30) day period and shall thereafter diligently continue the curing of the same. In the event Landlord fails to cure any such default within the period prescribed in this Section or fails to diligently cure any such default, then, after written notice from Tenant to Landlord, Tenant may perform any such obligations of Landlord and Tenant may charge Landlord the reasonable and actual cost of performing such obligation. In no event whatsoever shall Tenant have the right to offset any unpaid amounts against any future payments of Rent.

52.0 FORCE MAJEURE . Neither party shall be required to perform any term, covenant or condition in this Lease so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, labor disputes (whether lawful or not), material or labor shortages, restrictions by any Governmental Authority, civil riots, floods, hurricanes, and any other cause not within the control of Landlord. The provisions of this article shall not operate to excuse Tenant from the payment of Rent or from surrendering the Premises as required under this Lease.

53.0 TENDER AND DELIVERY OF LEASE . Submission of this Lease does not constitute an offer, right of first refusal, reservation of or option for the Premises or any part thereof. This Lease becomes effective as a lease upon execution and delivery by both Landlord and Tenant. Either party reserves the right at any time prior to full execution of this Lease to terminate negotiations of all sorts with the other party, and neither party shall have the right to make any claim for damages or otherwise against the other party, in such case.

54.0 H AZARDOUS WASTE .

54.1. Tenant represents and warrants to Landlord that Tenant's use and activities on the Premises shall be conducted in compliance with all applicable environmental ordinances, rules, regulations, statutes, orders, and laws of all local, state, or federal agencies or bodies with jurisdiction over the Premises or the activities conducted on the Premises (hereinafter collectively referred to as the "Environmental Laws"). In the event any of Tenant's activities require the use of "hazardous" or "toxic" substances, as such terms are defined by any of the Environmental Laws, then Tenant represents and warrants to Landlord that Tenant has received all permits and approvals required under the Environmental Laws with respect to such toxic or hazardous substances. Tenant covenants and agrees to maintain the Premises in a "clean" condition during the term of this Lease, as extended or renewed. As used in this paragraph, the term "clean" shall mean that the Premises are in material compliance with the standards set forth under the Environmental Laws and any standards set forth in this Lease.

54.2. In the event Tenant breaches any of its material representations, warranties, or covenants and agreements contained in this Section 54 or fails to notify Landlord of the release of any hazardous or toxic substances from the Premises, then such breach or failure to notify shall be deemed an Event of Default and Landlord shall have all rights and remedies available to it, including, but not limited to, the right to terminate this Lease. In the event of an emergency or after Tenant has failed to timely clean up the Premises, Landlord shall be entitled to initiate a clean up of the Premises, in which case Landlord shall be reimbursed by Tenant for, and indemnified by Tenant from, actual and reasonable costs, expense, losses, and liabilities incurred in connection with such clean up of the Premises (including all reasonable attorneys' and paralegals, fees at trial and all appellate levels) by Tenant. In the alternative, Landlord may require Tenant to clean up the Premises and to fully indemnify and hold Landlord harmless from any and all losses, liabilities, expenses (including, but not limited to, reasonable attorneys' and paralegals' fees at trial and all appellate levels), and costs incurred by Landlord in connection with Tenant's clean up action. However, the foregoing provisions shall not prohibit the transportation to and from, and the use, storage, maintenance and handling within, the Premises of substances customarily used in connection with normal office use provided that such substances shall be used and maintained only in such quantities as are reasonably necessary for the permitted use of the Premises, in accordance with applicable laws and the manufacturers' instructions therefore.

Notwithstanding anything herein, Tenant agrees to pay, and shall indemnify Landlord from and against, any and all losses, claims, liabilities, costs, and expenses (including reasonable attorneys, and paralegals, fees at trial and all appellate levels) incurred by Landlord as a result of any material breach by Tenant of this paragraph, and/or as a result of any contamination of the Premises due to Tenant's use of hazardous or toxic substances on the Premises.

54.3. If Tenant's operations require the ongoing use of hazardous or toxic substances, then Tenant shall upon written request by Landlord supply Landlord within ten (10) days of receipt of such request with copies of reports and any other monitoring information required by the Environmental Laws, and any failure by Tenant to do so shall be, at Landlord's option, constitute an Event of Default under this Lease.

54.4. Environmental Indemnity. Tenant agrees to indemnify and hold Landlord harmless from and against, and shall reimburse the Landlord for, any and all loss, claim, liability, damages, injuries to person, property, or natural resources, cost, expense, action or cause of action, arising in connection with the release or presence of any Hazardous Substances and/or contaminants, as defined in any local, state, or federal rule, law or regulation, at the Lease Premises, through the acts of the Tenant, its employees, its agents or invitees acting with the Tenant's authority, whether foreseeable or unforeseeable, regardless of the source of such release and when such release occurred or such presence is discovered. The foregoing indemnity includes, without limitation, all costs in law or in equity of removal, remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the Lease Premises is in compliance and cause the Leased Premises to be in compliance with all applicable Environmental Laws, all costs associated with claims for damages to persons, property or natural resources, and Landlord's reasonable attorneys' and consultants' fees and court costs, provided the same is awarded by a court of competent jurisdiction.

55.0 TELECOMMUNICATION LINES.

55.1. Telecommunication Lines. Subject to Landlord's continuing right of supervision and approval, and the other provisions hereof, Tenant may: (i) install telecommunication lines ("Lines") connecting the Premises to Landlord's terminal block on the floor or floors on which the Premises are located, or (ii) use such Lines as may currently exist and already connect the Premises to such terminal block. Landlord disclaims any representations, warranties or understandings concerning the capacity, design or suitability of Landlord's riser Lines or related equipment. If there is, or will be, more than one tenant on any floor, at any time, Landlord may allocate, and periodically reallocate, connections to the terminal block based on the proportion of square feet each tenant occupies on such floor, or the type of business operations or requirements of such tenants, in Landlord's reasonable discretion. Landlord may arrange for an independent contractor to review Tenant's requests for approval hereunder, monitor or supervise Tenant's installation, connection and disconnection of Lines, and provide other such services, or Landlord may provide the same. In each case, Tenant shall pay Landlord's fees and costs therefor.

55.2. Installation. Tenant may install and use Tenant's Lines and make connections and disconnections at the terminal blocks as described above, provided Tenant shall: (i) obtain Landlord's prior written approval of all aspects thereof, (ii) use an experienced and qualified contractor designated or approved in writing in advance by Landlord (whom Landlord may require to enter an access and indemnity agreement on Landlord's then standard form of agreement therefor), (iii) comply with such inside wire standards as Landlord may adopt from time to time, and all other provisions of this Lease, including Section 15.0 respecting Alterations, and the Rules respecting access to the wire closets, (iv) thoroughly test any riser Lines to which Tenant intends to connect any Lines to ensure that such riser Lines are available and are not then connected to or used for telephone, data transmission or any other purpose by any other party (whether or not Landlord has previously approved such connections), and not connect to any such unavailable or connected riser Lines, and (v) not connect any equipment to the Lines which may create an electromagnetic field exceeding the normal insulation ratings of ordinary twisted pair riser cable or cause radiation higher than normal background radiation, unless the Lines therefor (including riser Lines) are appropriately insulated to prevent such excessive electromagnetic fields or radiation (and such insulation shall not be provided by the use of additional unused twisted pair Lines). As a condition to permitting installation of new Lines, Landlord may require that Tenant remove any existing Lines located in or serving the Premises.

55.3. Limitation of Liability. Unless due solely to Landlord's intentional misconduct or grossly negligent acts, Landlord shall have no liability for damages arising, and Landlord does not warrant that the Tenant's use of the Lines will be free, from the following (collectively called "Line Problems"): (i) any eavesdropping, wire-tapping or theft of long distance access codes by unauthorized parties, (ii) any failure of the Lines to satisfy Tenant's requirements, or (iii) any shortages, failures, variations, interruptions, disconnections, loss or damage caused by or in connection with the installation, maintenance, replacement, use or removal of any other Lines or equipment at the Building by or for other tenants at the Building, by any failure of the environmental conditions at or the power supply for the Building to conform to any requirements of the Lines or any other problems associated with any Lines or by any other cause. Under no circumstances shall any Line Problems be deemed an actual or constructive eviction of Tenant, render Landlord liable to Tenant for abatement of any Rent or other charges under the Lease, or relieve Tenant from performance of Tenant's obligations under the Lease as amended herein. Landlord in no event shall be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from any Line Problems.

56.0 CONFIDENTIALITY. Landlord and Tenant acknowledge that the terms, covenants and conditions of this Lease have been negotiated based upon a variety of factors occurring at a coincidental point in time, including, but not limited to (i) the individual principals involved and the financial strength of Tenant, (ii) the nature of Tenant's business and use of the Premises, and (iii) the current lease market and economic conditions affecting rental rates. Therefore, recognizing the totality, uniqueness, complexity and interrelation of the aforementioned factors, Tenant agrees not to disseminate in any manner whatsoever, (whether by word of mouth, mechanical reproduction, physical tender or by any other manner) the terms, covenants and conditions of this Lease to third parties who could in any way be considered presently or in the future as prospective tenants for this or any other leasehold property within the Building Project.

57.0 INDEMNIFICATION BY TENANT. Tenant shall indemnify and hold Landlord and all Superior Lessors and Superior Mortgagees and its and their respective partners, directors, officers, agents, employees and beneficiaries harmless from and against any and all claims from or in connection with (a) the conduct or management of the Premises or any business therein, or any work or thing whatsoever done, or any condition created (other than by Landlord) in or about the Premises during the Term of this Lease or during the period of time, if any, prior to the Commencement Date that Tenant may have been given access to the Premises; (b) any act, omission or negligence of Tenant or any of its subtenants or licensees or its or their partners, directors, officers, agents, employees or contractors; (c) any accident, injury or damage whatsoever (unless caused solely by Landlord's negligence) occurring in, at or upon the Premises as a result of the acts of the Tenant, its servants, agents, invitees or employees; and (d) any Event of Default by Tenant under this Lease; together with all reasonable costs, expenses and liabilities incurred in or in connection with each such claim or action or proceeding brought thereon including, without limitation, all reasonable attorneys' fees and expenses, provided the same is awarded by a court of competent jurisdiction. In case any action or proceeding be brought against Landlord and/or employees by reason of any such claim, Tenant upon notice from Landlord or such Superior Lessor Superior Mortgagee, shall resist and defend such action or proceeding (by counsel reasonably satisfactory to Landlord or such Superior Lessor or Superior Mortgagee).

58.0 PARKING . Landlord shall provide the municipal code required parking for Tenant's non-exclusive use at the Building. Landlord reserves the right to impose restrictions on all parking areas and to move parking spaces which it may deem necessary to promote the common interests of all tenants, including the right to restrict or prohibit the parking of automobiles of the Tenant and its employees. Parking of trucks and cars by Tenant shall be permitted only in accordance with all Government Requirements.

59.0 RADON GAS . Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

60.0 JURY WAIVER: COUNTERCLAIMS . LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM INVOLVING ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH (i) THIS LEASE, (ii) THE RELATIONSHIP OF LANDLORD AND TENANT, (iii) TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR (iv) THE RIGHT TO ANY STATUTORY RELIEF OR REMEDY. TENANT AGREES THAT IT SHALL NOT INTERPOSE ANY PERMISSIVE COUNTERCLAIM OF ANY NATURE; IN ANY SUMMARY PROCEEDING BROUGHT AGAINST TENANT BY LANDLORD TO OBTAIN POSSESSION OF THE PREMISES. THIS WAIVER IS MADE KNOWINGLY, INTENTIONALLY AND VOLUNTARILY BY TENANT. TENANT FURTHER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED (OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS LEASE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. THIS PROVISION IS A MATERIAL INDUCEMENT TO LANDLORD IN AGREEING TO ENTER INTO THIS LEASE. TENANT ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER PROVISIONS AND AS EVIDENCE OF THIS FACT SIGNS IT INITIALS OR THE INITIALS OF ITS DULY AUTHORIZED REPRESENTATIVE IN THE SPACE IMMEDIATELY BELOW.

61.0 VENUE . In any proceeding brought relative to the terms or provisions of this Lease, venue shall be in Palm Beach County, Florida.

62.0 SALE OR TRANSFER OF PREMISES OR ANY INTEREST THEREIN BY LANDLORD . Landlord shall have the right, to sell, mortgage, or otherwise encumber or dispose of Landlord's interest in the Land and Building containing the Premises, and/or this Lease and to recognize such person as successor Landlord under this Lease (i) change the name or street address of the Premises; and (ii) install and maintain signs on the Premises and Building. In the event of any sale or transfer of any interest in the Premises by Landlord, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed to have assumed and agreed to carry out any and all covenants and obligations of the Landlord under this Lease (upon such purchaser's written assumption of Landlord's obligations under this Lease).

63.0 RULES AND REGULATIONS. Tenant agrees to comply with and abide by the rules and regulations (“Rules and Regulations”) of the Building as adopted and amended from time to time by Landlord. The current rent rolls and regulations for the Building are attached hereto as Exhibit 63.0 and made a part hereof. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations against any other tenant or any employees or agents of any other tenant, and Landlord shall not be liable to Tenant for violation of the Rules and Regulations by any other tenant or its employees, agents, invitees or licensees.

IN WITNESS WHEREOF, the respective parties have signed, sealed and delivered this Lease on the date and year written below.

Signed, sealed and delivered
in the presence of:

/s/ Steve Carlino

Print Name: Steve Carlino

/s/ Vallerie Trust

Print Name: Vallerie Trust

/s/ Mary-Catherine Armstrong

Print Name: Mary-Catherine Armstrong

/s/ Tara Pacheco

Print Name: Tara Pacheco

LANDLORD:

6800 BROKEN SOUND, LLC, a Florida corporation

By: /s/ Marc Bell

Name: Marc Bell

Title: Manager

Dated: 12/17/14

TENANT:

TOWERSTREAM CORPORATION, a Delaware
Corporation

By: /s/ Joseph Hernon

Name: Joseph Hernon

Title: Chief Financial Officer

Dated: 12/12/14

EXHIBIT 1.11

OPTION RIDER

OPTION TO RENEW AND EXTEND LEASE

Provided the Tenant shall have fulfilled completely and timely the terms and conditions of the Lease and is not in default thereof, and provided the Tenant has not assigned or sublet the Premises in whole or in part during the Lease Term, Tenant shall have the right to extend the Term of this Lease for one (1) successive sixty (60) month period (the sixty (60) month period shall be the "Option Term") under the same terms and conditions of the original Lease, with the exception of Annual Base Rent due. It is understood that this Option to Renew and Extend Lease is unique to TOWERSTREAM CORPORATION a Delaware corporation (hereinafter "Tenant"), and upon any assignment or subletting, with or without Landlord's consent, this Option shall be rendered null and void.

In order to exercise such option to renew and extend this Lease, Tenant shall give notice to Landlord, in writing, of its intention to do so at least one hundred eighty (180) days prior to the expiration of the Lease Term, and if Tenant shall fail to give such notice within such time limit, all rights and privileges as granted to Tenant to renew and extend this Lease shall thereupon be null and void. Time shall be of the essence with respect to providing the written notice required herein.

During the first year of the Option Term, and commencing on the first day of the first month, of the Option Term, the Annual Base Rent as set forth in the Lease shall be the prevailing market rent for the Premises, but in no event less than the Base Rent in the last Year of the Term, with yearly increases during the Option Term at three (3%) percent per Lease Year. In addition, Tenant shall pay all Operating Expenses, and other amounts required pursuant to the Lease Agreement during any such option periods exercised by Tenant.

If the Tenant shall exercise the option to extend the term as set forth herein then the Rent shall be agreed upon by the parties in writing. If the parties are unable to agree on the Annual Base Rent during the first sixty (60) days of the one hundred eighty (180) day notification period for each of the Option Terms exercised by Tenant, then the Rent shall be determined by arbitration subject to the provisions of this section.

Within fifteen (15) days after the expiration of such sixty (60) day period, each party shall appoint a duly qualified real estate broker with a well known firm, excluding any real estate broker who participated in this Lease, (*e.g.* , Grubb & Ellis, etc.), who has at least five (5) years experience and who specializes in leasing of properties similar to the Premises, to act as arbitrator. Within fifteen (15) days thereafter, each arbitrator shall appoint a third person similarly qualified to act as a third arbitrator. If the parties' arbitrators are unable to agree upon appointment of such third arbitrator within such fifteen (15) day period, then either party, on behalf of both, may petition the American Arbitration Association or the court having jurisdiction over commercial disputes for the city or county in which the Building is located to appoint the third arbitrator. Within thirty (30) days after appointment of the third arbitrator, the three (3) arbitrators shall determine the market annual base rental for the Premises, taking into account the terms of this Lease, the location of the Building and its major comparables, and Premises of comparable quality for tenants of similar size, credit, quality and stature, giving appropriate consideration to annual rental rate (including Building Operating Expenses being paid by Tenant at the commencement of the Option Term), abatement provisions reflecting free rent and/or no rent, brokerage commissions, if any, tenant improvement allowances, inducements, and other tenant benefits and concessions common to the market place, and the amounts determined shall be used as a base for a computation by them of the Annual Base Rent thereunder. In the event the arbitrators are unable to reach a unanimous agreement, the vote of two (2) shall control and the decision of the arbitrators shall be final and binding upon the parties hereto. Landlord and Tenant shall each bear one-half (1/2) the cost of the arbitration.

In addition to Base Rent as calculated herein, Tenant shall remain liable for all Additional Rent, and all other terms, covenants, conditions, obligations, payments, costs and responsibilities of the Lease during the Option Term. Other than as specifically granted herein, Tenant shall not be entitled to any other or further options to extend the Lease.

IN WITNESS WHEREOF, the respective parties have signed, sealed and delivered this Lease on the date and year written below.

Signed, sealed and delivered
in the presence of:

/s/ Steve Carlino

Print Name: Steve Carlino

/s/ Vallerie Trust

Print Name: Vallerie Trust

LANDLORD:

6800 BROKEN SOUND, LLC, a Florida corporation

By: /s/ Marc Bell

Name: Marc Bell

Title: Manager

Dated: 12/17/14

TENANT:

TOWERSTREAM CORPORATION, a Delaware
Corporation

/s/ Mary-Catherine Armstrong

Print Name: Mary-Catherine Armstrong

By: /s/ Joseph Hernon

Name: Joseph Hernon

Title: Chief Financial Officer

/s/ Tara Pacheco

Print Name: Tara Pacheco

Dated: 12/12/14

EXHIBIT "1.7"

Legal Description

PARCEL 1:

Condominium Parcel No. 2, of Broken Sound Corporate Center Condominium, a condominium according to the Declaration of Condominium thereof, recorded in Official Records Book 10760, Page 1268, and amended in Official Records Book 11450, Page 1395, of the Public Records of Palm Beach County, Florida.

PARCEL 2:

Together with a non-exclusive easement for the use of the Common Areas as set forth in the certain Declaration of Covenants and Restrictions for Arvida Park of Commerce West recorded in Official Records Book 2873, Page 745, as amended in Official Records Book 3866, Page 108, of the Public Records of Palm Beach County, Florida.

EXHIBIT "1.19"

REMOVED WALL

(attached hereto)

EXHIBIT "40.0"

SUBORDINATION NON-DISTURBANCE AND ATTORNMENT AGREEMENT

(attached hereto)

RULES AND REGULATIONS

1.0 Access to Property. On Saturdays, Sundays and Holidays, and on other days between the hours of 6:00 P.M. and 8:00 A.M. the following day, or such other hours as Landlord shall determine from time to time, access to and within the Building and/or to the passageways, lobbies, entrances, exits, loading areas, corridors, elevators or stairways and other areas in the Building may be restricted and access gained by use of a key to the outside doors of the Building, or pursuant to such security procedures Landlord may from time to time impose. Landlord shall in all cases retain the right to control and prevent access to such areas by Persons engaged in activities which are illegal or violate these Rules, or whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants (and Landlord shall have no liability for damages for such actions taken in good faith). No Tenant and no employee or invitee of Tenant shall enter areas reserved for the exclusive use of Landlord, its employees or Invitees or other Persons. Tenant shall keep doors to corridors and lobbies closed except when persons are entering or leaving.

2.0 Signs. Tenant shall not paint, display, inscribe, maintain or affix any sign, placard, picture, advertisement, name, notice, lettering or direction on any part of the outside or inside of the Building, or on any part of the inside of the Premises which may be seen from the outside of the Premises without the prior consent of Landlord, and then only such name or names or matter and in such color, size, style, character and material, and with professional designers, fabricators and installers as may be first approved or designated by Landlord in writing. Landlord shall prescribe the suite number and identification sign for the Premises. The suite number and Identification sign shall be prepared and installed by Landlord at Tenant's expense at the principal entry to the Premises (and Tenant, at Tenant's sole cost and expense, may install its logo at the principal entry to the Premises), and at Landlord's cost, in the directory its the Building lobby. Landlord reserves the right to remove at Tenant's expense all matter not so installed or approved without notice to Tenant.

3.0 Window and Door Treatments. Tenant shall not place anything or allow anything to be placed in the Premises near the glass of any door, partition, wall or window which may be unsightly from outside the Premises, and Tenant shall not place or permit to be placed any article of any kind on any window ledge or on the exterior walls. Blinds, shades, awnings or other forms of inside or outside window ventilators or similar devices, shall not be placed in or about the outside windows or doors in the Premises except to the extent, if any, that the design, character, shape, color, material and make thereof is first approved or designated by the Landlord. Tenant shall not install or remove any solar tint film from the windows.

4.0 Lighting and General Appearance of Premises. Landlord reserves the right to designate and/or approve in writing all internal lighting that may be visible from the public, common or exterior areas. The design, arrangement, style, color, character, quality and general appearance of the portion of the Premises visible from public, common and exterior areas, and contents of such portion of the Premises, including furniture, fixtures, signs, art work, wall coverings, carpet and decorations, and all changes, additions and replacements thereto shall at all times have a neat, professional, attractive, first class office appearance.

5.0 Property Tradename, Likeness, Trademarks . Tenant shall not in any manner use the name of the Property for any purpose, or use any tradenames or trademarks used by Landlord, any other tenant, or its affiliates, or any picture or likeness of the Property for any purpose other than that of the business address of Tenant, in any letterheads, envelopes, circulars, notices, advertisements, containers, wrapping or other-material.

6.0 Deliveries and Removals. Furniture, freight and other large or heavy articles, and all other deliveries may be brought into the Building only at times and in the manner designated by Landlord, and always at the Tenant's sole responsibility and risk. Landlord may inspect items brought into the Building or Premises with respect to weight or dangerous nature or compliance with this Lease or Laws. Landlord may (but shall have no obligation to) require that all furniture, equipment, cartons and other articles removed from the Premises or the Building be listed and a removal permit therefor first be obtained from Landlord. Tenant shall not take or permit to be taken in or out of ether entrances or elevators of the Building, any item normally taken, or which Landlord otherwise reasonably requires to be taken, in or out through service doors or on freight elevators. Landlord may impose reasonable charges and requirements for the use of freight elevators and loading areas, and reserves the right to alter schedules without notice. Any hand-carts used at the Building shall have rubber wheels and sideguards, and no other material handling equipment may be brought upon the Building without Landlord's prior written approval

7.0 Outside Vendors. Tenant shall not obtain for use upon the Premises ice, drinking water, vending machine, towel, janitor and other services, except from Persons designated or approved by Landlord. Any Person engaged by Tenant to provide any other services shall be subject to scheduling and direction by the manager or security personnel of the Building. Vendors must use freight elevators and service entrances.

8.0 Overloading Floors; Vaults. Tenant shall not overload any floor or part thereof in the Premises or Building, including any public corridors or elevators therein bringing in or removing any large or heavy articles, and Landlord may prohibit, or direct and control the location and size of, safes, file rooms and all other heavy articles and require at Tenant's expense supplementary supports of such materiel and dimensions as Landlord may deem necessary to properly distribute the weight. In connection with any deliveries, Tenant shall protect the Floor of the Premises and of the Building (with materials such as masonite) so as to prevent any damage to any tile on the Premises and the Building.

9.0 Locks and Keys. Tenant shall use such standard key system designated by Landlord on all keyed doors to and within the Premises, excluding any permitted vaults or safes (but Landlord's designation shall not be deemed a representation of adequacy to prevent unlawful entry or criminal acts, and Tenant shall maintain such additional insurance as Tenant deems advisable for such events). Tenant shall not attach or permit to be attached additional locks or similar devices to any door or window, change existing locks or the mechanism thereof, or make or permit to be made any keys for any door other than those provided by Landlord. If more than two keys for one lock are desired, Landlord will provide them upon payment of Landlord's charges. In the event of loss of any keys furnished by Landlord, Tenant shall pay Landlord's reasonable charges therefor. The term "key" shall include mechanical, electronic or other keys, cards and passes.

10.0 Utility Closets and Connections. Landlord reserves the right to control access to and use of, and monitor and supervise any work in or affecting, the "wire" or telephone, electrical, plumbing or other utility closets, the Systems and Equipment, and any changes, connections, new installations, and wiring work relating thereto (or Landlord may engage or designate an independent contractor to provide such services). Tenant shall obtain Landlord's prior written consent for any such access, use and work in each instance, and shall comply with such requirements as Landlord may impose, and the other provisions of the Lease respecting electric installations and connections, and Article 55.0 respecting telephone lines and connection, and the Lease respecting Work in general. Tenant shall have no right to use any broom closets, storage closets, Janitorial closets, or other such closets, rooms and areas whatsoever. Tenant shall not install in or for the Premises any equipment which requires more electric current than Landlord is required to provide under this Lease, without Landlord's prior written approval Tenant shall ascertain from Landlord the maximum amount of load or demand for or use of electrical current which can safely be permitted in and for the Premises, taking into account the capacity of electric wiring in the Building and the Premises and the needs of tenants of the Building, and shall not in any event connect a greater load than such safe capacity.

11.0 Plumbing Equipment. The toilet rooms, urinals, wash bowls, drains, sewers and other plumbing fixtures, equipment and lines shall not be misused or used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

12.0 Trash. All garbage, refuse, trash and other waste shall be kept in the kind of container, placed in the areas, and prepared for collection in the manner and at the times and places specified by Landlord, subject to Article 54.0 respecting Hazardous Materials. Landlord reserves the right to require that Tenant participate in any recycling program designated by Landlord.

13.0 Alcohol, Drugs, Food and Smoking. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules. Tenant shall not at any time manufacture, sell, use or give away, any spirituous, fermented, intoxicating or alcoholic liquors on the Premises, nor permit any of the same to occur. Tenant shall not at any time cook, sell, purchase or give away, food in any form by or to any of Tenant's agents or employees or any other parties on the Premises, nor permit any of the same to occur (other than in microwave ovens and coffee makers properly maintained in good and safe working order and repair in lunch rooms or kitchens for employees as may be permitted or installed by Landlord, which does not violate any Laws or bother or annoy any other tenant). Tenant and its employees shall not smoke tobacco on any part of the Building and Property (including exterior areas) except those areas, if any, that are designated or approved as smoking areas by Landlord.

14.0 Use of Common Areas; No Soliciting. Tenant shall not use the common areas, including areas adjacent to the Premises, for any purpose other than ingress and egress, and any such use thereof shall be subject to the other provisions of this Lease, including these Rules. Without limiting the generality of the foregoing, Tenant shall not allow anything to remain in any passageway, sidewalk, court, corridor, stairway, entrance, exit, elevator, parking or shipping area, or other area outside the Premises. Tenant shall not use the common areas to canvass, solicit business or information from, or distribute any article or material to, other tenants or invitees of the Building. Tenant shall not make any room-to-room canvass to solicit business or information or to distribute any article or material to or from other tenants of the Building and shall not exhibit, sell or offer to sell, use, rent or exchange any products or services in or from the Premise unless ordinarily embraced within the Tenant's use of the Premises expressly permitted in the Lease.

15.0 Energy and Utility Conservation. Tenant shall not waste electricity, water, heat or air conditioning or other utilities or services, and agrees to cooperate fully with Landlord to assure the most effective and energy efficient operation of the Building and shall not allow the adjustment (except by Landlord's authorized Building personnel) of any controls. Tenant shall not obstruct, alter or impair the efficient operation of the Systems and Equipment, and shall not place any item so as to interfere with air flow. Tenant shall keep corridor doors closed and shall not open any windows, except that if the air circulation shall not be in operation, windows which are openable may be opened with Landlord's consent. If reasonably requested by Landlord (and as a condition to claiming any deficiency in the air-conditioning or ventilation services provided by Landlord), Tenant shall close any blinds or drapes in the Premises to prevent or minimize direct sunlight.

16.0 Unattended Premises. Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights and water faucets in the Premises (except heat to the extent necessary to prevent the freezing or bursting of pipes).

17.0 Going-Out-Of-Business Sales and Auctions. Tenant shall not use, or permit any other party to use, the Premises for any distress, fire, bankruptcy, closeout, "lost our lease" or going-out-of-business sale or auction. Tenant shall not display any signs advertising the foregoing anywhere in or about the Premises. This prohibition shall also apply to Tenant's creditors.

18.0 Labor Harmony. Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment, or labor and employment practices that, in Landlord's good faith judgment, may cause strikes, picketing or boycotts or disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building.

19.0 Prohibited Activities. Tenant shall not: (i) use strobe or flashing lights in or on the Premises, (ii) install or operate any internal combustion engine, boiler, machinery, refrigerating, treating or air conditioning equipment in or about the Premises, (iii) use the Premises for housing, lodging or sleeping purposes or for the washing of clothes, (iv) place any radio or television antennae other than inside of the Premises, (v) operate or permit to be operated any musical or sound producing instrument or device which may be heard outside the Premises, (vi) use any source of power other than electricity, (vii) operate any electrical or other device from which may emanate electrical, electromagnetic, energy, microwave, radiation or other waves or fields which may interfere with or impair radio, television, microwave, or other broadcasting or reception from or in the Building or elsewhere in the Property, or impair or interfere with computers, faxes or telecommunication lines or equipment at the Building or elsewhere, or creates health hazard, (viii) bring or permit any bicycle or other vehicle, or dog (except in the company of a blind person or except where specifically permitted) or other animal or bird in the Building, (ix) make or permit objectionable noise, vibration or odor to emanate from the Premises, (x) do anything in or about the Premises or Building that is illegal, immoral, obscene, pornographic, or anything that may in Landlord's good faith opinion create or maintain a nuisance, cause physical damage to the Premises or Building, interfere with the normal operation of the Systems and Equipment, impair the appearance, character or reputation of this Premises or Building, create waste to the Premises or Building, cause demonstrations, protests, loitering, bomb threats or other events that may require evacuation of the Building, (xi) advertise or engage in any activities which violate the spirit or letter of any code of ethics or licensing requirements of any professional or business organization, (xii) throw or permit to be thrown or dropped any article from any window or other opening in the Building, (xiii) use the Premises for any purpose, or permit upon the Premises or Building anything that may be dangerous to persons or property (including firearms or other weapons (whether or not licensed or used by security guards) or any explosive or combustible articles or materials) (xiv) place vending or game machines in the Premises, except vending machines for employees, (xv) adversely affect the indoor air quality of the Premises or Building, or (xvi) do or permit anything to be done upon the Premises or Building in any way tending to disturb, bother, annoy or interfere with Landlord or any other tenant at the Building or the tenants of neighboring property, or otherwise disrupt orderly and quiet use and occupancy of the Building.

20.0 Transportation Management. Tenant shall comply with all present or future programs Intended to manage parking, transportation or traffic in and around the Property, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord governmental transportation management organization or any other transportation related committees or entities.

21.0 Responsibility for Compliance. Tenant shall be responsible for ensuring compliance with these Rules, as they may be amended, by Tenant's employees and as applicable, by Tenant's agents, invitees, contractors, subcontractors, and suppliers. Tenant shall cooperate with any reasonable program or requirements by Landlord to monitor and enforce the Rules, including providing vehicle numbers and taking appropriate action against such of the foregoing parties who violate these provisions.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Towerstream Corporation and Subsidiaries on Form S-3, as amended (File No. 333-187548, File No. 333-166239, File No. 333-141405, and File No. 333-178868) and on Form S-8 (File No. 333-161180, File No. 333-151306, and File No. 333-174107) of our report dated March 12, 2015, with respect to our audits of the consolidated financial statements of Towerstream Corporation and Subsidiaries as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 and our report dated March 12, 2015 with respect to our audit of the effectiveness of internal control over financial reporting of Towerstream Corporation and Subsidiaries as of December 31, 2014, which reports are included in this Annual Report on Form 10-K of Towerstream Corporation and Subsidiaries for the year ended December 31, 2014.

/s/ Marcum LLP

Marcum LLP
New York, NY
March 12, 2015

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

I, Jeffrey M. Thompson, certify that:

- (1) I have reviewed this annual report on Form 10-K of Towerstream Corporation for the yearended December 31, 2014;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2015

/s/ Jeffrey M. Thompson

Jeffrey M. Thompson
President and Chief Executive Officer
(Principal Executive Officer)

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

I, Joseph P. Herson, certify that:

- (1) I have reviewed this annual report on Form 10-K of Towerstream Corporation for the year ended December 31, 2014;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2015

/s/ Joseph P. Herson

Joseph P. Herson
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

**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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey M. Thompson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2015

/s/ Jeffrey M. Thompson

Jeffrey M. Thompson
President and Chief Executive Officer
(Principal Executive Officer)

**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, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph P. Hernon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2015

/s/ Joseph P. Hernon

Joseph P. Hernon

Chief Financial Officer

(Principal Financial Officer and Principal

Accounting Officer)