ATN International, Inc.
Form 10-Q
November 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

Commission File Number 001-12593

ATN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	47-0728886
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

500 Cummings Center

Beverly, MA 01915

(Address of principal executive offices, including zip code)

(978) 619-1300

(Registrant's telephone number, including area code)

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

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

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

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

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

As of November 9, 2016, the registrant had outstanding 16,139,477 shares of its common stock ($.01 par value).

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ATN INTERNATIONAL, INC.

FORM 10-Q

Quarter Ended September 30, 2016

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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (or the "Report") contains forward-looking statements relating to, among other matters, our future financial performance and results of operations; the competitive environment in our key markets, demand for our services and industry trends; the outcome of regulatory matters; changes to governmental regulations and laws affecting our business; our continued access to the credit and capital markets; the pace of our network expansion and improvement, including our level of estimated future capital expenditures and our realization of the benefits of these investments; our recent acquisitions; and management's plans and strategy for the future. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events or results. Actual future events and results could differ materially from the events and results indicated in these statements as a result of many factors, including, among others, (1) our ability to operate our newly acquired businesses in Bermuda and the U.S. Virgin Islands and integrate these operations into our existing operations; (2) the general performance of our operations, including operating margins, revenues, and the future growth and retention of our major customers and subscriber base and consumer demand for solar power; (3) government regulation of our businesses, which may impact our FCC and other telecommunications licenses or our renewables business; (4) economic, political and other risks facing our operations; (5) our ability to maintain favorable roaming arrangements; (6) our ability to efficiently and cost-effectively upgrade our networks and IT platforms to address rapid and significant technological changes in the telecommunications industry; (7) the loss of or an inability to recruit skilled personnel in our various jurisdictions, including key members of management; (8) our ability to find investment or acquisition or disposition opportunities that fit our strategic goals for the Company; (9) increased competition; (10) our ability to operate and expand our renewable energy business; (11) our reliance on a limited number of key suppliers and vendors for timely supply of equipment and services relating to our network infrastructure; (12) the adequacy and expansion capabilities of our network capacity and customer service system to support our customer growth; (13) the occurrence of weather events and natural catastrophes; (14) our continued access to capital and credit markets; (15) our ability to realize the value that we believe exists in our businesses and (16) our ability to receive requisite regulatory consents and approvals and satisfy other conditions needed to complete our pending sale. These and other additional factors that may cause actual future events and results to differ materially from the events and results indicated in the forward-looking statements above are set forth more fully under Item 1A "Risk Factors" herein and in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 29, 2016, the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed with the SEC on May 10, 2016, Form 10-Q for the quarter ended June 30, 2016, filed with the SEC on August 9, 2016 and the other reports we file from time to time with the SEC. The Company undertakes no obligation and has no intention to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors that may affect such forward-looking statements.

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

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

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PART I—FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

ATN INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 252,433	$ 392,045
Restricted cash	29,426	824
Short-term investments	7,422	—
Accounts receivable, net of allowances of $10.7 million and $9.3 million, respectively	51,753	39,020
Materials and supplies	14,734	8,220
Prepayments and other current assets	29,129	28,383
Total current assets	384,897	468,492
Fixed Assets:		
Property, plant and equipment	1,083,301	807,247
Less accumulated depreciation	(464,766)	(433,744)
Net fixed assets	618,535	373,503
Telecommunication licenses, net	50,625	43,468
Goodwill	62,042	45,077
Trade name license, net	1,929	417
Customer relationships, net	15,800	1,081
Restricted cash	5,163	5,477
Other assets	27,066	7,489
Total assets	$ 1,166,057	$ 945,004
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 11,969	$ 6,284
Accounts payable and accrued liabilities	84,495	54,289
Dividends payable	5,498	5,142
Accrued taxes	13,756	9,181
Advance payments and deposits	22,530	9,459
Total current liabilities	138,248	84,355
Deferred income taxes	43,202	45,406
Other liabilities	69,839	26,944
Long-term debt, excluding current portion	106,928	26,575

Total liabilities	358,217	183,280
Commitments and contingencies (Note 13)		
ATN International, Inc. Stockholders' Equity:		
Preferred stock, \$0.01 par value per share; 10,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value per share; 50,000 shares authorized; 16,970 and 16,828 shares issued, respectively, and 16,139 and 16,068 shares outstanding respectively	168	168
Treasury stock, at cost; 830 and 761 shares, respectively	(23,010)	(18,254)
Additional paid-in capital	156,750	154,768
Retained earnings	541,702	547,321
Accumulated other comprehensive loss	(3,904)	(3,704)
Total ATN International, Inc. stockholders' equity	671,706	680,299
Non-controlling interests	136,134	81,425
Total equity	807,840	761,724
Total liabilities and equity	\$ 1,166,057	\$ 945,004

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

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ATN INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 and 2015

(Unaudited)

(In thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
REVENUE:				
Wireless	$ 61,151	$ 67,521	$ 177,300	$ 185,272
Wireline	66,129	21,760	122,190	63,520
Equipment and other	5,731	2,449	12,046	8,030
Renewable energy	5,784	5,052	16,935	15,631
Total revenue	138,795	96,782	328,471	272,453
OPERATING EXPENSES (excluding depreciation and amortization unless otherwise indicated):				
Termination and access fees	36,728	20,275	80,479	57,755
Engineering and operations	16,282	11,206	36,270	28,591
Sales and marketing	8,954	6,406	22,387	17,634
Equipment expense	3,146	3,591	10,498	10,228
General and administrative	27,242	15,654	63,949	43,992
Transaction-related charges	2,091	2,536	16,156	2,852
Restructuring charges	—	—	1,785	—
Depreciation and amortization	21,866	14,590	52,913	43,813
Impairment of long-lived assets	349	—	11,425	—
Bargain purchase gain	—	—	(7,304)	—
(Gain) Loss on disposition of long-lived assets	56	—	27	(2,823)
Total operating expenses	116,714	74,258	288,585	202,042
Income from operations	22,081	22,524	39,886	70,411
OTHER INCOME (EXPENSE)				
Interest income	236	70	929	280
Interest expense	(1,787)	(865)	(3,674)	(2,433)
Loss on deconsolidation of subsidiary	—	—	—	(19,937)
Other income, net	766	53	643	118
Other expense, net	(785)	(742)	(2,102)	(21,972)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	21,296	21,782	37,784	48,439
Income taxes	9,602	10,134	17,178	22,655
INCOME FROM CONTINUING OPERATIONS	11,694	11,648	20,606	25,784
INCOME FROM DISCONTINUED OPERATIONS:				
Income from discontinued operations, net of tax	—	—	—	390

NET INCOME	11,694	11,648	20,606	26,174
Net income attributable to non-controlling interests, net of tax expense of $0.6 million, $0.1 million, $1.0 million, and $0.9 million, respectively.	(4,523)	(5,072)	(10,400)	(13,417)
NET INCOME ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS	$ 7,171	$ 6,576	$ 10,206	$ 12,757
NET INCOME PER WEIGHTED AVERAGE BASIC SHARE ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS:				
Continuing operations	$ 0.44	$ 0.41	$ 0.63	$ 0.77
Discontinued operations	—	—	—	0.02
Total	$ 0.44	$ 0.41	$ 0.63	$ 0.79
NET INCOME PER WEIGHTED AVERAGE DILUTED SHARE ATTRIBUTABLE TO ATN INTERNATIONAL, INC. STOCKHOLDERS:				
Continuing operations	$ 0.44	$ 0.41	$ 0.63	$ 0.77
Discontinued operations	—		—	0.02
Total	$ 0.44	$ 0.41	$ 0.63	$ 0.79
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	16,148	16,049	16,128	16,009
Diluted	16,241	16,165	16,228	16,128
DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK	$ 0.34	$ 0.32	$ 0.98	$ 0.90

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

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ATN INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Unaudited)

(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income	$ 11,694	$ 11,648	$ 20,606	$ 26,174
Other comprehensive income:				
Foreign currency translation adjustment	(164)	1	(200)	29
Other comprehensive income, net of tax	(164)	1	(200)	29
Comprehensive income	11,530	11,649	20,406	26,203
Less: Comprehensive income attributable to non-controlling interests	(4,523)	(5,072)	(10,400)	(13,417)
Comprehensive income attributable to ATN International, Inc.	$ 7,007	$ 6,577	$ 10,006	$ 12,786

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

ATN INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Unaudited)

(In thousands)

	September 30, 2016	2015
Cash flows from operating activities:		
Net income	$ 20,606	$ 26,174
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	52,913	43,813
Provision for doubtful accounts	1,058	711
Amortization and write off of debt discount and debt issuance costs	372	424
Stock-based compensation	5,032	3,832
Deferred income taxes	(8,775)	—
Income from discontinued operations, net of tax	—	(390)
Bargain purchase gain	(7,304)	—
(Gain) Loss on disposition of long-lived assets	27	(2,823)
Impairment of long-lived assets	11,425	—
Loss on deconsolidation of subsidiary	—	19,937
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(2,234)	3,832
Materials and supplies, prepayments, and other current assets	(9,471)	(5,563)
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(2,854)	399
Accrued taxes	21,886	27,684
Other assets	(2,169)	(35)
Other liabilities	11,593	(5,450)
Net cash provided by operating activities of continuing operations	92,105	112,545
Net cash provided by operating activities of discontinued operations	—	566
Net cash provided by operating activities	92,105	113,111
Cash flows from investing activities:		
Capital expenditures	(78,455)	(46,031)
Purchase of marketable securities	(2,000)	—
Acquisition of businesses, net of acquired cash of $12.6 million and $6.6 million	(145,454)	(11,968)
Purchases of spectrum licenses and other intangible assets, including deposits	(10,860)	—
Acquisition of non-controlling interest in subsidiary	(7,045)	—
Purchase of short-term investments	(7,422)	—
Change in restricted cash	(28,287)	39,368

Proceeds from disposition of long-lived assets	1,424	5,873
Net cash used in investing activities of continuing operations	(278,099)	(12,758)
Cash flows from financing activities:		
Dividends paid on common stock	(15,469)	(13,920)
Borrowings - Acquisition	60,000	—
Distribution to non-controlling stockholders	(7,667)	(11,363)
Payment of debt issuance costs	(494)	(30)
Proceeds from stock option exercises	612	1,686
Principal repayments of term loan	(7,982)	(4,482)
Purchase of common stock	(3,997)	(1,568)
Repurchases of non-controlling interests	(767)	—
Investments made by minority shareholders in consolidated affiliates	22,409	905
Net cash provided by (used in) financing activities	46,645	(28,772)
Effect of foreign currency exchange rates on cash and cash equivalents	(263)	—
Net change in cash and cash equivalents	(139,612)	71,581
Cash and cash equivalents, beginning of period	392,045	326,216
Cash and cash equivalents, end of period	$ 252,433	$ 397,797

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

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ATN INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.ORGANIZATION AND BUSINESS OPERATIONS

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

The Company offers the following principal services:

· Wireless. In the United States, the Company offers wholesale wireless voice and data roaming services to national, regional, local and selected international wireless carriers in rural markets located principally in the Southwest and Midwest United States. The Company also offers wireless voice and data services to retail customers in Bermuda, Guyana, and in other smaller markets in the Caribbean and the United States.

· Wireline. The Company's wireline services include local telephone, data, and cable television services in Bermuda, Guyana, the U.S. Virgin Islands, and in other smaller markets in the Caribbean and the United States. The Company is the exclusive licensed provider of domestic wireline local and long-distance telephone services in Guyana and international voice and data communications into and out of Guyana. In addition, the Company offers wholesale long-distance voice services to telecommunications carriers. The Company also offers facilities-based integrated voice and data communications services and wholesale transport services to enterprise and residential customers in New England, primarily Vermont, and in New York State.

· Renewable Energy. In the United States, the Company provides distributed generation solar power to corporate, utility and municipal customers in Massachusetts, California and New Jersey. Beginning in April 2016, the Company began developing projects in India to provide distributed generation solar power to corporate and utility customers.

The following chart summarizes the operating activities of the Company's principal subsidiaries, the segments in which the Company reports its revenue and the markets it served as of September 30, 2016:

Services	Segment	Markets	Tradenames

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

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

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

2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial position and results of operations for such periods. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Results of interim periods may not be indicative of results for the full year. These condensed consolidated financial statements and related notes should be read in conjunction with the Company's 2015 Annual Report on Form 10-K.

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

Certain reclassifications have been made in the prior period financial statements to conform the Company's consolidated income statements to how management analyzes its operations in the current period. The changes did not impact operating income. For the three months ended September 30, 2015 the aggregate impact of the changes included a decrease to termination and access fees of $1.1 million, an increase to engineering and operations expenses of $0.6 million, an increase to sales and marketing expenses of $0.6 million, an increase to equipment expense of $0.1 million and a decrease to general and administrative expenses of $0.3 million. For the nine months ended September 30, 2015 the aggregate impact of the changes included a decrease to termination and access fees of $3.1 million, an increase to engineering and operations expenses of $2.4 million, an increase to sales and marketing expenses of $1.3 million, an increase to equipment expense of $0.2 million and a decrease to general and administrative expenses of $0.8 million.

During the nine months ended September 30, 2016, the Company's other assets increased primarily due to a deposit to purchase spectrum licenses of $10.9 million, a $2.0 million purchase of securities in an unaffiliated entity, $3.2 million of assets acquired in the KeyTech Transaction, and $4.3 million of assets acquired in the Innovative Transaction.

The Company's effective tax rates for the three months ended September 30, 2016 and 2015 were 45.1% and 46.5%, respectively. The Company's effective tax rates for the nine months ended September 30, 2016 and 2015 were 45.5 % and 46.8 %, respectively. The effective tax rate for the three months ended September 30, 2016 was impacted by the following items: (i) certain transactional charges incurred in connection with the Company's recent acquisitions that had no tax benefit, (ii) the mix of income generated among the jurisdictions in which the Company operates, and (iii) $1.6 million provision (net) to record multiple discrete items. The effective tax rate for the three months ended September 30, 2015 was impacted by the following items: (i) the $19.9 million loss on deconsolidation within the Company's International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which the Company operates. The Company's effective tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax contingencies. The Company's consolidated tax rate will continue to be impacted by the mix of income generated among the jurisdictions in which the Company operates. The effective tax rate for the nine months ended September 30, 2016 was impacted by the

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following items: (i) certain transactional charges incurred in connection with the Company's recent acquisitions that had no tax benefit, (ii) an impairment charge to write down the value of assets related to the Company's wireline business, (iii) the mix of income generated among the jurisdictions in which the Company operates, and (iv) $2.2 million provision (net) to record multiple discrete items. The effective tax rate for the nine months ended September 30, 2015 was impacted by the following items: (i) the $19.9 million loss on deconsolidation within the Company's International Telecom business that had no tax benefit and (ii) the mix of income generated among the jurisdictions in which the Company operates. The Company's effective tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax contingencies. The Company's consolidated tax rate will continue to be impacted by the mix of income generated among the jurisdictions in which the Company operates.

Recent Accounting Pronouncements

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

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)," which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU 2014-15 will be effective for annual reporting periods ending after December 15, 2016. Early application is permitted. The Company does not expect the adoption of ASU 2014-15 to have an impact on its consolidated financial statements.

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

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

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

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

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

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides further clarification on eight cash flow classification issues. The standard further clarifies the classification of the following: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. ASU 2016-15 should be applied using a retrospective transition method for each period presented. The Company is currently evaluating the impact of the new standard on our consolidated financial statements.

In October 2016 the FASB issued ASU No. 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The new standard eliminates for all intra-entity sales of assets other than inventory, the exception under current standards that permits the tax effects of intra-entity asset transfers to be deferred until the transferred asset is sold to a third party or otherwise recovered through use. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new standard will be effective for the Company on January 1, 2018. The Company is currently evaluating the potential impact that this standard may have on its results of operations.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates relate to the allowance for doubtful accounts, useful lives of the Company's fixed and finite-lived intangible assets, allocation of purchase price to assets acquired and liabilities assumed in business combinations, fair value of indefinite-lived intangible assets, goodwill and income taxes. Actual results could differ significantly from those estimates.

4. ACQUISITIONS AND DISPOSITIONS

International Telecom

KeyTech Limited

On May 3, 2016, the Company completed its acquisition of a controlling interest in KeyTech Limited (“KeyTech”), a publicly held Bermuda company listed on the Bermuda Stock Exchange (“BSX”) that provides broadband and cable television services and other telecommunications services to residential and enterprise customers under the “Logic” name in Bermuda and the Cayman Islands (the “KeyTech Transaction”). KeyTech also owned a minority interest of approximately 43% in the Company’s consolidated subsidiary, Bermuda Digital Communications Ltd. (“BDC”), which provides wireless services in Bermuda under the “CellOne” name. As part of the transaction, the Company contributed its ownership interest of approximately 43% in BDC and $41.6 million in cash in exchange for a

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51% ownership interest in KeyTech. As part of the transaction, BDC was merged with and into a company within the KeyTech group and the approximate 15% interest in BDC held, in the aggregate, by BDC's minority shareholders was converted into the right to receive common shares in KeyTech. Following the transaction, BDC is now wholly owned by KeyTech, and KeyTech continues to be listed on the BSX. A portion of the cash proceeds that KeyTech received upon closing was used to fund a one-time special dividend to KeyTech's pre-transaction shareholders and to retire KeyTech's subordinated debt. On May 3, 2016, the Company began consolidating the results of KeyTech within its financial statements in its International Telecom segment.

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

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

	7,304
Purchase price allocation BDC:	
Carrying value of BDC non-controlling interest acquired	2,940
Excess of purchase price paid over carrying value of non-controlling interest acquired	$ 4,105

The acquired property, plant and equipment is comprised of telecommunication equipment located in Bermuda and the Cayman Islands. The property, plant and equipment was valued using the income and cost approaches. Cash flows were discounted at approximately 15% rate to determine fair value under the income approach. The property,

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plant and equipment have useful lives ranging from 3 to 18 years and the customer relationships acquired have useful lives ranging from 9 to 12 years. The fair value of the non-controlling interest was determined using the income approach and a discount rate of approximately 15%. The acquired receivables consist of trade receivables incurred in the ordinary course of business. The Company expects to collect the full amount of the receivables.

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

The Company’s statement of operations for the nine months ended September 30, 2016 includes $34.7 million of revenue and $1.9 million of income before taxes attributable to the KeyTech Transaction. The Company incurred $4.3 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which $3.3 million were incurred during the nine months ended September 30, 2016.

Innovative

On July 1, 2016, the Company completed its acquisition of all of the membership interests of Caribbean Asset Holdings LLC (“CAH”), the holding company for the Innovative group of companies operating cable television, Internet, wireless and landline services in the U.S. Virgin Islands, British Virgin Islands and St. Maarten (“Innovative”), from the National Rural Utilities Cooperative Finance Corporation (“CFC”). The Company acquired the Innovative operations for a contractual purchase price of $145 million, reduced by purchase price adjustments of $4.9 million (the “Innovative Transaction”). In connection with the transaction, the Company financed $60 million of the purchase price with a loan from an affiliate of CFC, the Rural Telephone Finance Cooperative (“RTFC”) on the terms and conditions of a Loan Agreement by and among RTFC, CAH and ATN VI Holdings, LLC, the parent entity of CAH and a wholly-owned subsidiary of the Company. The Company funded $50.9 million of the purchase price in cash and will pay $27.8 million to fund Innovative’s pension and other postretirement benefit obligations in the fourth quarter of 2016. At September 30, 2016 approximately $1.4 million of purchase price was accrued to settle working capital adjustments. Following the purchase, the Company’s current operations in the U.S. Virgin Islands under the “Choice” name will be combined with Innovative to deliver residential and business subscribers a full range of telecommunications and media services. On July 1, 2016, the Company began consolidating the results of Innovative within its financial statements in its International Telecom segment.

The Innovative Transaction was accounted as a business combination in accordance with ASC 805. The consideration transferred of $112.3 million, and used for the purchase price allocation, differed from the contractual purchase price of $145.0 million, due to certain GAAP purchase price adjustments including a reduction of $4.9 million related to working capital adjustments and the Company agreeing to subsequently settle assumed pension and other postretirement benefit liabilities of $27.8 million. As of September 30, 2016, the Company transferred consideration of $112.3 million which was allocated to the assets acquired and liabilities assumed at their estimated fair values as of the date of the acquisition. The table below represents the allocation of the consideration transferred to the net assets of Innovative based on their acquisition date fair values:

	$
Consideration Transferred	112,301
Non-controlling interests	221
Total value to allocate	112,522
Preliminary Purchase price allocation:	
Cash	4,229
Accounts receivable	6,553
Materials & supplies	6,533
Other current assets	2,286

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Property, plant and equipment	108,284
Telecommunication licenses	7,623
Goodwill	20,586
Intangible assets	7,800
Other Assets	4,394
Accounts payable and accrued liabilities	(15,889)
Advance payments and deposits	(7,793)
Deferred tax liability	(2,935)
Pension and other postretirement benefit liabilities	(29,149)
Net assets acquired	$ 112,522

The acquired property, plant and equipment is comprised of telecommunication equipment located in the U.S Virgin Islands, British Virgin Islands and St. Maarten. The property, plant and equipment was valued using the income and cost approaches. Cash flows were discounted between 14% and 25% based on the risk associated with the cash flows to determine fair value under the income approach. The property, plant and equipment have useful lives ranging from 1 to 18 years and the customer relationships acquired have useful lives ranging from 9 to 16 years. The fair value of the non-controlling interest was determined using the income approach and a discount rates ranging from 15% to 25%. The acquired receivables consist of trade receivables incurred in the ordinary course of business. The Company expects to collect the full amount of the receivables.

The goodwill generated from the Innovative Transaction is primarily related to value placed on the acquired employee workforces, service offerings, and capabilities of the acquired businesses as well as expected synergies from future combined operations. The goodwill is not deductible for income tax purposes.

The Company also acquired Innovative's pension and other postretirement benefit plans as part of the transaction. The plans cover employees located in the U.S. Virgin Islands and consist of noncontributory defined benefit pension plans and noncontributory defined medical, dental, vision and life benefit plans. As noted above, the contractual purchase price included an adjustment related to the funded status of Innovative's pension and other postretirement benefit plans. As contemplated by the transaction, the Company will contribute approximately $27.8 million during the fourth quarter of 2016 to certain Innovative pension and other postretirement benefit plans. Due to the Company's intent and the specific nature of this commitment, the amount is classified as restricted cash at September 30, 2016. The funded status of the pension plans as of June 30, 2016 is detailed in the table below (in thousands):

	Defined Benefit Pension Plans	Other Postretirement Benefit Plans
Fair value of plan assets	$ 45,117	$ -

Benefit obligations	69,178	5,472
Funded status at June 30, 2016	$ (24,061)	$ (5,472)

The Company recorded a liability equal to the funded status of the plans in its purchase price allocation. Discount rates between 3.6% and 3.9% were used to determine the benefit obligation. The Company is currently evaluating the net periodic pension expense which will be impacted by the Company's contributions to the plans in the fourth quarter of 2016.

The Company's statement of operations for the nine months ended September 30, 2016 includes $26.5 million of revenue and $1.4 million of income before taxes attributable to the Innovative Transaction. The Company incurred $4.3 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which $2.4 million were incurred during the nine months ended September 30, 2016.

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Disposition

In September 2016, the Company entered into an agreement to sell the Innovative cable operations located in St. Maarten. The sales price is subject to certain closing adjustments and is expected to approximate the carrying value of the assets. The transaction is subject to certain regulatory approvals and is expected to close in the fourth quarter of 2016.

Pro forma Results

The following table reflects unaudited pro forma operating results of the Company for the three months ended September 30, 2015 and the nine months ended September 30, 2016 and September 30, 2015 assuming that the KeyTech and Innovative Transactions occurred at the beginning of each period presented. No pro forma adjustments were made to the results for the three months ended September 30, 2016 because the transactions were complete at the beginning of that period. The pro forma amounts adjust KeyTech's and Innovative's results to reflect the depreciation and amortization that would have been recorded assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2015. Also, the pro forma results were adjusted to reflect changes to the acquired entities' financial structure related to the transaction. KeyTech's results reflect the retirement of $24.7 million of debt. Innovative's results reflect the retirement of $185.5 million of debt and the addition of $60 million of purchase price debt. Finally, ATN's results were adjusted to reflect ATN's incremental ownership in BDC.

The pro forma results for the nine months ended September 30, 2016 include $5.4 million of impairment charges, $4.3 recorded by KeyTech and $1.1 million recorded by Innovative. The pro forma results for the nine months ended September 30, 2015 include $168.7 million of impairment charges, $85.6 million recorded by KeyTech and $83.1 million recorded by Innovative. Amounts are presented in thousands, except per share data:

	Three months ended September 30, 2015		Nine months ended September 30, 2016		2015	
	As Reported	Pro-Forma	As Reported	Pro-Forma	As Reported	Pro-Forma
Revenue	$ 96,782	$ 146,074	$ 328,471	$ 407,096	$ 272,453	$ 415,501
Net Income attributable to ATN International, Inc. Stockholders	6,576	6,566	10,206	12,767	12,757	(101,631)
Earnings per share:						
Basic	0.41	0.41	0.63	0.79	0.79	(6.35)
Diluted	0.41	0.41	0.63	0.79	0.79	(6.30)

The unaudited pro forma data is presented for illustrative purposes only and is not necessarily indicative of the operating resulted that would have occurred if the acquisitions had been consummated on these dates or of future operating results of the combined company following this transaction.

U.S. Telecom

In July 2016, the Company acquired certain telecommunications fixed assets and the associated operations in the western United States. The acquisition qualified as a business combination for accounting purposes. The Company transferred $9.1 million of cash consideration in the acquisition. The consideration transferred was preliminarily allocated to approximately $10.2 million of acquired fixed assets and $1.7 million to other net liabilities, resulting in goodwill of $0.6 million. Results of operations for the business are included in the U.S. Telecom segment and are not material to the Company's historical results of operations.

Renewable Energy

Vibrant Energy

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

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

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

The consideration transferred includes $3.5 million paid and $2.7 million payable at future dates, which is contingent upon the passage of time and achievement of initial production milestones which are considered probable. The acquired property, plant and equipment is comprised of solar equipment and the accounts payable and accrued liabilities consists mainly of amounts payable for certain asset purchases. The fair value of the property, plant, and equipment was based on recent acquisition costs for the assets, given their recent purchase dates from third parties. The goodwill is not deductible for income tax purposes and primarily relates to the assembled workforce of the business acquired.

For the nine months ended September 30, 2016 the Vibrant Energy Acquisition accounted for $0.3 million of the Company's revenue. The Company incurred $11.2 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction, of which $9.9 million were incurred during the nine months ended September 30, 2016. Results of operations for the business are not material to the Company's historical results of operations.

5. LOSS ON DECONSOLIDATION OF SUBSIDIARY

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

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6. IMPAIRMENT OF LONG LIVED ASSETS AND GOODWILL

During June 2016, as a result of recent industry consolidation activities and a review of strategic alternatives for the Company's U.S. Wireline business in the Northeast, the Company identified factors indicating the carrying amount of certain assets may not be recoverable. More specifically, the factors included the competitive environment, recent industry consolidation, and the Company's view of future opportunities in the market which began to evolve in the second quarter of 2016. On August 4, 2016, the Company entered into a stock purchase agreement to sell the majority of its U.S. Wireline business. The transaction is subject to certain regulatory approvals.

As a result of this transaction and the recent developments in the market, the Company determined it was appropriate to assess the reporting unit's assets for impairment. The reporting unit holds three types of assets for purposes of impairment testing: i) other assets such as accounts receivable and inventory, ii) long lived assets such as property plant and equipment, and iii) goodwill. Management first assessed the other assets for impairment and determined no impairment was appropriate. Second, the property, plant and equipment was assessed for impairment. The impairment test compared the undiscounted cash flows from the use and eventual disposition of the asset group to its carrying amount and determined the carrying amount was not recoverable. The impairment loss of $3.6 million was equal to the amount by which the carrying amount exceeded the fair value. Third management assessed goodwill for impairment following the two step impairment test. The carrying amount of the reporting unit exceeded its fair value, after considering the $3.6 million asset impairment. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill to measure the amount of impairment loss. The impairment loss equaled $7.5 million. The Company utilized the income approach, with Level 3 valuation inputs, which considered both the purchase agreement and cash flows discounted at a rate of 14% in its fair value calculations. In total, the Company recorded an impairment charge of $11.1 million. The impairment charge is included in income from operations for the nine months ended September 30, 2016.

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7. FAIR VALUE MEASUREMENTS

In accordance with the provisions of fair value accounting, a fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

The fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset and liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include money market funds, debt and equity securities and derivative contracts that are traded in an active exchange market.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes corporate obligations and non-exchange traded derivative contracts.

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Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments and intangible assets that have been impaired whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and liabilities of the Company measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015 are summarized as follows (in thousands):

	September 30, 2016		
Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Certificates of deposit	$ —	$ 388	$ 388
Money market funds	$ 15,824	$ —	$ 15,824
Short term investments	$ —	$ 7,422	$ 7,422
Total assets measured at fair value	$ 15,824	$ 7,810	$ 23,634

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

Certificate of Deposit

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

Money Market Funds

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

Short Term Investments

As of September 30, 2016, this asset class consisted of short term foreign and U.S. corporate bonds. The asset class is classified within Level 2 of the fair value hierarchy because the fair value was based on observable market data.

Other Fair Value Disclosures

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

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

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The fair value of long-term debt is estimated using Level 2 inputs. At September 30, 2016, the fair value of long-term debt, including the current portion, approximated its carrying amount of $118.9 million. At December 31, 2015, the fair value of the long-term debt, including the current portion, was equal to its carrying amount of $32.9 million.

8. LONG-TERM DEBT

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

Amounts the Company may borrow under the Credit Facility bear interest at a rate equal to, at its option, either (i) the London Interbank

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

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

The Credit Facility contains customary representations, warranties and covenants, including a financial covenant that imposes a maximum ratio of indebtedness to EBITDA as well as covenants by the Company limiting additional indebtedness, liens, guaranties, mergers and consolidations, substantial asset sales, investments and loans, sale and leasebacks, transactions with affiliates and fundamental changes. In addition, the Credit Facility contains a financial covenant by us that imposes a maximum ratio of indebtedness to EBITDA. As of September 30, 2016, the Company was in compliance with all of the financial covenants of the Credit Facility.

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

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Ahana Debt

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

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

As of September 30, 2016, $27.7 million of the Ahana Debt remained outstanding.

KeyTech Debt

In connection with the KeyTech Transaction on May 3, 2016, the Company assumed $35.4 million in debt (the “KeyTech Debt”) in the form of a loan from HSBC Bank Bermuda Limited. The KeyTech Debt matures in 2021, bears interest of the three-month LIBOR plus a margin of 3.25%, and repayment is made quarterly until maturity. The debt is secured by the property and assets of certain KeyTech subsidiaries. See Note 4 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

As of September 30, 2016, $32.1 million of the KeyTech Debt remained outstanding

Innovative Debt

In connection with the Innovative Transaction on July 1, 2016, the Company incurred $60 million in debt (the “Innovative Debt”) with a loan from an affiliate of CFC, the Rural Telephone Finance Cooperative (“RTFC”). The Company paid a fee of $0.9 million to lock the interest rate at 4% per annum over the term of the debt. The fee was recorded as a reduction to the debt carry amount and will be amortized over the life of the loan. Interest is paid quarterly and principal repayment is not required until maturity on July 1, 2026. See Note 4 to the Unaudited Condensed Consolidated Financial Statements included in this Report.

As of September 30, 2016, $60.0 million of the Innovative Debt remained outstanding and $0.8 million of the rate lock fee was unamortized.

9. GOVERNMENT GRANTS

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

Phase I Mobility Fund Grants

As part of the Federal Communications Commission's ("FCC") reform of its Universal Service Fund ("USF") program, which previously provided support to carriers seeking to offer telecommunications services in high-cost areas and to low-income households, the FCC created two new funds, including the Phase I Mobility Fund ("Mobility Fund"), a one-time award meant to support wireless coverage in underserved geographic areas in the United States. In August 2013 and October 2014, the Company received FCC final approvals for $21.7 million and $2.4 million, respectively, of Mobility Fund support to its wholesale wireless business (the "Mobility Funds"), to expand voice and broadband networks in certain geographic areas in order to offer either 3G or 4G coverage. As part of the receipt of the

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Mobility Funds, the Company committed to comply with certain additional FCC construction and other requirements. A portion of these funds will be used to offset network capital costs and a portion is used to offset the costs of supporting the networks for a period of five years from the award date. In connection with the Company's application for the Mobility Funds, the Company has issued approximately $10.6 million in letters of credit to the Universal Service Administrative Company ("USAC") to secure these obligations. If the Company fails to comply with any of the terms and conditions upon which the Mobility Funds were granted, or if the Company loses eligibility for the Mobility Funds, USAC will be entitled to draw the entire amount of the letter of credit applicable to the affected project plus penalties and may disqualify the Company from the receipt of additional Mobility Fund support.

The Mobility Funds projects and their results are included within the Company's U.S. Telecom segment. As of September 30, 2016, the Company had received approximately $9.3 million in Mobility Funds. Of these funds, $3.1 million was recorded as an offset to operating expenses, $5.8 million was recorded as an offset to the cost of the property, plant, and equipment associated with these projects and, consequentially, a reduction of future depreciation expense and the remaining $0.4 million of future operating costs is recorded within current liabilities in the Company's consolidated balance sheet as of September 30, 2016. The balance sheet presentation is based on the timing of the expected usage of the funds which will reduce future operations expenses.

10. EQUITY

Stockholders' equity was as follows (in thousands):

	Nine months ended September 30,					
	2016			2015		
	ATN International, Inc.	Non-Controlling Interests	Total Equity	ATN International, Inc.	Non-Controlling Interests	Total Equity
Equity, beginning of period	$ 680,299	$ 81,425	$ 761,724	$ 677,222	$ 60,960	$ 738,182
Stock-based compensation	5,034	—	5,034	3,832	—	3,832
Comprehensive income:	0	0			0	
Net income	10,206	10,400	20,606	12,757	13,417	26,174
Foreign Currency translation adjustment	(200)	—	(200)	29	—	29
Total comprehensive income	10,006	10,400	20,406	12,786	13,417	26,203
Issuance of common stock upon exercise of stock options	1,371	—	1,371	2,073	—	2,073

Dividends declared on common stock	(15,838)	—	(15,838)	(14,442)	—	(14,442)
Distributions to non-controlling interests	—	(7,828)	(7,828)	—	(11,513)	(11,513)
Investments made by non-controlling interests	—	22,409 (1)	22,409	—	905	905
Acquisition of KeyTech	—	32,717	32,717	—	—	—
Acquisition of Innovative	—	221	221	—	—	—
Acquisition from non-controlling interests	(306)	(270)	(576)	—	—	—
Sale of non-controlling interests	—	—	—	—	20,013	20,013
Purchase of non-controlling interests	(4,105)	(2,940)	(7,045)	—	—	—
Purchase of treasury stock	(4,755)	—	(4,755)	(1,955)	—	(1,955)
Equity, end of period	$ 671,706	$ 136,134	$ 807,840	$ 679,516	$ 83,782	$ 763,298

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

11. NET INCOME PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Basic weighted-average shares of common stock outstanding	16,148	16,049	16,128	16,009
Stock options	93	116	100	119
Diluted weighted-average shares of common stock outstanding	16,241	16,165	16,228	16,128

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

12. SEGMENT REPORTING

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

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

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

For the Three Months Ended September 30, 2016

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	$ 40,076	$ 21,075	$ —	$ —	$ 61,151
Wireline	6,936	59,193	—	—	66,129
Equipment and Other	548	5,045	138	—	5,731
Renewable Energy	—	—	5,784	—	5,784
Total Revenue	47,560	85,313	5,922	—	138,795
Depreciation and amortization	6,176	12,896	1,227	1,567	21,866
Non-cash stock-based compensation	—	—	28	1,371	1,399
Operating income (loss)	18,120	11,358	2,822	(10,219)	22,081

For the Three Months Ended September 30, 2015

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	$ 47,047	$ 20,474	$ —	$ —	$ 67,521
Wireline	6,243	15,517	—	—	21,760
Equipment and Other	535	1,914	—	—	2,449
Renewable Energy	—	—	5,052	—	5,052
Total Revenue	53,825	37,905	5,052	—	96,782
Depreciation and amortization	5,715	6,400	1,205	1,270	14,590
Non-cash stock-based compensation	—	—	29	1,127	1,156
Operating income (loss)	24,218	4,928	2,694	(9,316)	22,524

For the Nine Months Ended September 30, 2016

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	$ 117,194	$ 60,106	$ —	$ —	$ 177,300
Wireline	18,793	103,397	—	—	122,190
Equipment and Other	1,716	10,071	259	—	12,046
Renewable Energy	—	—	16,935	—	16,935
Total Revenue	137,703	173,574	17,194	—	328,471

Depreciation and amortization	17,405	27,482	3,642	4,384	52,913
Non-cash stock-based compensation	—	—	86	4,946	5,032
Operating income (loss)	39,698	28,320	(734)	(27,398)	39,886

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For the Nine Months Ended September 30, 2015

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
Revenue					
Wireless	$ 122,993	$ 62,279	$ —	$ —	$ 185,272
Wireline	18,915	44,605	—	—	63,520
Equipment and Other	1,774	6,256	—	—	8,030
Renewable Energy	—	—	15,631	—	15,631
Total Revenue	143,682	113,140	15,631	—	272,453
Depreciation and amortization	16,874	19,710	3,613	3,616	43,813
Non-cash stock-based compensation	—	—	238	3,594	3,832
Operating income (loss)	64,114	21,447	8,037	(23,187)	70,411

	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
September 30, 2016					
Net fixed assets	$ 134,219	$ 357,733	$ 116,354	$ 10,229	$ 618,535
Goodwill	32,739	26,024	3,279	—	62,042
Total assets	252,827	588,190	180,115	144,925	1,166,057
December 31, 2015					
Net fixed assets	$ 119,596	$ 133,262	$ 106,560	$ 14,085	$ 373,503
Goodwill	39,639	5,438	—	—	45,077
Total assets	227,707	278,770	122,788	315,739	945,004

	Capital Expenditures				
Nine months ended September 30,	U.S. Telecom	International Telecom	Renewable Energy	Reconciling Items (1)	Consolidated
2016	$ 26,709	$ 36,543	$ 10,326	$ 4,877	$ 78,455
2015	27,632	15,797	26	2,576	46,031

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

13. COMMITMENTS AND CONTINGENCIES

Regulatory and Litigation Matters

The Company and its subsidiaries are subject to certain regulatory and legal proceedings and other claims arising in the ordinary course of business, some of which involve claims for damages and taxes that are substantial in amount. The Company believes that, except for the items discussed below, for which the Company is currently unable to predict the final outcome, the disposition of proceedings currently pending will not have a material adverse effect on the Company's financial position or results of operations.

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

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Currently, the Company's Guyana subsidiary, GTT, holds a license to provide dome