ROYAL BANK OF CANADA
Form FWP
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RBC Capital Markets®

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The information in this preliminary terms supplement is not complete and may be changed.

Preliminary Terms Supplement Subject to Completion: Dated September 5, 2017 Pricing Supplement Dated September __, 2017 to the Product Prospectus Supplement ERN-EI-1 Dated January 12, 2016, Prospectus Supplement Dated January 8, 2016, and Prospectus Dated January 8, 2016	$ __________ Geared Buffered Return Notes Linked to the EURO STOXX 50® Index, Due September 20, 2023 Royal Bank of Canada

Royal Bank of Canada is offering the Geared Buffered Return Notes (the “Notes”) linked to the performance of the EURO STOXX 50® Index (the “Reference Asset”). The CUSIP number for the Notes is 78012K5Z6. The Notes do not pay interest.

If the Final Level of the Reference Asset is greater than [77%-80%] of the Initial Level (the “Buffer Level,” which will be determined on the Pricing Date), investors will receive a positive return equal to the Percentage Change of the Reference Asset plus [20% to 23%] (the “Buffer Percentage,” which will be determined on the Pricing Date). However, if the Final Level is less than the Initial Level by more than the Buffer Percentage, investors will lose [1.25% to 1.2987%] (to be determined on the Pricing Date) of the principal amount of the Notes for each 1% decrease from the Initial Level to the Final Level by more than the Buffer Percentage. Accordingly, investors may lose all or substantially all of their principal amount. Any payments on the Notes are subject to our credit risk.

Issue Date: September 20, 2017

Maturity Date: September 20, 2023

The Notes will not be listed on any securities exchange.

Investing in the Notes involves a number of risks. See “Risk Factors” beginning on page S-1 of the prospectus supplement dated January 8, 2016, “Additional Risk Factors Specific to the Notes” beginning on page PS-4 of the product prospectus supplement dated January 12, 2016, and “Selected Risk Considerations” on page P-6 of this terms supplement.

The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this terms supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Price to public[1]	100.00%	$
Underwriting discounts and commissions[1]	3.25%	$
Proceeds to Royal Bank of Canada	96.75%	$

(1) Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their underwriting discount or selling concessions. The public offering price for investors purchasing the Notes in these accounts may be between $967.50 and $1,000 per $1,000 in principal amount.

The initial estimated value of the Notes as of the date of this terms supplement is $920.10 per $1,000 in principal amount, which is less than the price to public. The final pricing supplement relating to the Notes will set forth our estimate of the initial value of the Notes as of the Pricing Date, which will not be less than $900.10 per $1,000 in principal amount. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value in more detail below.

If the Notes priced on the date of this terms supplement, RBC Capital Markets, LLC, which we refer to as RBCCM, acting as agent for Royal Bank of Canada, would receive a commission of approximately $32.50 per $1,000 in principal amount of the Notes and would use a portion of that commission to allow selling concessions to other dealers of up to approximately $32.50 per $1,000 in principal amount of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. See “Supplemental Plan of Distribution (Conflicts of Interest)” on page P-12 below.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

RBC Capital Markets, LLC

Geared Buffered Return Notes
Linked to the EURO STOXX 50® Index,
Due September 20, 2023

SUMMARY

The information in this "Summary" section is qualified by the more detailed information set forth in this terms supplement, the product prospectus supplement, the prospectus supplement, and the prospectus.

Issuer:	Royal Bank of Canada ("Royal Bank")
Issue:	Senior Global Medium-Term Notes, Series G
Underwriter:	RBC Capital Markets, LLC ("RBCCM")
Reference Asset:	EURO STOXX 50® Index
Bloomberg Ticker:	SX5E
Currency:	U.S. Dollars
Minimum Investment:	$1,000 and minimum denominations of $1,000 in excess thereof
Pricing Date:	September 15, 2017
Issue Date:	September 20, 2017
CUSIP:	78012K5Z6
Valuation Date:	September 15, 2023
Payment at Maturity (if held to maturity):	If, on the Valuation Date, the Final Level is greater than or equal to the Buffer Level, you will receive, for each $1,000 in principal amount of the Notes: $1,000 + [$1,000 x (Percentage Change + Buffer Percentage)]
	If the Final Level is less than the Buffer Level, then the investor will receive, for each $1,000 in principal amount of the Notes: Principal Amount + [Principal Amount x (Percentage Change + Buffer Percentage) x Downside Multiplier] This amount will be less than the principal amount, and you may lose all or substantially all of your investment in the Notes.
Percentage Change:	The Percentage Change, expressed as a percentage, is calculated using the following formula:
Initial Level:	The closing level of the Reference Asset on the Pricing Date.
Final Level:	The closing level of the Reference Asset on the Valuation Date.
Buffer Percentage:	[20.00%-23.00%] (to be determined on the Pricing Date).
Buffer Level:	[77.00%-80.00%] of the Initial Level (to be determined on the Pricing Date). For example, if the Buffer Percentage is 21.50%, the Buffer Level will be 78.50% of the Initial Level.

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Downside Multiplier:	100% divided by the Buffer Level. Accordingly, the Downside Multiplier will be between 1.25% and 1.2987%. For example, if the Buffer Level is set to 78.50% of the Initial Level, the Downside Multiplier will be 1.2739%.
Maturity Date:	September 20, 2023, subject to extension for market and other disruptions, as described in the product prospectus supplement dated January 12, 2016.
Term:	Six (6) years.
Principal at Risk:	The Notes are NOT principal protected. You may lose all or a substantial portion of your principal amount at maturity if the Final Level is less than the Buffer Level.
Calculation Agent:	RBCCM
U.S. Tax Treatment:	By purchasing a Note, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the Note as a pre-paid cash-settled derivative contract for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the Notes are uncertain and the Internal Revenue Service could assert that the Notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the section below, “Supplemental Discussion of U.S. Federal Income Tax Consequences,” and the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product prospectus supplement dated January 12, 2016 under “Supplemental Discussion of U.S. Federal Income Tax Consequences,” which apply to the Notes.
Secondary Market:	RBCCM (or one of its affiliates), though not obligated to do so, plans to maintain a secondary market in the Notes after the Issue Date. The amount that you may receive upon sale of your Notes prior to maturity may be less than the principal amount of your Notes.
Listing:	The Notes will not be listed on any securities exchange.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under “Description of Debt Securities—Ownership and Book-Entry Issuance” in the prospectus dated January 8, 2016).
Terms Incorporated in the Master Note:	All of the terms appearing above the item captioned “Secondary Market” on pages P-2 and P-3 of this terms supplement and the terms appearing under the caption “General Terms of the Notes” in the product prospectus supplement dated January 12, 2016, as modified by this terms supplement.

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ADDITIONAL TERMS OF YOUR NOTES

You should read this terms supplement together with the prospectus dated January 8, 2016, as supplemented by the prospectus supplement dated January 8, 2016 and the product prospectus supplement dated January 12, 2016, relating to our Senior Global Medium-Term Notes, Series G, of which these Notes are a part. Capitalized terms used but not defined in this terms supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this terms supplement will control. The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this terms supplement carefully.

This terms supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the prospectus supplement dated January 8, 2016 and "Additional Risk Factors Specific to the Notes" in the product prospectus supplement dated January 12, 2016, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the "SEC") website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008810/j18160424b3.htm
Prospectus Supplement dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008811/p14150424b3.htm
Product Prospectus Supplement ERN-EI-1 dated January 12, 2016:
https://www.sec.gov/Archives/edgar/data/1000275/000114036116047560/form424b5.htm

Our Central Index Key, or CIK, on the SEC website is 1000275. As used in this terms supplement, "we," "us," or "our" refers to Royal Bank of Canada.

Royal Bank of Canada has filed a registration statement (including a product prospectus supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this terms supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Royal Bank of Canada, any agent or any dealer participating in this offering will arrange to send you the product prospectus supplement, the prospectus supplement and the prospectus if you so request by calling toll-free at 1-866-609-6009.

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HYPOTHETICAL RETURNS

The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Initial Level, the Final Level or the level of the Reference Asset on any trading day prior to the Maturity Date. All examples are based on a hypothetical Buffer Percentage of 21.50% (the Buffer Level is 78.50% of the Initial Level (the midpoint of 77.00%-80.00%)), and the hypothetical Downside Multiplier of 1.2739% (100% divided by 78.50%), and assume that a holder purchased Notes with an aggregate principal amount of $1,000, and that no market disruption event occurs on the Valuation Date.

Example 1— Calculation of the Payment at Maturity where the Percentage Change is positive.

Percentage Change: 2%

Payment at Maturity: $1,000 + [$1,000 x (2% + 21.50%)] = $1,000 + $235.00 = $1,235.00

On a $1,000 investment, a 2% Percentage Change results in a Payment at Maturity of $1,235.00, a 23.50% return on the Notes.

Example 2— Calculation of the Payment at Maturity where the Percentage Change is negative, but the Final Level is greater than the Buffer Level.

Percentage Change: -15%

Payment at Maturity: $1,000 + [$1,000 x (-15% + 21.50%)] = $1,000 + $65.00 = $1,065.00

On a $1,000 investment, a -15% Percentage Change results in a Payment at Maturity of $1,065, a 6.50% return on the Notes. In this case, the return on the Notes is positive, even though the Percentage Change is negative.

Example 3— Calculation of the Payment at Maturity where the Final Level is less than the Buffer Level.

Percentage Change: -40%

Payment at Maturity: $1,000 + [$1,000 x (-40% +21.50%) x 1.2739%] = $1,000 - $235.67 = $764.33

On a $1,000 investment, a -40% Percentage Change results in a Payment at Maturity of $764.33, a -23.567% return on the Notes.

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SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Asset. These risks are explained in more detail in the section “Additional Risk Factors Specific to the Notes,” beginning on page PS-4 of the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

- Principal at Risk – Investors in the Notes could lose all or a substantial portion of their principal amount if there is a decline in the level of the Reference Asset. You will lose [1.25% to 1.2987%] (to be determined on the Pricing Date) of the principal amount of the Notes for each 1% that the Final Level is less than the Initial Level by more than the Buffer Percentage.
- The Notes Do Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity – There will be no periodic interest payments on the Notes as there would be on a conventional fixed-rate or floating-rate debt security having the same maturity. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank.
- Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes – The Notes are Royal Bank’s senior unsecured debt securities. As a result, your receipt of the amount due on the maturity date is dependent upon Royal Bank’s ability to repay its obligations at that time. This will be the case even if the level of the Reference Asset increases after the Pricing Date. No assurance can be given as to what our financial condition will be at the maturity of the Notes.
- There May Not Be an Active Trading Market for the Notes—Sales in the Secondary Market May Result in Significant Losses – There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and other affiliates of Royal Bank may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of Royal Bank may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.
- You Will Not Have Any Rights to the Securities Included in the Reference Asset – As a holder of the Notes, you will not have voting rights or rights to receive cash dividends or other distributions or other rights that holders of securities included in the Reference Asset would have. The Final Level will not reflect any dividends paid on the securities included in the Reference Asset, and accordingly, any positive return on the Notes may be less than the potential positive return on those securities.
- The Initial Estimated Value of the Notes Will Be Less than the Price to the Public – The initial estimated value set forth on the cover page and that will be set forth in the final pricing supplement for the Notes does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the level of the Reference Asset, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other

relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined for any secondary market price is expected to be based on the secondary rate rather than the internal

funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.

- The Initial Estimated Value of the Notes on the Cover Page and that We Will Provide in the Final Pricing Supplement Are Estimates Only, Calculated as of the Time the Terms of the Notes Are Set –The initial estimated value of the Notes will be based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See "Structuring the Notes" below. Our estimates are based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Pricing Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- An Investment in the Notes Is Subject to Risks Relating to Non-U.S. Securities Markets - Because foreign companies or foreign equity securities included in the Reference Asset are publicly traded in the applicable foreign countries and are denominated in euro, an investment in the securities involves particular risks. For example, the non-U.S. securities markets may be more volatile than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the foreign issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the foreign issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The securities included in the Reference Asset are issued by companies located within the Eurozone, which is and has been undergoing severe financial stress, and the political, legal and regulatory ramifications are impossible to predict. Changes within the Eurozone could have a material adverse effect on the performance of the Reference Asset and, consequently, on the value of the Notes.

- Market Disruption Events and Adjustments – The payment at maturity and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes—Market Disruption Events" in the product prospectus supplement.

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INFORMATION REGARDING THE REFERENCE ASSET

All disclosures contained in this terms supplement regarding the Reference Asset, including, without limitation, its make up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, STOXX Limited, as the sponsor of the Reference Asset ("STOXX"). STOXX, which owns the copyright and all other rights to the Reference Asset, has no obligation to continue to publish, and may discontinue publication of, the Reference Asset. The consequences of STOXX discontinuing publication of the Reference Asset are discussed in the section of the product prospectus supplement entitled "General Terms of the Notes—Unavailability of the Level of the Reference Asset on a Valuation Date." Neither we nor RBCCM accepts any responsibility for the calculation, maintenance or publication of the Reference Asset or any successor index.

The Reference Asset was created by STOXX, a subsidiary of Deutsche Börse AG. Publication of the Reference Asset began in February 1998, based on an initial index level of 1,000 at December 31, 1991.

Composition and Maintenance

The Reference Asset is composed of 50 component stocks of market sector leaders from within the 19 EURO STOXX® Supersector indices, which represent the Eurozone portion of the STOXX Europe 600® Supersector indices. The composition of the Reference Asset is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced on the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the Reference Asset are made to ensure that the Reference Asset includes the 50 market sector leaders from within the Reference Asset.

The free float factors for each component stock used to calculate the Reference Asset, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The Reference Asset is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the Reference Asset composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

Calculation of the Reference Asset

The Reference Asset is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the Reference Asset value can be expressed as follows:

$$\text{Reference Asset} = \frac{\text{Free float market capitalization of the Reference Asset}}{\text{Adjusted base date market capitalization of the Reference Asset}} \times 1{,}000$$

The "free float market capitalization of the Reference Asset" is equal to the sum of the products of the closing price, market capitalization, and free float factor for each component stock as of the time the Reference Asset is being calculated.

The Reference Asset is also subject to a divisor, which is adjusted to maintain the continuity of the Reference Asset values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends, and stock splits.

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License Agreement

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the Reference Asset) in connection with certain securities, including the Notes offered hereby.

The license agreement between us and STOXX requires that the following language be stated in this document:

STOXX has no relationship to us, other than the licensing of the Reference Asset and the related trademarks for use in connection with the Notes. STOXX does not:

- sponsor, endorse, sell, or promote the Notes;
- recommend that any person invest in the Notes offered hereby or any other securities;
- have any responsibility or liability for or make any decisions about the timing, amount, or pricing of the Notes;
- have any responsibility or liability for the administration, management, or marketing of the Notes; or
- consider the needs of the Notes or the holders of the Notes in determining, composing, or calculating the Reference Asset, or have any obligation to do so.

STOXX will not have any liability in connection with the Notes. Specifically:

- STOXX does not make any warranty, express or implied, and disclaims any and all warranty concerning:
- the results to be obtained by the Notes, the holders of the Notes or any other person in connection with the use of the Reference Asset and the data included in the Reference Asset;
- the accuracy or completeness of the Reference Asset and its data;
- the merchantability and the fitness for a particular purpose or use of the Reference Asset and its data;
- STOXX will have no liability for any errors, omissions, or interruptions in the Reference Asset or its data; and
- Under no circumstances will STOXX be liable for any lost profits or indirect, punitive, special, or consequential damages or losses, even if STOXX knows that they might occur.

The licensing agreement between us and STOXX is solely for their benefit and our benefit, and not for the benefit of the holders of the Notes or any other third parties.

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Historical Information

The graph below sets forth the information relating to the historical performance of the Reference Asset. In addition, below the graph is a table setting forth the intra-day high, intra-day low and period-end closing levels of the Reference Asset. The information provided in this table is for the four calendar quarters of 2012, 2013, 2014, 2015, 2016 and the first and second quarters of 2017, and the third quarter for the period from July 1, 2017 through September 1, 2017.

We obtained the information regarding the historical performance of the Reference Asset in the chart below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Final Level of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

EURO STOXX 50® Index ("SX5E")

Period-Start Date	Period-End Date	High Intra-Day Level of the Reference Asset	Low Intra-Day Level of the Reference Asset	Period-End Closing Level of the Reference Asset
1/1/2012	3/31/2012	2,611.42	2,279.73	2,477.28
4/1/2012	6/30/2012	2,509.93	2,050.16	2,264.72
7/1/2012	9/30/2012	2,604.77	2,142.46	2,454.26
10/1/2012	12/31/2012	2,668.23	2,427.32	2,635.93
1/1/2013	3/31/2013	2,754.80	2,563.64	2,624.02
4/1/2013	6/30/2013	2,851.48	2,494.54	2,602.59
7/1/2013	9/30/2013	2,955.47	2,539.15	2,893.15
10/1/2013	12/31/2013	3,116.23	2,891.39	3,109.00
1/1/2014	3/31/2014	3,185.68	2,944.13	3,161.60
4/1/2014	6/30/2014	3,325.50	3,083.43	3,228.24
7/1/2014	9/30/2014	3,301.15	2,977.52	3,225.93
10/1/2014	12/31/2014	3,278.97	2,789.63	3,146.43
1/1/2015	3/31/2015	3,742.42	2,998.53	3,697.38
4/1/2015	6/30/2015	3,836.28	3,374.18	3,424.30
7/1/2015	9/30/2015	3,714.26	2,973.16	3,100.67
10/1/2015	12/31/2015	3,524.04	3,036.17	3,267.52
1/1/2016	3/31/2016	3,266.01	2,672.73	3,004.93
4/1/2016	6/30/2016	3,156.86	2,678.27	2,864.74
7/1/2016	9/30/2016	3,101.75	2,742.66	3,002.24
10/1/2016	12/28/2016	3,290.52	2,937.98	3,290.52
1/1/2017	3/31/2017	3,500.93	3,214.31	3,500.93
4/1/2017	6/30/2017	3,666.80	3,407.33	3,441.88
7/1/2017	9/1/2017	3,539.48	3,363.68	3,443.88

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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SUPPLEMENTAL DISCUSSION OF
U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 12, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences."

Under Section 871(m) of the Code, a "dividend equivalent" payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Asset or the Notes (for example, upon a Reference Asset rebalancing), and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Asset or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about September 20, 2017, which is the third (3rd) business day following the Pricing Date (this settlement cycle being referred to as "T+3"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution-Conflicts of Interest" in the prospectus dated January 8, 2016.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

We expect to deliver the Notes on a date that is greater than two business days following the trade date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless
the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than
two business days prior to the original issue date will be required to specify alternative arrangements to prevent a failed settlement.

The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market

conditions, our creditworthiness and transaction costs. For a period of approximately 12 months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Asset. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Asset, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Pricing Date being less than their public offering price. See "Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public" above.

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Interest income

340

154

Other income, net

26

4

Other income (expense), net

(791

)

(1,108

)

INCOME BEFORE INCOME TAXES

15,986

6,314

Income taxes

6,956

2,456

NET INCOME

9,030

3,858

Less: Net income attributable to non-controlling interests, net of tax of $0.7 million for the three months ended March 31, 2009 and 2010

(228

)

148

NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS

$

8,802

$

4,006

NET INCOME PER WEIGHTED AVERAGE SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS:

Basic

$

0.58

$

0.26

Diluted

$	0.58
$	0.26
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:	
Basic	15,229
	15,260
Diluted	15,250
	15,447
DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK	
$	

	0.18
$	0.20

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

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ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2010

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,030	$ 3,858
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	9,200	10,069
Provision for doubtful accounts	408	(139)
Amortization of debt discount and debt issuance costs	133	287
Stock-based compensation	300	355
Deferred income taxes	199	(235)
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(3,228)	(560)
Materials and supplies, prepayments, and other current assets	3,482	941
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(2,348)	(1,022)
Accrued taxes	(387)	(3,534)
Other	(43)	68
Net cash provided by operating activities	16,746	10,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(9,980)	(16,889)
Acquisitions of businesses	(24)	
Acquisitions of assets		(57)
Decrease in restricted cash		2,862
Net cash used in investing activities	(10,004)	(14,084)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on common stock	(2,741)	(3,055)
Distributions to non-controlling interests	(1,634)	(31)
Payments of debt issuance costs		(3,339)
Repayments of long-term debt	(188)	(923)
Investments made by non-controlling interests		125
Purchase of common stock	(23)	
Net cash provided by (used in) financing activities	(4,586)	(7,223)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,156	(11,219)
CASH AND CASH EQUIVALENTS, beginning of the period	79,665	90,247
CASH AND CASH EQUIVALENTS, end of the period	$ 81,821	$ 79,028

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

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ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS OPERATIONS

Atlantic Tele-Network, Inc. (ATN or Company) provides wireless and wireline telecommunication services in North America and the Caribbean through the following operating subsidiaries:

•Allied Wireless Communications Corporation (AWCC), a provider of wireless voice and data services to retail and business customers in six states in the rural U.S., operating under the Alltel brand. AWCC, a wholly owned subsidiary of the Company, began service following the Company s acquisition of former Alltel assets from Verizon Wireless in April 2010. The Company will consolidate AWCC s financial results beginning on April 26, 2010.

• Commnet Wireless, LLC (Commnet), an owner and operator of wholesale wireless networks in rural areas of the United States. Commnet provides wireless voice and data communications roaming services principally to national, regional and local wireless carriers. Commnet generated approximately 39% and 42% of the Company s consolidated revenues for the three months ended March 31, 2009 and 2010, respectively. ATN acquired a 95% equity interest in Commnet in 2005 and acquired the remaining 5% equity interest in 2007.

• Guyana Telephone & Telegraph Company, Ltd. (GT&T), the exclusive provider of local exchange and international long distance telecommunications services in the Republic of Guyana. GT&T is also one of two service providers in Guyana s competitive wireless telecommunications market. We have owned 80% of the stock of GT&T since January 1991.GT&T generated approximately 41% and 39% of the Company s consolidated revenues for the three months ended March 31, 2009 and 2010, respectively.

•Bermuda Digital Communications, Ltd. (BDC), a leading wireless voice and data communications service provider in Bermuda, doing business under the name Cellular One . The Company acquired an equity interest in, and signed a management contract with, BDC in 1998. During 2008, BDC completed a share repurchase of its common stock. ATN did not tender any shares for repurchase, and, as a result of the transaction, increased its holdings from approximately 43% to approximately 58% of BDC s outstanding common stock. In 2008, BDC began providing wireless services in Turks and Caicos through Islandcom Telecommunications, Ltd.

•Sovernet, Inc. (Sovernet), a facilities-based integrated voice, broadband data communications and dial-up service provider in New England and New York State. Sovernet s retail telecommunications service is delivered to business and residential customers in Vermont and New Hampshire. Sovernet also delivers wholesale transport services in New York State through its majority-owned subsidiary, ION Holdco, LLC. Sovernet currently holds 75% of the equity interests in ION.

•Choice Communications, LLC (Choice), a leading provider of fixed and portable wireless broadband data and dial-up internet services to retail and business customers in the U.S. Virgin Islands. Choice was acquired by ATN in 1999 and is a wholly owned subsidiary of the Company. Choice discontinued its wireless television service on May 31, 2009 to focus mainly on providing wireless broadband data services.

ATN provides management, technical, financial, regulatory, and marketing services to its subsidiaries and typically receives a management fee equal to approximately 3% to 5% of their respective revenues. Management fees from consolidated subsidiaries are eliminated in consolidation.

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 2009 Annual Report on Form 10-K.

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Consolidation

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 Financial Accounting Standards Board (FASB) authoritative guidance on the consolidation of variable interest entities since it is determined that the Company is the primary beneficiary of these entities. Revenue from these entities constitutes less than 1% of total Company revenue.

Recent Accounting Pronouncements

In January 2010, the FASB issued updated guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. This update requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 and Level 2 of the fair value hierarchy (including the reasons for these transfers) and also requires a reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, this update clarifies certain existing disclosure requirements. For example, this update clarifies that reporting entities are required to provide fair value measurement disclosures for each class of assets and liabilities rather than each major category of assets and liabilities. This update also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. This update is effective for companies with interim and annual reporting periods after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will become effective for interim and annual reporting periods beginning after December 15, 2010. The Company adopted the updated guidance in the first quarter of 2010 and the adoption did not have an impact on the Company s financial position, results of operations, or cash flows.

In June 2009, the FASB issued new authoritative guidance that amends certain guidance for determining whether an entity is a variable interest entity (VIE). The guidance requires an enterprise to perform an analysis to determine whether the Company s variable interests give it a controlling financial interest in a VIE. A company would be required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity s economic performance. In addition, this guidance amends earlier guidance requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The guidance is effective for the Company for fiscal year 2010. The adoption of the provisions of this guidance, which was effective January 1, 2010, did not have a material impact on the consolidated financial statements.

3. 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 and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates relate to 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 purchase business combinations, fair value of indefinite-lived intangible assets, goodwill and income taxes. Actual results could differ significantly from those estimates.

4. ACQUISTION- ALLTEL ASSETS

On April 26, 2010, the Company completed its previously-announced acquisition of wireless assets from Cellco Partnership d/b/a Verizon Wireless (Verizon) pursuant to the Purchase Agreement, dated June 9, 2009, by and between the Company and Verizon (the Alltel Acquisition). Pursuant to the Purchase Agreement, Verizon contributed certain licenses, network assets, tower and other leases and other assets and certain related liabilities to a wholly-owned subsidiary limited liability company, whose membership interests were acquired by Allied Wireless Communications Corporation (AWCC), the Company s wholly-owned subsidiary. In connection with the Alltel Acquisition, the Company and Verizon entered into roaming and transition services arrangements, and the Company obtained the rights to use the Alltel brand and related service marks for a twenty-eight year total term in connection with the continuing operation of the acquired assets.

Atlantic Tele-Network, Inc. has completed its preliminary assessment of the fair value of assets acquired and liabilities assumed of Alltel. The table below represents a preliminary assessment of the total acquisition cost to the tangible and intangible assets and liabilities of Alltel based on management s preliminary estimate of their acquisition date fair values:

Total cash consideration	$	222,726
Preliminary purchase price allocation:		
Current assets		48,275
Property, plant and equipment		162,680
Identifiable intangible assets		139,700
Other long term assets		12,000
Current liabilities		(35,640)
Other long term liabilities		(33,771)
Deferred tax liabilities		(21,176)
Non-controlling interests		(17,042)
Net assets acquired		255,026
Gain on bargain purchase, net of estimated taxes of $21,176	$	32,300

It is currently impracticable for the Company to report the pro forma information due to the recent closing of the acquisition. The required information will be disclosed in a future filing.

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The Company funded the purchase price with cash-on-hand and borrowings under its existing credit facility. The Company drew down a $150 million term loan under the Amended and Restated Credit Agreement, dated as of January 20, 2010, by and among the Company, certain of the Company s subsidiaries, as Guarantors, CoBank, ACB, as Administrative Agent, Arranger, Issuer Lender and Lender, and the other Lenders named therein. In addition, the Company borrowed $40 million under its previously undrawn $75 million revolving credit facility.

5. FAIR VALUE MEASUREMENTS

In accordance with the provisions of fair value accounting, a fair value measurement assumes that the 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 the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include debt and equity securities and derivative contrats 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 the 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 certain U.S. Government and Agency mortgage-backed debt securities, corporate debt securities, and non-exchange traded derivative contracts.

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 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 December 31, 2009 are summarized as follows:

	December 31, 2009		
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Total**
Certificates of deposit	$	$ 8,362	$ 8,362

Money market funds		13,091				13,091
Total assets measured at fair value	$	13,091	$	8,362	$	21,453
Interest rate swap (Note 7)	$		$	5,096	$	5,096
Total liabilities measured at fair value	$		$	5,096	$	5,096

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Assets and liabilities of the Company measured at fair value on a recurring basis as of March 31, 2010 are summarized as follows:

	March 31, 2010					
Description		**Quoted Prices in Active Markets (Level 1)**		**Significant Other Observable Inputs (Level 2)**		**Total**
Certificates of deposit	$		$	3,360	$	3,360
Money market funds		8,906				8,906
Total assets measured at fair value	$	8,906	$	3,360	$	12,266
Interest rate swap (Note 7)	$		$	5,915	$	5,915
Total liabilities measured at fair value	$		$	5,915	$	5,915

Money Market Funds

This asset class consisted of a money market portfolio that is comprised of securities classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

Certificates of Deposit

Certificates of deposit are classified within Level 2 of the fair value hierarchy because they are valued using quoted prices for similar assets.

Interest Rate Swap

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. The interest rate swap is valued using broker quotations. As such, the interest rate swap is classified within Level 2.

6. LONG-TERM DEBT

Long-term debt comprises the following (in thousands):

		December 31, 2009		March 31, 2010
Note payable- $75 million term loan	$	73,875	$	72,951
Less: current portion		(3,694)		(3,694)
Total long-term debt		70,181		69,257
Less: debt discount		(630)		(595)
Net carrying amount	$	69,551	$	68,662

2008 Loan Facility

On September 10, 2008, the Company, as borrower, entered into a credit agreement with CoBank, ACB and other lenders as referenced within the credit agreement (the 2008 CoBank Credit Agreement). The 2008 CoBank Credit Agreement provided a $75 million term loan (the 2008 Term Loan) as well as a $75 million revolving credit facility (the 2008 Revolver Facility , together with the 2008 Term Loan, the 2008 Credit Facility). The 2008 Revolver Facility included a $5 million letter of credit facility

The 2008 Term Loan required quarterly repayments of principal of $0.2 million through June 30, 2013 and quarterly repayments of principal of $1.4 million from September 30, 2013 to June 30, 2015. The remaining outstanding principal balance was to be repaid on September 10, 2015 when the 2008 Term Loan was to mature.

All borrowings under the 2008 Credit Facility were bearing interest at a rate, selected by the Company from one of the options as defined within the agreement, plus a margin. Such interest rate options included i) a base rate, defined as the greater of the prime rate or the federal funds rate plus 0.5%, or ii) a LIBOR rate. Margins for base rate borrowings ranged from 0% to 0.5%, depending upon the Company s leverage ratio while margins for LIBOR borrowings ranged from 1.25% to 2% also depending upon the Company s leverage ratio.

The 2008 CoBank Credit Agreement contained certain affirmative and negative covenants of the Company and its subsidiaries. Among other things, these covenants restricted the Company s ability to incur additional debt or to incur liens on its property. The 2008 Credit Agreement also required the Company to maintain certain financial ratios including a net leverage ratio of less than or equal to 3.0 to 1, an interest coverage ratio of greater than or equal to 3.5 to 1 and an equity to assets ratio of greater than or equal to 0.4 to 1.

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2010 Loan Facility

On January 20, 2010, the Company amended and restated its 2008 Credit Facility with CoBank as Administrative Agent. (the 2010 CoBank Credit Agreement). The 2010 CoBank Credit Agreement provides for a $298.9 million credit facility, consisting of a $73.9 million term loan (the 2010 Term Loan A), a $150.0 million term loan (the 2010 Term Loan B) and a $75.0 million revolver loan (the 2010 Revolver Loan, and together with the 2010 Term Loan A and 2010 Term Loan B, the 2010 Credit Facility). The 2010 Credit Facility also provides for one or more additional term loans up to an aggregate $50.0 million, subject to lender and administrative agent approval.

Upon the closing of the 2010 Credit Facility, $73.9 million was outstanding under the 2010 Term Loan A, an amount equal to the outstanding principal amount under the 2008 Term Loan. As of March 31, 2010, no amounts were outstanding under the 2010 Term Loan B or the 2010 Revolver Loan. As discussed in Note 4, the Company partially funded the purchase price of the Alltel Acquisition with the $150 million 2010 Term Loan B and borrowed $40 million under the 2010 Revolver Loan.

The 2010 Term Loan A and the 2010 Term Loan B each mature on September 30, 2014, unless accelerated pursuant to an event of default, as described below. The 2010 Revolver Loan matures on September 10, 2014, unless accelerated pursuant to an event of default, as described below. Amounts borrowed under the 2010 Term Loan A, 2010 Term Loan B and the 2010 Revolver Loan bear interest at a rate equal to, at the Company s option, either (i) the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging between 3.50% to 4.75% or (ii) a base rate plus an applicable margin ranging from 2.50% to 3.75%. The Company is not required to apply a minimum LIBOR percentage for any loans bearing interest at the LIBOR rate. The base rate is equal to the higher of either (i) 1.50% plus the higher of (x) the one-week LIBOR and (y) the one-month LIBOR and (ii) the prime rate (as defined in the credit agreement). The applicable margin is determined based on the ratio of the Company s indebtedness (as defined in the credit agreement) to its EBITDA (as defined in the credit agreement). Borrowings as of March 31, 2010, including the interest rate swap agreement as described in Note 7, were bearing a weighted average interest rate of 7.88%.

All amounts outstanding under the 2010 Revolver Loan will be due and payable upon the earlier of the maturity date or the acceleration of the loan upon an event of default. Amounts outstanding under the 2010 Term Loan A and the 2010 Term Loan B became due and payable commencing on March 31, 2010 and June 30, 2010, respectively in quarterly payments equal to 1.25% of the initial principal amount outstanding under each loan, increasing to 2.50% of the initial principal amount outstanding commencing on March 31, 2012. Remaining balances will be due and payable upon maturity, unless the loans are accelerated upon an event of default.

Certain subsidiaries, including AWCC, Commnet, Sovernet and Choice are guarantors of our obligations under the 2010 CoBank Credit Agreement. Further, our obligations are secured by (i) a first priority, perfected lien on substantially all of our property and assets and the guarantor subsidiaries, including its principal wholly-owned domestic operating subsidiaries and (ii) a pledge of 100% of the Company s equity interests in certain domestic subsidiaries and up to 65% of the equity interests outstanding of certain foreign subsidiaries, in each case, including the Company s principal operating subsidiaries.

The 2010 CoBank Credit Agreement contains customary representations, warranties and covenants, including 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 2010 CoBank Credit Agreement contains financial covenants by the Company that (i) impose a maximum ratio of indebtedness (as defined in the credit agreement) to EBITDA (as defined in the credit agreement), (ii) require a minimum ratio of EBITDA to cash interest expense, (iii) require a minimum ratio of equity to consolidated assets and (iv) require a minimum ratio of EBITDA to fixed charges (as defined in the credit agreement). As of March 31, 2010, the Company was in compliance with all of the financial covenants of the 2010 CoBank Credit Agreement.

The 2010 CoBank Agreement provides for events of default customary for credit facilities of this type, including but not limited to non-payment, defaults on other debt, misrepresentation, breach of covenants, representations and warranties, insolvency and bankruptcy. After the occurrence of an event of default and for so long as it continues, the administrative agent or the requisite lenders (as defined in the credit agreement) may increase the interest rate then in effect on all outstanding obligations by 2.0%. Upon an event of default relating to insolvency, bankruptcy or receivership, the amounts outstanding under the 2010 Credit Facility will become immediately due and payable and the lender commitments will be automatically terminated. Upon the occurrence and continuation of any other event of default, the administrative agent and/or the requisite lenders (as defined in the credit agreement) may accelerate payment of all obligations and terminate the lenders commitments under the 2010 CoBank Agreement.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As required by the FASB s authoritative guidance on accounting for derivative instruments and hedging activities, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends

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on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks related to interest rates primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company entered into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash payments principally related to the Company s borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses an interest rate swap as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of interest rate swaps designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company uses a derivative to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings. No hedge ineffectiveness was recognized during either the three months ended March 31, 2009 or 2010.

Amounts reported in accumulated other comprehensive income related to the interest rate swap will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. Through March 31, 2011, the Company estimates that an additional $2.7 million will be reclassified as an increase to interest expense due to the interest rate swap since the hedge interest rate exceeds the variable interest rate on the debt.

As of December 31, 2009 and March 31, 2010, the Company s sole derivative instrument was an interest rate swap with a notional amount of $68 million that was designated as a cash flow hedge of interest rate risk.

The table below presents the fair value of the Company s derivative financial instrument as well as its classification on the consolidated balance sheet as of December 31, 2009 and March 31, 2010 (in thousands):

		Liability Derivatives	
		Fair Value as of	
	Balance Sheet Location	**December 31, 2009**	**March 31, 2010**
Derivatives designated as hedging instruments:			
Interest Rate Swap	Other liabilities	$ 5,096	$ 5,915
Total derivatives designated as hedging instruments		$ 5,096	$ 5,915

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The table below presents the effect of the Company s derivative financial instrument on the income statements for the three months ended March 31, 2009 and 2010 (in thousands):

Three Months Ended March 31,	Derivative in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
2009	Interest Rate Swap	$ 21	Interest expense	$ 659
2010	Interest Rate Swap	(820)	Interest expense	713

Credit-risk-related Contingent Features

The Company has an agreement with its derivative counterparty that contains a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of March 31, 2010, the fair value of the interest rate swap liability position, related to this agreement was $5.9 million. As of March 31, 2010, the Company has not posted any collateral related to this agreement. If the Company had breached any of these provisions at March 31, 2010, it would have been required to settle its obligation under the agreement at its termination value of $5.9 million.

8. RECONCILIATION OF TOTAL EQUITY

Total equity was as follows (in thousands):

	Three Months Ended March 31,					
	2009			2010		
	Atlantic Tele-Network, Inc.	Non-Controlling Interests	Total Equity	Atlantic Tele-Network, Inc.	Non-Controlling Interests	Total Equity
Equity, beginning of period	$ 228,873	$ 32,787	$ 261,660	$ 255,746	$ 26,687	$ 282,433
Stock based compensation	300		300	355		355
Comprehensive income:						
Net income	8,802	228	9,030	4,006	(148)	3,858
Other comprehensive income(loss)- Gain(loss) on interest rate swap (net of tax)	401		401	(492)		(492)
Total comprehensive income	238,376	33,015	271,391	3,869	(148)	3,721

Dividends on common stock	(2,741)		(2,741)			
Distributions to non-controlling interests		(1,634)	(1,634)		(31)	(31)
Investments made by minority shareholders					125	125
Purchase of common shares	(23)		(23)			
Equity, end of period	$ 235,612	$ 31,381	$ 266,993	$ 259,615	$ 26,633	$ 286,248

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9. NET INCOME PER SHARE

For the three months ended March 31, 2009 and 2010, outstanding stock options were the only potentially dilutive securities.

The reconciliation from basic to diluted weighted average common shares outstanding is as follows (in thousands):

	Three Months Ended March 31,	
	2009	**2010**
Basic weighted average common shares outstanding	15,229	15,260
Stock options	21	187
Diluted weighted average common shares outstanding	15,250	15,447

The above calculations for the three months ended March 31, 2009 and 2010 do not include 334,000 and 60,000 shares, respectively, related to certain stock options because the effects of such were anti-dilutive.

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10. SEGMENT REPORTING

The Company has five reportable segments for separate disclosure in accordance with the FASB s authoritative guidance on disclosures about segments of an enterprise. Those five segments are: i) Integrated Telephony-International, which generates all of its revenues in Guyana and has all of its assets located in Guyana, ii) Rural Wireless, which generates all of its revenues in the United States and has all of its assets located in the United States, iii) Island Wireless, which generates its revenues in and has its assets in Bermuda and Turks and Caicos, iv) Integrated Telephony-Domestic, which generates all of its revenues and has all of its assets located in the United States and v) Wireless Data, which generates all of its revenues in and has all of its assets located in the U.S Virgin Islands. The operating segments are managed separately because each offers different services and serves different markets.

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

	For the Three Months Ended March 31, 2009						
	Integrated Telephony-International	Rural Wireless	Island Wireless	Integrated Telephony-Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	$ 22,734	$ 21,639	$ 5,167	$ 4,610	$ 1,816(1)	$	$ 55,966
Depreciation and amortization	4,183	3,235	711	719	278	74	9,200
Non-cash stock-based compensation				32		268	300
Operating income (loss)	9,318	10,252	210	(494)	(564)	(1,945)	16,777

	For the Three Months Ended March 31, 2010						
	Integrated Telephony-International	Rural Wireless	Island Wireless	Integrated Telephony-Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	$ 21,159	$ 22,936	$ 4,621	$ 4,926	$ 1,043	$	$ 54,685
Depreciation and amortization	4,283	4,070	745	700	230	41	10,069
Non-cash stock-based compensation				10		345	355
Operating income (loss)	7,456	9,950	(445)	(115)	(554)	(8,870)	7,422

(1) Includes $0.8 million of wireless television services for the three months ended March 31, 2009. This service was discontinued on May 31, 2009.

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	Segment Assets						
	Integrated Telephony-International	Rural Wireless	Island Wireless	Integrated Telephony-Domestic	Wireless Data	Corporate	Consolidated
December 31, 2009:							
Net fixed assets	$ 117,931	$ 68,560	$ 16,584	$ 8,829	$ 4,165	$ 946	$ 217,015
Goodwill		32,148	722	7,491			40,361
Total assets	152,936	147,639	43,135	24,898	6,599	71,347	446,554
March 31, 2010:							
Net fixed assets	$ 120,083	$ 72,988	$ 16,886	$ 8,588	$ 4,194	$ 1,565	$ 224,304
Goodwill		32,148	722	7,491			40,361
Total assets	157,153	148,420	42,198	24,165	5,179	66,082	443,197

	Capital Expenditures						
Three Months Ended March 31,	Integrated Telephony-International	Rural Wireless	Island Wireless	Integrated Telephony-Domestic	Wireless Data	Reconciling Items	Consolidated
2009	$ 3,490	$ 5,720	$ 530	$ 240	$	$	$ 9,980
2010	5,970	4,435	1,047	335	4,440	662	16,889

11. 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 and those discussed in our Annual Report on Form 10-K for the year ended December 31, 2009, 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.

Regulatory

The Company s Guyana subsidiary, GT&T, is subject to regulation in Guyana under the provisions of its license and under the Guyana Public Utilities Commission Act of 1999 and the Guyana Telecommunications Act of 1990. GT&T also has certain significant rights and obligations under the agreement pursuant to which the Company acquired its interest in GT&T in 1990 and because of the large volume of traffic that GT&T has with the United States, GT&T can be significantly affected by orders of U.S. regulatory agencies.

Since 2001, the Government of Guyana has stated its intention to introduce additional competition into Guyana s telecommunications sector. During 2008, at the request of the Government, GT&T met with high-ranking members of the Government to discuss potential modifications of GT&T s exclusivity rights and the introduction of competition for international voice and data services. ATN and GT&T believe that such competition is precluded by GT&T s exclusive license to provide domestic fixed and international voice and data services in Guyana, which has a stated expiration in December 2010. Each of these licenses is renewable at GT&T s option, for an additional term of twenty years. In

November of 2009, GT&T notified the Government that it is exercising its option to renew its exclusive and non-exclusive licenses for a further period of twenty years. In exercising our option to renew our licenses, we reiterated to the Government that we would be willing to voluntarily relinquish the exclusivity aspect of our licenses, but only as part of an overall settlement agreement with the Government.

ATN and GT&T believe that any early termination of our exclusivity would require our consent and appropriate compensation to GT&T, as well as the satisfactory resolution of certain long-standing claims between us and the Government relating to certain tax and other matters. In addition, certain modifications to the legal and regulatory regime governing the telecommunications market sector in Guyana will be necessary. The Government of Guyana has acknowledged that a transition to full competition will require a significant rebalancing of local and long distance rates for domestic and international services provided by GT&T. During 2008, GT&T held discussions with the Government to develop an appropriate methodology and process to implement rate rebalancing during and after a transition to competition. We have been open about our willingness to consider relingquishing our international exclusivity rights in 2010 as part of an overall settlement and agreement.

In October 2008, GT&T was informally notified that the Government has retained the services of a US-based law firm and a consultant to develop the legislative and regulatory reforms necessary to introduce telecommunications competition in Guyana. GT&T

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has met informally with those persons to discuss the process and possible timing of any legislation or regulatory initiative. GT&T has been informed that draft legislation liberalizing the telecommunications sector in Guyana may be available during 2010. At this time, ATN and GT&T do not know whether or how any draft legislation will address GT&T s exclusive license, and if so, whether it would be pursuant to an agreement between GT&T and the Government. Other than entering into such an agreement on mutually acceptable terms, ATN and GT&T would seek to enforce GT&T s rights by law and contract to be the exclusive provider of domestic fixed and international voice and data services in Guyana and would pursue any other legitimate avenues of recourse available to us. Although ATN and GT&T believe that they would be entitled to damages for any involuntary termination of that exclusive license, ATN and GT&T cannot guarantee that we would prevail in any court or arbitration proceeding or that our actions would effectively halt any unilateral action by the Government.

Litigation

Upon the acquisition of GT&T in 1990, ATN entered into an agreement with the government of Guyana to significantly expand GT&T s existing facilities and telecommunications operations and to improve service within a three-year period pursuant to an expansion and service improvement plan (the Plan). Since 1995, the PUC has had a pending proceeding questioning whether or not GT&T completed the Plan within the required timeframe. A ruling against GT&T could have a material adverse effect to the Company although GT&T believes that its obligations have been fulfilled and it has continued to aggressively develop the telecommunications infrastructure in all areas including landline, wireless and data.

GT&T is involved in several legal claims regarding its tax filings with the Guyana Inland Revenue dating back to 1991 regarding the deductibility of advisory fees paid to ATN by GT&T as well as other tax assessments. No action has been taken by the Guyana Inland Revenue since 1997. Should GT&T be held liable for any of the tax liabilities, totaling $23.5 million, the Company believes that the government of Guyana would be obligated to reimburse GT&T for any amounts that would reduce GT&T s return on investment to less than 15% per annum for the relevant periods.

On May 8, 2009, Digicel filed a lawsuit in Guyana challenging the legality of GT&T s exclusive license under Guyana s constitution. Digicel initially filed this lawsuit against the Attorney General of Guyana in the High Court. On May 13, 2009, GT&T petitioned to intervene in the suit in order to oppose Digicel s claims and that petition was granted on May 18, 2009. GT&T filed its answer to the charge on June 22, 2009 and the case is pending.

We believe that any legal challenge to GT&T s exclusive license granted in 1990, including other lawsuits filed in 2000 by Inet Communications, Inc. and in 2002 by an individual are without merit and we will vigorously defend against such a legal challenge.

For all of the above regulatory, litigation, or related matters, the Company believes some adverse outcome is probable and has accordingly accrued $5.0 million as of March 31, 2010.

12. RELATED PARTY TRANSACTION

Choice Television Assets

In December 2007, the Company wrote down its investment in the television assets of Choice and began exploring strategic alternatives for their use or disposition. Choice discontinued its wireless television service in May 2009. In November 2009, upon approval by the Audit Committee of the Board of Directors, the Company entered into an agreement with Cornelius B. Prior, Jr., the Chairman and the father of the Company s Chief Executive Officer, to sell to Mr. Prior such assets of Choice for $400,000 in cash. The assets, which are located in the US Virgin Islands, consisted primarily of television transmission facilities, subscriber equipment and satellite receiver equipment. The sale to Mr. Prior was completed in December 2009.

13. SUBSEQUENT EVENTS

Other than the transaction noted in Note 4, there were no subsequent events required to be recognized or disclosed in the financial statements.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We provide wireless and wireline telecommunication services in North America and the Caribbean through the following operating subsidiaries:

•Allied Wireless Communications Corporation (AWCC), a provider of wireless voice and data services to retail and business customers in six states in the rural U.S., operating under the Alltel brand. AWCC, a wholly owned subsidiary of the Company, began service following the Company s acquisition of former Alltel assets from Verizon Wireless in April 2010. The Company will consolidate AWCC s financial results beginning in the second quarter of 2010.

• Commnet Wireless, LLC (Commnet), an owner and operator of wholesale wireless networks in rural areas of the United States. Commnet provides wireless voice and data communications roaming services principally to national, regional and local wireless carriers. Commnet generated approximately 39% and 42% of our consolidated revenues for the three months ended March 31, 2009 and 2010, respectively. We acquired a 95% equity interest in Commnet in 2005 and acquired the remaining 5% equity interest in 2007.

• Guyana Telephone & Telegraph Company, Ltd. (GT&T), the exclusive provider of local exchange and international long distance telecommunications services in the Republic of Guyana. GT&T is also one of two service providers in Guyana s competitive wireless telecommunications market. We have owned 80% of the stock of GT&T since January 1991.. GT&T generated approximately 41% and 39% of our consolidated revenues for the three months ended March 31, 2009 and 2010, respectively.

•Bermuda Digital Communications, Ltd. (BDC), a leading wireless voice and data communications service provider in Bermuda, doing business under the name Cellular One . We acquired an equity interest in, and signed a management contract with, BDC in 1998. During 2008, BDC completed a share repurchase of its common stock. We did not tender any shares for repurchase, and, as a result of the transaction, we increased our holdings from approximately 43% to approximately 58% of BDC s outstanding common stock. In 2008, BDC began providing wireless services in Turks and Caicos through Islandcom Telecommunications, Ltd.

•Sovernet, Inc. (Sovernet), a facilities-based integrated voice, broadband data communications and dial-up service provider in New England and New York State. Sovernet s retail telecommunications service is delivered to business and residential customers in Vermont and New Hampshire. Sovernet also delivers wholesale transport services in New York State through its majority-owned subsidiary, ION. Sovernet currently holds 75% of the equity interest in ION.

•Choice Communications, LLC (Choice), a leading provider of fixed and portable wireless broadband data and dial-up internet services to retail and business customers in the U.S. Virgin Islands. Choice was acquired by us in 1999 and is a wholly owned subsidiary. Choice discontinued its wireless television service on May 31, 2009 to focus mainly on providing wireless broadband data services.

We provide management, technical, financial, regulatory, and marketing services to our subsidiaries and typically receive a management fee equal to approximately 3% to 5% of their respective revenues. Management fees from consolidated subsidiaries are eliminated in consolidation.

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The following chart, which does not include operations under our AWCC subsidiary, summarizes the operating activities of our principal subsidiaries and the markets they serve as of March 31, 2010:

Services	Segment	Operating Subsidiary	Markets
Wireless	Rural Wireless	Commnet	United States (rural markets)
	Integrated Telephony International	GT&T	Guyana
	Island Wireless	BDC, Islandcom	Bermuda, Turks and Caicos
Local Telephone and Data	Integrated Telephony International	GT&T	Guyana
	Integrated Telephony Domestic	Sovernet, ION	United States (New England and New York State)
	Wireless Data	Choice (internet access)	U.S. Virgin Islands
International Long Distance	Integrated Telephony International	GT&T	Guyana

For information about our business segments and geographical information about our operating revenues and long-lived assets, see Note 10 to the Consolidated Financial Statements included in this Report.

We have been dependent on Commnet and GT&T for a majority of our revenues and profits. For the three months ended March 31, 2010, approximately 81% of our consolidated revenue and all of our consolidated operating income were generated by these two operating subsidiaries.

Over the past five years, we have added substantially to the diversity of our business and reduced our historical dependence on our Guyana operations for a substantial majority of our revenue and profit. This reduction of GT&T s contribution is due mainly to the acquisition and growth of our U.S. wireless and wireline business and the 2008 increase in our ownership interest in our Bermuda operations and related acquisitions. Our recently completed Alltel Acquisition, completes this trend of diversification and we expect will result in a significant majority of our revenue in the future quarters being generated by U.S. domestic operations. However, we expect to continue actively evaluating additional investment and acquisition opportunities that meet our return-on-investment and other acquisition criteria. Any such additional investments may further shift the geographic concentration of our revenue and cash flow sources. For information regarding the Alltel Acquisition see Acquisition of Alltel Assets below.

During the three months ended March 31, 2010, our U.S. wholesale wireless business was the single largest contributor to our revenue and operating income. The revenues and profits of this U.S. wholesale wireless business are primarily driven by the number of sites and base stations we operate, the amount of voice and data traffic that each of these sites generates, and the rate we get paid from our carrier customers on that traffic. Historically, the growth in same site voice and date volumes and the number of operated sites has outpaced the decline in rates. However, in the first quarter of 2010, a significant decrease in the data rates almost offset overall voice and data traffic growth. The growth of these revenues has historically been driven mainly by the rate at which we expand the number of base stations we operate. We compete with wireless service providers that operate networks in its markets and offer wholesale roaming services as well. In addition, our carrier customers may also elect to build or acquire their own infrastructure (including networks that we built out pursuant to certain roaming agreements) in a market in which they operate, reducing or eliminating their need for our services in that market. For example, pursuant to a series of agreements that we entered into with a large national carrier in connection with our build out of a wireless network in certain parts of the Midwest, this carrier may, at their option beginning in April 2010, purchase the network assets that Commnet now operates in that area. This carrier s exercise of its purchase option, while providing a significant cash payment that we might re-invest in other operating areas, likely would have a significant effect on our wholesale wireless revenue. In addition, the 2009 acquisition by Verizon Wireless of Alltel Corporation assets, and pending acquisition of Alltel assets by AT&T, will result in our wholesale customers having their own infrastructure in certain markets where

they are currently served by us. This is expected to result in a significant loss of wireless wholesale revenue and operating income in future periods, which, if not offset by growth in other revenues generated or other sources could materially reduce our overall operating profits. While we are not able to precisely determine the extent of this revenue impact precisely at this time, we expect that at the very least we will begin to experience lost revenue from those overlapping areas in 2010 which may more than offset any wholesale growth in that period. For more information regarding this segment, see the discussion of Rural Wireless in Note 10 to our Consolidated Financial Statements included in this Report.

The largest single component of our revenues and profits in the Guyana market has historically been from international long distance business, which accounted for approximately 14 % of our consolidated revenue during the three months ended March 31, 2010. The primary drivers of this long distance business are the population of Guyanese living abroad who initiate calls to Guyana and the rate foreign carriers pay us for handling incoming international calls and the number of people in Guyana with a wireless handset or fixed telephone line. However, in recent years, we believe various methods of illegal bypass and alternative and cheaper media for communication, such as e-mail and text messaging, may have had a negative impact on both voice traffic and international long distance revenues. Beginning in 2008, we believe there was a substantial increase in illegal bypass activities. We have taken a number

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of measures to counter illegal bypass, including taking action against unlicensed operators in Guyana, introducing special outbound call center rates, but we have yet to see clear signs that those actions have significantly slowed the pace of bypass traffic growth. More recently, we also believe the current economic recession has reduced the volume of calls into and out of Guyana and negatively impacted our revenues. In addition, long distance revenue was negatively impacted as a result of lower outbound calling rates introduced in January 2010 as part of a promotion approved by the regulatory authorities.

While the majority of this international long distance revenue is generated by calls originated by, or terminating with, our wireline and wireless customers, we are currently the exclusive provider of international voice and data in Guyana and therefore generate revenue and profit from calls and data originating on our competitor s wireless network pursuant to an interconnection agreement. Digicel notified us that it terminated the agreement effective January 2010. For more information about Digicel s termination of its interconnection agreement with us, please see Recent Proceedings under Item 3 Legal Proceedings in our 2009 Form 10-K. While we expect that international long distance revenue will represent less than 5% of overall revenue once we have integrated our newly acquired U.S. retail wireless assets, loss in this revenue causes a disproportionate loss in operating income due to the fact that some of the largest costs related to this business are the capital costs of building and upgrading our international facilities and our local networks in Guyana.

In addition to our 2010 planned capital expenditures to expand and upgrade our Guyana networks, we will be investing over the next three months an additional $4 million to $6 million in a new submarine fiber optic cable in Guyana. We have invested approximately $22.2 million in this cable through March 31, 2010. The construction of this new international cable connecting Guyana to Trinidad will have the potential to provide for continued growth in the provision of high speed data and internet services into Guyana, and give us a cost-effective method of increased redundancy. We believe this is particularly important in the current operating environment of a worldwide shift from voice-driven applications to data-driven applications and the growth in broadband demand. We expect this cable to be operational mid-year 2010.

As previously disclosed in our public reports, the Government of Guyana has repeatedly stated its intention to introduce additional competition into Guyana s telecommunications sector and held formal discussions with us in early 2008 regarding potential modifications or termination of our exclusivity rights. In October 2008, we were informally notified that the Government had retained the services of a U.S. based law firm and a consultant to develop the legislative and regulatory reforms necessary to introduce telecommunication competition in Guyana. Based on informal discussions with these parties, we currently expect draft legislation to be available during 2010. Our exclusive license has a stated initial term that expires in December 2010 and is according to its terms, renewable for an additional 20 year term at our sole option. In November 2009, we notified the Government of Guyana of our election to renew our exclusive license for an additional 20 years.

At this time, we do not know whether or how any draft legislation will address our exclusive license, and if so, whether it would be pursuant to an agreement between us and the Government. Other than entering into such an agreement on terms acceptable to us, we would seek to enforce our rights by law and contract to be the exclusive provider of international voice and data services in Guyana. Although we believe that we would be entitled to damages for any involuntary termination of that license, we cannot guarantee that we would prevail in any court or arbitration proceeding. See Business Regulation Regulation of Our GT&T Subsidiary Regulatory Developments and Risk Factors Our exclusive license to provide local exchange and international voice and data services in Guyana is subject to significant political and regulatory risk in our 2009 Form 10-K.

On May 8, 2009, Digicel filed a lawsuit in Guyana challenging the legality of our exclusive license under Guyana s constitution. Digicel initially filed this lawsuit against the Attorney General of Guyana in the High Court. On May 13, 2009, we petitioned to intervene in the suit in order to oppose Digicel s claims and that petition was granted on May 18, 2009. We filed its answer to the charge on June 22, 2009 and the case is pending. We believe that any legal challenge to our exclusive license granted in 1990 is without merit and we will vigorously defend against such a legal challenge.

Acquisition of Alltel Assets

On April 26, 2010, we completed our previously-announced acquisition of wireless assets from Cellco Partnership d/b/a Verizon Wireless pursuant to the Purchase Agreement, dated June 9, 2009, by and between the Company and Verizon (the Alltel Acquisition). Pursuant to the Alltel Acquisition, Verizon contributed certain licenses, network assets, tower and other leases and other assets and certain related liabilities to a wholly-owned subsidiary limited liability company, whose membership interests were acquired by AWCC, our wholly-owned subsidiary. In connection with the acquisition, the Company and Verizon entered into roaming and transition services arrangements and we obtained the rights to use the Alltel brand and related service marks for a twenty-eight year total term in connection with the continuing operation of the acquired assets. The purchase price of the acquisition was $200 million, plus approximately $23 million in connection with a customary net working capital adjustment.

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Stimulus Grants

On August 20, 2009, we filed two applications for stimulus funds made available by the US Government under provisions of the American Recovery and Reinvestment Act of 2009 intended to stimulate the deployment of broadband infrastructure and services to rural, unserved and underserved areas.

In December 2009, our fiber optic subsidiary, ION, was named to receive a $39.7 million federal stimulus grant to fund its ION Upstate New York Rural Broadband Initiative, which involves building ten new segments of fiber-optic, middle-mile broadband infrastructure, serving more than 70 rural communities in upstate New York and parts of Pennsylvania and Vermont. The new project will be undertaken through a public-private partnership between ION and the Development Authority of the North Country (DANC), a New York State public benefit corporation that owns and operates 750 miles of fiber optic network and provides wholesale telecommunications transport services to voice, video, data and wireless service providers.

The $39.7 million grant, awarded to us by the National Telecommunications and Information Administration of the U.S. Department of Commerce (NTIA), under its Broadband Technology Opportunities Program, will be paid over the course of the project period as expenses are incurred, which is expected to be within the next three years. An additional $9.9 million will be invested in the project by us and by DANC.

The funding of the new ION project is scheduled to occur in May 2010. Accordingly, the Company did not recognize any of the granted funds during the three months ended March 2010. The results of our U.S. fiber optic transport business are included in the Company s Integrated Telephony-Domestic segment as reported in Note 10 to our Consolidated Financial Statements included in this Report.

On March 25, 2010 the NTIA awarded the Navajo Tribal Utility Authority (NTUA) a $32.1 million federal stimulus grant. The grant, along with partial matching funds, will provide broadband infrastructure access to the Navajo Nation across Arizona, New Mexico and Utah. As part of the project, our wholesale wireless subsidiary, Commnet, is partnering with NTUA to provide last mile services through the company s 4G LTE network. This network will allow NTUA to supply both fixed and mobile customers with high-speed broadband access. The funding of this project is not scheduled to occur until later in 2010, once the necessary environmental site work is completed. Accordingly, we did not recognize any of the granted funds during the three months ended March 2010.

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Results of Operations

Three Months Ended March 31, 2010 and 2009

	Three Months Ended March 31, 2009	2010	Amount of Increase (Decrease)	Percent Increase (Decrease)
		(In thousands)		
REVENUE:				
Wireless	$ 31,725	$ 33,122	$ 1,397	4.4%
Local telephone and data	13,053	13,704	651	5.0
International long distance	10,401	7,859	(2,542)	(24.4)
Other	787		(787)	(100.0)
Total revenue	55,966	54,685	(1,281)	(2.3)
OPERATING EXPENSES:				
Termination and access fees	10,446	10,677	231	2.2
Internet and programming	789	421	(368)	(46.6)
Engineering and operations	6,947	6,412	(535)	(7.7)
Sales and marketing	3,592	4,105	513	14.3
General and administrative	8,215	10,786	2,571	31.3
Acquisition-related charges		4,793	4,793	100.0
Depreciation and amortization	9,200	10,069	869	9.4
Total operating expenses				