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

FORM 10-Q

☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2017

☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

000-30061
(*Commission file No.)*

PARETEUM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**95-4557538**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. employer identification no.)*

1185 Avenue of the Americas, 37th floor New York, New York 10036 USA
(Address of principal executive offices) (Zip Code)

(212) 984-1096
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large Accelerated filer ☐	Accelerated filer ☐
Non-Accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☒

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 17(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of November 14, 2017, there were 28,669,680 and 4,034 shares of the Company's common stock and preferred shares outstanding, respectively.

PARETEUM CORPORATION AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

PARETEUM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 699,659	$ 931,189
Restricted cash	698,641	564,018
Accounts receivable, net of an allowance for doubtful accounts of $101,235 at September 30, 2017 and $88,528 at December 31, 2016	335,364	614,670
Prepaid expenses and other current assets	797,178	1,084,994
Total current assets	2,530,842	3,194,871
NON-CURRENT ASSETS		
OTHER ASSETS	79,992	129,037
NOTE RECEIVABLE	594,428	1,012,603
PROPERTY AND EQUIPMENT, NET	7,077,635	8,708,778
TOTAL ASSETS	$ 10,282,897	$ 13,045,289
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and customer deposits	$ 2,590,798	$ 2,316,768
Obligations under capital leases (current portion)	-	10,813
Net billings in excess of revenues	433,550	951,791
Accrued expenses and other payables	4,699,533	6,013,620
9% Unsecured Subordinated Convertible Promissory Note (current portion net of Debt Discount and Debt Issuance)	559,403	-
Senior Secured Loan - Short Term	2,000,000	4,000,000
Total current liabilities	10,283,284	13,292,992
LONG TERM LIABILITIES		
Derivative liabilities	471,458	4,265,829
Other long term liabilities	166,220	192,980
Unsecured Convertible Promissory Note (net of Debt Discount and Debt Issuance)	89,488	821,048
Senior Secured Loan - Long Term (net of Debt Discount, and Debt Issuance)	4,150,890	3,715,662
Non-current portion of net billings in excess of revenues	-	121,309
Total long term liabilities	4,878,056	9,116,828
Total liabilities	15,161,340	22,409,820
STOCKHOLDERS' DEFICIT		
Preferred Stock $0.00001 par value, 50,000,000 shares authorized, -0- and 249 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	-	2,143,196
Common Stock $0.00001 par value, 500,000,000 shares authorized, 14,577,232 and 8,376,267 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	292,242,457	280,653,362
Accumulated other comprehensive loss	(5,095,421)	(5,086,902)
Accumulated deficit	(292,025,479)	(287,080,234)
Pareteum Corporation stockholders' deficit	(4,878,443)	(9,370,578)
NON-CONTROLLING INTEREST	-	6,047
Total stockholders' deficit	(4,878,443)	(9,364,531)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 10,282,897	$ 13,045,289

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

PARETEUM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three months Ended September 30, 2017	Three months Ended September 30, 2016	Nine months Ended September 30, 2017	Nine months Ended September 30, 2016
REVENUES	$ 3,498,688	$ 3,170,596	$ 9,532,807	$ 9,711,288
COST AND OPERATING EXPENSES				
Cost of service	791,334	892,069	2,578,925	2,996,496
Product development	497,078	667,788	1,055,285	2,766,690
Sales and marketing	412,881	206,632	1,103,162	1,094,305
General and administrative	1,578,960	2,743,670	5,435,187	7,588,752
Restructuring and settlement costs	253,014	560,181	841,120	1,395,984
Depreciation and amortization of property and equipment	1,432,712	1,108,553	3,149,188	3,320,104
Impairment for assets held and used	-	850,985	-	850,985
Impairment of goodwill	-	3,228,930	-	3,228,930
Loss on sale of assets	-	1,746,905	-	1,746,905
Total cost and operating expenses	4,965,979	12,005,713	14,162,867	24,989,151
LOSS FROM OPERATIONS	(1,467,291)	(8,835,117)	(4,630,060)	(15,277,863)
OTHER (EXPENSE) / INCOME				
Interest income	41,964	24,700	136,000	75,247
Interest expense	(421,392)	(253,509)	(1,344,576)	(856,281)
Interest expense related to debt discount and conversion feature	(205,842)	(2,319,679)	(1,548,440)	(2,932,823)
Changes in derivative liabilities	-	(735,902)	1,920,881	(75,966)
(Loss)/Gain on Extinguishment of Debt	(299,511)	(443,426)	163,834	(443,426)
Foreign currency translation adjustment	216,002	101,328	686,478	213,888
Amortization of deferred financing costs	(25,595)	(568,246)	(248,218)	(850,541)
Total other (expense)	(694,374)	(4,194,734)	(234,041)	(4,869,902)
(LOSS) BEFORE PROVISION FOR INCOME TAXES	(2,161,665)	(13,029,851)	(4,864,101)	(20,147,765)
Provision for income taxes	147,640	8,450	81,144	27,557
NET (LOSS)	(2,309,305)	(13,038,301)	(4,945,245)	(20,175,322)
OTHER COMPREHENSIVE INCOME / (LOSS)				
Foreign currency translation income / (loss)	2,139	425,354	(8,512)	421,091
COMPREHENSIVE (LOSS)	$ (2,307,166)	$ (12,612,947)	$ (4,953,757)	$ (19,754,231)
Net (loss) per common share and equivalents – basic	$ (0.16)	$ (1.90)	$ (0.41)	$ (3.01)
Net (loss) per common share and equivalents – diluted	$ (0.16)	$ (1.90)	$ (0.41)	$ (3.01)
Weighted average shares outstanding during the period – basic	14,304,340	6,627,708	12,201,452	6,563,148

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

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

	For the Nine Months Ended September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,945,245)	$ (20,175,322)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,149,188	3,320,104
Provision for doubtful accounts	6,378	-
Stock based compensation	1,508,535	2,102,440
Change in fair value of warrant liability	(1,920,881)	75,966
Amortization of deferred financing costs	248,218	850,541
Interest expense relating to debt discount and conversion feature	1,548,440	2,932,823
Unrealized foreign currency translation gain loss	(686,478)	(213,888)
Debt settled by issuance of shares	524,465	-
Extinguishment of Debt	(163,834)	443,426
Impairment for assets held and used	-	850,985
Impairment of goodwill	-	3,228,930
Loss on sale of assets	-	1,746,905
Changes in operating assets and liabilities:		
Decrease in accounts receivable	272,928	786,606
Decrease in prepaid expenses and other assets	755,036	2,000,388
Increase in accounts payable and customer deposits	274,030	708,252
Decrease in net billings in excess of revenues and deferred revenue	(639,550)	(709,896)
Decrease in accrued expenses and other liabilities	(1,340,846)	344,568
Net cash used in operating activities	(1,409,616)	(1,707,172)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and software development	(538,245)	(1,382,127)
Advance Purchase Payment on “Assets held for Sale”	-	450,000
Proceeds from sale of assets	-	2,000,000
Net cash (used in) provided by investing activities	(538,245)	1,067,873
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing receivable	-	355,000
Exercise of warrants and options	1,150,000	-
Principal payment on 2014 10% + libor 3rd Part Loan	-	(881,809)
Proceeds from 9% Unsecured Subordinated Convertible Promissory Note	-	2,273,000
Financing related fees	(581,591)	(1,427,967)
Debt finance costs	(10,999)	-
Unsecured promissory note	-	350,000
Payments on obligations under capital leases	(10,813)	-
Gross Proceed from Preferred A & A1 Shares issuance	-	1,490,000
Gross Proceed from public offering	3,500,000	-
Principal repayment Senior Secured Loan	(2,000,000)	-
Net cash provided by financing activities	2,046,597	2,158,224
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(195,643)	(159,944)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(96,907)	1,358,981
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF THE PERIOD	1,495,207	369,250
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF THE PERIOD	$ 1,398,300	$ 1,728,231
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 906,590	$ 678,138
Cash paid during the period for income taxes	2,359	-
Conversion of preferred stock	2,143,196	-
Amendments to warrants and convertible notes	2,704,574	-
Conversions of convertible notes	281,944	-

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

PARETEUM CORPORATION AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

Note 1. Financial Condition

As reflected in the accompanying consolidated financial statements, Pareteum Corporation (the "Company") reported net (loss) of $(4,945,245) for the nine month period ended September 30, 2017 and had an accumulated deficit of $(292,025,479) as of September 30, 2017.

The Company was influenced by several events through September 30, 2017:

- the restructuring of Atalaya debt on March 6, 2017, May 2, 2017 and August 9, 2017;
- 25-1 reverse stock split;
- the conversion of unsecured convertible debt and modification of derivative securities;
- a capital raise;
- an extension was granted by the NYSE for compliance with the listing requirements;
- new director appointment;
- Dawson James capital raise on November 9, 2017;
- Joseph Gunnar warrant exercise; and
- new employee stock option plan.

Atalaya Debt Restructuring

On March 6, 2017, Elephant Talk Europe Holding B.V., an entity organized under the laws of the Netherlands (the "Borrower"), a wholly owned subsidiary of the Company, as Borrower, the Company, Pareteum North America Corp., a Delaware corporation, Corbin Mezzanine Fund I, L.P. ("Lender") and Atalaya Administrative LLC, a New York limited liability company (Atalaya"), as administrative agent and collateral agent for the Lender, entered into an agreement to amend certain terms of the credit agreement among the parties, dated November 17, 2014, as has been amended from time to time (as so amended, the "Amended and Restated Agreement"). On March 31, 2017, the relevant parties entered into the formal amendment to the Amended and Restated Agreement (the "Amendment"). Capitalized terms used herein but not otherwise defined shall have the meaning as set forth in the Amended and Restated Credit Agreement.

Pursuant to the Amendment: (i) the Maturity Date was extended to December 31, 2018; (ii) the amortization schedule was amended as follows: Q1-2017: $1,500,000; Q2-2017: $1,500,000; Q3-2017: $500,000; Q4-2017: $500,000; Q1-2018: $750,000; Q2-2018: $750,000; Q3-2018: $750,000; and (iii) inserting a new definition of "2017 Equity Offering." Additionally, the two warrants previously issued to the Lender (the "Corbin Warrant") and ACM Carry-I LLC (the "ACM Warrant" and, together with the Corbin Warrant, the "Warrants") were amended and treated as a modification to (a) increase the aggregate amount of shares of common stock underlying the Corbin Warrant to 1,229,100 and increase the aggregate amount of shares of common stock underlying the ACM Warrant to 216,900; (b) adjust the exercise price of the Warrants to $1.305 per share; and (c) remove the anti-dilution sections (Sections 9(d) and 9(h)) of the Warrants.

On May 2, 2017, the Borrower, the Company, Pareteum North America Corp., a Delaware corporation, Lender and Atalaya Administrative LLC, a New York limited liability company, as administrative agent and collateral agent for the Lender, executed a term sheet (the "Term Sheet") to amend certain terms of that credit agreement among the parties, as amended via the Amended & Restated Credit Agreement dated December 27, 2016, and further amended on March 6, 2017.

On August 9, 2017, the parties entered the Second Amendment ("Second Amendment"), among other items, to reduce the quarterly principal amortization payment amounts and confirmed the maturity date of December 31, 2018. Further, the parties agreed on a revised repayment schedule, which reduces the principal repayments to $250,000 for the second and third quarters of 2017 and $500,000 for the fourth quarter of 2017. The quarterly principal repayments for 2018 have also been materially reduced from $750,000 per quarter to $500,000 per quarter with a final payment due by December 31, 2018. The parties also agreed that the two warrants previously issued under prior amendments will be revised to adjust the exercise price of $0.64. The Company also agreed to issue new warrants with a strike price of $0.64 for consideration received from the Lender and Atalaya in the amounts of 793,900 and 140,100, respectively.

Reverse Stock Split

The Company received a deficiency letter from the New York Stock Exchange MKT (the "NYSE MKT") on December 6, 2016, indicating that the Company's securities had been selling for a low price per share for a substantial period of time and, pursuant to Section 1003(f)(v) of the NYSE MKT Company Guide (the "Company Guide"), our continued listing on the NYSE MKT was predicated on our effecting a reverse split and other requirements or otherwise demonstrating sustained price improvement. This notice was in addition to a prior notice we received from NYSE MKT on May 26, 2016, as previously disclosed on a Current Report on Form 8-K filed on June 2, 2016. The NYSE MKT indicated that we had an additional six months, or until June 6, 2017, to gain compliance with Section 1003(f)(v) of the Company Guide.

On February 27, 2017, the Company completed a 1-for-25 reverse split of our issued and outstanding common stock and regained compliance with Section 1003 (f)(v) of the Company Guide. The financial information has been adjusted for comparability post reverse split.

Conversion of Unsecured Convertible Promissory Note and Modification of Derivative Securities

On March 30, 2017, the Company entered into an agreement with Saffelberg Investments NV (the "Holder") pursuant to which the Company and the Holder amended the terms of, redeemed or effected conversion, as the case may be, of certain convertible promissory notes (the "Note(s)") and warrants (the "Warrant(s)") previously issued by the Company to the Holder, which was replaced by an agreement dated September 7, 2017

Pursuant to the agreement, the Company and the Holder agreed to modify certain terms of the Notes pursuant to the agreement dated September 7, 2017, whereby the Company entered into a repayment plan with an initial cash payment $75,000, with monthly cash payments of $20,000 plus interest to be paid until paid in full. As of November 13, 2017, the principal and interest payments have totaled $95,000. Additionally, the terms of the note dated August 18, 2016 are put back in place for $723,900 principal with a 9% coupon, 96,520 warrants with a variable conversion price based on dilutive common stock equivalents issuances, a mandatory conversion price of $5.375, and a repayment date of August 18, 2019.

Conversion of Preferred Shares

The Company's Certificate of Incorporation authorizes the issuance of 50,000,000 shares of preferred stock, $0.00001 par value per share. No shares of preferred stock are issued and outstanding as of September 30, 2017 compared to 249 shares of preferred stock outstanding as of December 31, 2016, a decrease of 249 shares. Under the Company's Certificate of Incorporation, the Board of Directors has the power, without further action by the holders of the Common Stock, subject to the rules of the NYSE MKT, to designate the relative rights and preferences of the preferred stock, and issue the preferred stock in such one or more series as designated by the Board of Directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the common stock or the preferred stock of any other series. The issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company without further stockholder action and may adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, the issuance of preferred stock could depress the market price of the common stock.

On March 7, 2017, Pareteum Corporation received conversion notices from holders of an aggregate of $1,910,000, or 191 shares, of the Company's Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock (the "Preferred Shares"). The Preferred Shares have been converted into shares of common stock, $0.00001 par value per share, of the Company at $1.305 (a 13% discount to the public offering) and shall become effective upon the filing by the Company of a prospectus supplement disclosing the terms of an offering. Additionally, holders will be granted warrants to purchase 50% additional shares to what they received upon conversion. The exercise price will be $1.87.

On September 28, 2017, the Company converted the remaining holders with an aggregate of $580,000. The Preferred Shares converted into 338,419 shares of common stock, $0.00001 par value per share, of the Company.

Joseph Gunnar & Co., LLC - Public Offering

On March 10, 2017, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Joseph Gunnar & Co., LLC (the "Underwriter"), relating to the issuance and sale of 2,333,334 shares of the Company's common stock, at a price to the public of $1.50 per share together with five-year warrants to purchase an aggregate of 1,166,667 shares of common stock at an exercise price of $1.87. The Underwriter agreed to purchase the shares from the Company pursuant to the Underwriting Agreement at a price of $1.3949 per share. The gross proceeds to the Company from the offering were approximately $3.5 million, before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The offering closed on March 15, 2017. In addition, under the terms of the Underwriting Agreement, the Company had granted the Underwriter a 45-day option to purchase up to (i) up to 350,000 additional shares of common stock (the "Option Shares") at a purchase price of $1.3949 per one Option Share, taking into account the Underwriter's discount, and/or (ii) warrants to purchase up to 175,000 additional shares of Common Stock (the "Option Warrants"), that option expired at the end of 45 days. The Underwriter partially exercised their over-allotment option on 109,133 Option Warrants. No Option Shares were exercised.

Extension Granted for Compliance with the NYSE MKT Listing Requirements

On July 13, 2017, the Company received a notice from the NYSE MKT indicating that the Company is not currently in compliance with the NYSE MKT's continued listing standards as set forth in Section 1003(a)(i), Section 1003(a)(ii), Section 1003(a)(iii), and Section 1003(a)(iv) of the NYSE MKT Company Guide. The Company is now in compliance with Section 1003(f)(v). The NYSE MKT has reviewed the Company's most recent updates and determined to extend the plan period for the Company to regain compliance with Section 1003(a)(iv) through November 27, 2017. The compliance date for Section 1003(a)(i), Section 1003(a)(ii), and Section 1003(a)(iii) remain November 27, 2017, as was previously stated in the NYSE MKT's notice dated January 5, 2017 and disclosed on a Current Report on Form 8-K filed by the Company on January 9, 2017.

If the Company is not in compliance with the continued listing standards of the Company Guide by November 27, 2017, or if the Company does not make progress consistent with the plan during the plan period, the NYSE MKT will initiate delisting proceedings as appropriate. The Company may appeal a staff delisting determination in accordance with Section 1010 and Part 12 of the Company Guide.

New Director Appointment

Effective July 25, 2017, the Company appointed Laura Thomas as an independent director of the Company.

Ms. Thomas presently serves as the Chief Financial Officer of Towerstream, Inc. Ms. Thomas previously served on the Board of Directors of Impact Telecom ("Impact"), a full-service telecommunications company, from January 2016 through December 2016, during which time she served as Chairman of the Board of Directors from January 2016 through June 2016. From December 2014 through December 2015 she served as the Chief Executive Officer of TNCI Operating Company, which acquired Impact in January 2016. From 2000 through 2014 she served in a variety of roles at XO Holdings, Inc. (now XO Communications), a telecommunications services provider, including as Chief Financial Officer from May 2009 through April 2011 and again from December 2013 through August 2014, and as Chief Executive Officer from April 2011 through December 2013.

Dawson James Securities – Public Offering

On November 9, 2017, the Company announced the closing of a firm commitment underwritten public offering of its securities pursuant to which it issued an aggregate of 9,009,478 shares of the Company's common stock (the "Common Stock"), an aggregate of 4,034 shares of Series B Convertible Preferred Stock (each of which shares is an equivalent of 1,000 shares of Common Stock)(the "Series B Preferred Stock"), and warrants to purchase an aggregate of 7,478,228 shares of Common Stock (which includes warrants to purchase 956,489 shares of Common Stock pursuant to the over-allotment option granted to the underwriter in the underwriting agreement) at a public offering price of $0.92 per share of Common Stock (or Series B Preferred Stock) and warrant. The Company received gross proceeds of approximately $12 million from the offering, before deducting placement agent fees and estimated offering expenses for net proceeds of $10,723,899.

Joseph Gunnar Warrant Exercise

On July 17, 2017, the Company entered into Warrant Exercise Agreements (the "Exercise Agreements") with certain holders (the "Exercising Holders") of outstanding warrants to purchase up to an aggregate of 1,150,000 shares of common stock of the Company at $1.87 per share (the "Original Warrants") whereby the Exercising Holders and the Company agreed that the Exercising Holders would, exercise their Original Warrants at a reduced exercise price of $1.00 per share. The Company expected to receive aggregate gross proceeds before expenses of approximately $1.15 million from the exercise of the Original Warrants by the Exercising Holders.

In consideration for the Exercising Holders exercising their Original Warrants, the Company issued to each Exercising Holder a new warrant (each, a "New Warrant") to purchase shares of the Company's common stock equal to the number of shares of common stock received by such Exercising Holder upon the cash exercise of such Exercising Holder's Original Warrants. The terms of the New Warrants was substantially similar to the terms of the Original Warrants, except that the New Warrants will (i) have an exercise price equal to $1.39 per share and (ii) be exercisable six months from first issuance of the New Warrants, for a period of five years.

The issuance of the New Warrants was not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The New Warrants were issued in reliance on the exemption from registration provided by Section 4(a)(2) under the Securities Act and/or Regulation D promulgated thereunder. Each Exercising Holder had represented that it is an accredited investor, as defined in Rule 501 of Regulation D promulgated under the Securities Act.

In connection with the Exercise Agreements, the Company engaged Joseph Gunnar & Co., LLC to act as the Company's placement agent. The Company has agreed to pay Joseph Gunnar & Co., LLC a cash fee equal to seven percent (7%) of the sum of the gross proceeds received by the Company from the exercise of the Original Warrants.

New Employee Stock Option Plan

On June 8, 2017, the Board adopted the 2017 Pareteum Corp. Long-Term Incentive Compensation Plan (the "2017 Plan"), an omnibus equity incentive plan pursuant to which the Company may grant equity and equity-linked awards to officers, directors, consultants and others. The Board adopted the 2017 Plan as a means to offer incentives and attract, motivate and retain and reward persons eligible to participate in the 2017 Plan. Accordingly, the Board unanimously approved and adopted the 2017 Plan, including authorization of the issuance of 6,500,000 shares of the Company's common stock. On June 14, 2017, the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-8, registering 3,500,000 shares under the 2017 Plan. On September 12, 2017, shareholders approved the plan.

Based on our current expectations with respect to our revenue and expenses, we expect that our current level of cash and cash equivalents could be sufficient to meet our liquidity needs for the next twelve months. If our revenues do not grow as expected and if we are not able to manage expenses sufficiently, including required payments pursuant to the terms of the senior secured debt, we may be required to obtain additional equity or debt financing. Although we have previously been able to attract financing as needed, such financing may not continue to be available at all, or if available, on reasonable terms as required. Further, the terms of such financing may be dilutive to existing shareholders or otherwise on terms not favorable to us or existing shareholders. If we are unable to secure additional financing, as circumstances require, or do not succeed in meeting our sales objectives, we may be required to change or significantly reduce our operations or ultimately may not be able to continue our operations. As a result of our historical net losses and cash flow deficits, and net capital deficiency, these conditions raise substantial doubt as to the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Note 2. Description of Business, Basis of Presentation and Use of Estimates

Business overview

The Company has developed a Communications Cloud Services Platform, providing (i) Mobility, (ii) Messaging and (iii) Security services and applications, with a Single-Sign-On, API and software development suite.

The Pareteum platform hosts integrated IT/Back Office and Core Network functionality for mobile network operators, and for enterprises implement and leverage mobile communications solutions on a fully outsourced SaaS, PaaS and/or IaaS basis: made available either as an on-premise solution or as a fully hosted service in the Cloud depending on the needs of our customers. Pareteum also delivers an Operational Support System ("OSS") for channel partners, with Application Program Interfaces ("APIs") for integration with third party systems, workflows for complex application orchestration, customer support with branded portals and plug-ins for a multitude of other applications. These features facilitate and improve the ability of our channel partners to provide support and to drive sales.

Basis of Presentation of Interim Periods

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and with the instructions to Securities and Exchange Commission, or SEC, Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2016, included in our 2016 Annual Report on Form 10-K filed with the SEC on March 29, 2017, referred to as our 2016 Annual Report.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our results of operations and financial position for the interim periods. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for future quarters or the full year.

For a complete summary of our significant accounting policies, please refer to Note 2, "Business and Summary of Significant Accounting Policies," of our 2016 Annual Report. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2017.

Use of Estimates

The preparation of the accompanying consolidated financial statements conforms with accounting principles generally accepted in the U.S. and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Significant areas of estimates include revenue recognition, valuation of goodwill and other intangible assets, bad debt allowance, valuation of financial instruments, useful lives of long lived assets and share-based compensation. Actual results may differ from these estimates under different assumptions or conditions.

Recently Issued Accounting Standards

In November 2016, the FASB issued Accounting Standards Update 2016-18, "Statement of Cashflows – Restricted Cash a consensus of the FASB Emerging Issues Task Force". This standard requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement of cash flows under a retrospective transition approach. The guidance will become effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has adopted ASU 2016-18.

Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of Effective Date (ASU 2015-14) to defer the effective date of the new revenue recognition standard.

ASU 2015-14 defers the effective date of ASU 2014-09 by one year for all entities and permits early adoption on a limited basis. For public entities, ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016, and is effective for interim periods in the year of adoption. We will adopt ASU 2014-09 on January 1, 2018 and we are currently evaluating the application of the modified or full retrospective transition methods on our ongoing financial reporting. As part of our evaluation, we are reviewing all our present revenue generating contracts. We are in the process of reviewing our various revenue streams and their present categorization to determine the impact of ASU 2014-09 on our revenue recognition. The Company is evaluating the effect that the ASU on the materially impact if any on the amount and timing of consolidated revenues. However, there could be changes to the presentation of revenues on our statements of operations and additional disclosures around the nature, amount, timing and uncertainty of our revenues and cash flows arising from contracts with customers. We continue to actively monitor outstanding issues currently being addressed by the American Institute of Certified Public Accountants' Revenue Recognition Working Group and the Financial Accounting Standards Board's Transition Resource Group, since conclusions reached by these groups may impact our application of these ASUs.

Note 3. Supplemental Financial Information

The following tables present details of our condensed consolidated financial statements:

Prepaid expenses and other current assets	**September 30, 2017**	**December 31, 2016**
Prepaid expenses	$ 462,246	$ 492,549
VAT	316,932	592,445
	$ 797,178	$ 1,084,994

Property and equipment	**September 30, 2017**	**December 31, 2016**
Furniture & fixtures	$ 173,883	$ 155,197
Computer, communications and network equipment	19,079,117	19,079,117
Software	5,494,111	3,209,318
Automobiles	13,360	11,897
Construction in progress	-	786,897
Acc. Depreciation Property & Equipment	(17,682,836)	(14,533,648)
	$ 7,077,635	$ 8,708,778

Accrued expenses and other payables	**September 30, 2017**	**December 31, 2016**
Accrued Selling, General & Administrative expenses	$ 2,571,048	$ 4,955,959
Accrued cost of service	598,641	394,496
Accrued taxes (including VAT)	912,496	127,434
Accrued interest payable	245,319	132,632
Other accrued expenses	372,029	403,099
	$ 4,699,533	$ 6,013,620

Breakdown of the Unsecured Convertible Promissory Notes (net of debt discounts)	*Outstanding September 30, 2017*	*Closing(s) during 2017*	*Regular Amortizations (during 2017)*	*Conversions (during 2017) including accelerated amortization*	*December 31, 2016*
9% Unsecured Convertible Note (Private Offering Q4-2015 – Q1-2016	$ (89,488)	$ -	$ (50,673)	$ 281,914	$ (320,729)
9% Saffelberg Note (Unsecured Convertible)	(559,403)	-	(59,084)	-	(500,319)
	$ (648,891)	$ -	$ (109,757)	$ 281,914	$ (821,048)

Fair Market Value Warrants & Conversion Feature	FMV as of September 30, 2017	Additional closings during 2017	Agreement Amendments/ Conversions	Mark to market adjustment Ytd-2017	FMV as of December 31, 2016
9% Saffelberg Note (Unsecured Convertible)	$ 400,631	$ -	$ -	$ (37,817)	$ 438,448
FMV Conversion Feature	**400,631**	**-**	**-**	**(37,817)**	**438,448**
Lender Warrants	-	-	(1,610,060)	(1,752,223)	3,362,283
9% Saffelberg Note Warrants	70,827	-		(117,388)	188,215
7% Agent Warrants	-	-	(121,200)	-	121,200
8% Agent Warrants	-	-	(142,231)	(13,453)	155,684
FMV Warrant Liabilities	**70,827**	**-**	**(1,873,491)**	**(1,883,064)**	**3,827,382**
Total	**$ 471,458**	**$ -**	**$ (1,873,491)**	**$ (1,920,881)**	**$ 4,265,829**

Change in Fair Value of Conversion Feature

During the first quarter of 2017, the Company negotiated with most parties having a derivative instrument with conversion feature to remove most conditions responsible for the need of derivative accounting. This resulted in an adjustment to the calculation of the fair value as per the agreement date of the removal of such features and the subsequent accounting for the allocation of the liability value towards extinguishment of debt and change in fair value of the conversion feature. As of September 30, 2017, the warrants associated with the unsecured note with a coupon of 9% are the only remaining derivative instrument that results in a derivative liability.

Number of underlying shares for Warrants & Conversion Feature	Outstanding September 30, 2017	Additional Closings during 2017	Agreement Amendments / Interest effects	Exercises / Conversions	Outstanding December 31, 2016
9% Convertible Note - Investors	60,839	-	91,736	(243,564)	212,667
9% Convertible Note - Other Investor	134,679	-	-	-	134,679
Underlying shares relating to outstanding Conversion Features	**195,518**	**-**	**91,736**	**(243,564)**	**347,346**
13%+Eurodollar Senior Secured	2,400,000	-	1,126,982	-	1,273,018
2017 Registered Public Offering	1,166,667	1,166,667	1,150,000	(1,150,000)	-
Investor Management Services	710,000	710,000	-	-	-
9% Convertible Note Warrants	520,373	-	-	-	520,373
2013 Convertible Notes	180,000	-	-	-	180,000
Other 9% Convertible Note Warrants	96,520	-	-	-	96,520
2017 Registered Public Offering Agent Warrants	699,167	750,800	57,500	(109,133)	-
9% Convertible Note 7% Agent Warrants	66,229	-	-	-	66,229
Preferred Share Conversion Warrants	731,798	-	731,798	-	-
Preferred Share issuance 8% Agent Warrants	38,827	-	(29,618)	-	68,445
Underlying shares relating to outstanding Warrants	**6,609,581**	**2,627,467**	**3,036,662**	**(1,259,133)**	**2,204,585**
Total	**6,805,099**	**2,627,467**	**3,476,731**	**(2,033,557)**	**2,551,931**

2016 13% + Eurodollar Senior Secured Credit Agreement (Refinancing of 2014 10% + Eurodollar Loan) (Maturing December 2018, including provisional extensions)	**September 30, 2017**	**December 31, 2016**
2016 13% + Eurodollar Senior Secured Credit Agreement (principal)	$ 8,081,836	$ 10,081,836
Debt Discount - 10% Warrants & Free Warrant shares	(212,394)	(422,202)
Debt Discount – 2017 Warrants for Corbin & Atalaya	(706,332)	-
Debt Discount - Original Issue Discount	(3,305)	(6,596)
Deferred Financing Costs	(88,837)	(164,731)
Debt Discount - Repayment Premium	(920,078)	(1,772,645)
	$ 6,150,890	$ 7,715,662

Change in Fair Value of Warrant Liabilities

During the first quarter of 2017, the Company negotiated with parties having a derivative instrument with conversion feature to remove most conditions responsible for the need of derivative accounting. This resulted in an adjustment to the calculation of the fair value as per the agreement date of the removal of such features and the subsequent accounting for the allocation of the liability value towards extinguishment of debt and change in fair value of the conversion feature. As of September 30, 2017, the warrants associated with the unsecured note with a coupon of 9% are the only remaining derivative instrument that results in a derivative liability.

Note 4. Fair Value Measurements

In accordance with Accounting Standards Update 820, Fair Value Measurement ("ASC 820"), the Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but are traded less frequently, derivative instruments whose fair values have been derived using a model where inputs to the model are directly observable in the market and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Instruments that have little to no pricing observability as of the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

The Company maintained derivative liabilities of $471,458 at September 30, 2017. The following table only summarizes fair value measurements by level as of December 31, 2016 for and the Company's liabilities measured at fair value on a recurring basis:

Fair Market Value Warrants & Conversion Feature	**FMV as of September 30, 2017**	**Additional closings during 2017**	**Agreement Amendments/ Conversions**	**Mark to market adjustment Ytd-2017**	**FMV as of December 31, 2016**
9% Saffelberg Note (Unsecured Convertible)	$ 400,631	$ -	$ -	$ (37,817)	$ 438,448
FMV Conversion Feature	**400,631**	**-**	**-**	**(37,817)**	**438,448**
Lender Warrants	-	-	(1,610,060)	(1,752,223)	3,362,283
9% Saffelberg Note Warrants	70,827	-		(117,388)	188,214
7% Agent Warrants	-	-	(121,200)	-	121,200
8% Agent Warrants	-	-	(142,231)	(13,453)	155,684
FMV Warrant Liabilities	**70,827**	**-**	**(1,873,492)**	**(1,883,064)**	**3,827,381**
Total	**$ 471,458**	**$ -**	**$ (1,873,492)**	**$ (1,920,881)**	**$ 4,265,829**

The Company used the Monte Carlo valuation model to determine the value of the outstanding warrants and conversion feature from the "Offering". Since the Monte Carlo valuation model requires special software and expertise to model the assumptions to be used, the Company hired a third party valuation expert.

Note 5. Stockholders' Equity

(A) Common Stock

The Company is presently authorized to issue 500,000,000 shares of common stock. The Company had 14,577,232 shares of common stock issued and outstanding as of September 30, 2017, an increase of 6,200,964 shares from December 31, 2016, partly due to the shares issued in connection with the public offering described above, which closed on March 15, 2017 as well as other common stock issuances. As per September 30, 2017 the Company has accrued a reserve for 716,590 shares pending to be issued of which 338,419 are relating to the conversion of the Series A and Series A-1 Preferred Stock (see Note 5 (B)) and various other non-cash compensation.

Reconciliation with Stock Transfer Agent Records:

The shares issued and outstanding as of September 30, 2017 and December 31, 2016 according to the Company's stock transfer agent's records were 14,587,068 and 8,386,103, respectively. The difference in number of issued shares recognized by the Company of 14,577,232 amounts to 9,836 and it is the result of the exclusion of the 9,356 unreturned shares from 'cancelled' acquisitions (pre-2006) and 480 treasury shares issued under the former employee benefits plan.

(B) Preferred Stock

The Company's Certificate of Incorporation authorizes the issuance of 50,000,000 shares of preferred stock, $0.00001 par value per share. No shares of preferred stock are issued and outstanding as of September 30, 2017 compared to 249 shares of preferred stock outstanding as of December 31, 2016, a decrease of 249 shares. Under the Company's Certificate of Incorporation, the Board of Directors has the power, without further action by the holders of the common stock, subject to the rules of the NYSE MKT, to designate the relative rights and preferences of the preferred stock, and issue the preferred stock in such one or more series as designated by the Board of Directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the common stock or the preferred stock of any other series. The issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company without further stockholder action and may adversely affect the rights and powers, including voting rights, of the holders of Common Stock. In certain circumstances, the issuance of preferred stock could depress the market price of the common stock.

On March 7, 2017, the Company received conversion notices from holders of an aggregate of $1,910,000, or 191 Preferred Shares. The Preferred Shares converted into shares of common stock, of the Company at a 13% discount to a public offering and became effective upon the filing by the Company of a prospectus supplement disclosing the terms of an offering. The closing of the public offering took place March 15, 2017 and the public offering price was set at $1.50, therefore the discounted conversion price for the preferred shareholders was calculated at $1.305. The number of shares of common stock issued was approximately 1,463,601.

On September 28, 2017 the Company notified the remaining holders of the Preferred Shares that the Company had elected to exercise its right to force conversion of the Preferred Shares still outstanding as permitted under the terms of the agreement. The conversion resulted in the issuance of 338,419 shares of common stock as per September 30 those shares were pending to be issued.

For the nine month period ended September 30, 2017, the Company did not issue any additional shares of preferred stock, and -0- shares of preferred stock are outstanding.

(C) Warrants

Throughout the years, the Company has issued warrants with varying terms and conditions related to multiple financing rounds, acquisitions and other transactions. The number of warrants outstanding at September 30, 2017 (unaudited) and December 31, 2016 have been recorded and classified as equity is 6,619,233 and 2,204,651 respectively. As of September 30, 2017, and December 31, 2016, the Company has classified 6,619,233 and 700,373, in the balance sheet for the equity warrants issued and -0- and 1,504,278, in the balance sheet for the liability warrants issued in connection with the various offerings in previous and current year. The Weighted Average Exercise Price for the currently outstanding warrants in the table below is $1.72. The table below summarizes the warrants outstanding as of September 30, 2017 and as of December 31, 2016:

Outstanding Warrants	Exercise/ Conversion price(s) (range)	Expiring	September 30, 2017	December 31, 2016
Equity Warrants – Fundraising	$0.64 - $5.375	2017 - 2023	6,513,061	700,373
Liability Warrants – Fundraising	$3.25 - $11.25	2019 - 2021	96,520	1,504,278
			6,609,581	2,204,651

Note 6. Amended and Restated 2008 Long Term Incentive Compensation Plan and 2017 Long-Term Incentive Compensation Plan

Amended and Restated 2008 Long-Term Incentive Compensation Plan

Total Authorized under the plan	2,240,000
Shares issued in prior years	612,428
Shares issued during 2017	459,995
Options exercised during 2017	-
Outstanding options	1,100,640
Available for grant at September 30, 2017 (Registered and Unregistered)	66,937

During the third quarter of 2017, no shares were issued or options were granted under the 2008 Plan. The 66,937 available shares under the plan is divided in 4,548 registered and 62,388 unregistered shares.

Stock option activity is set forth below:

Options:	**Number of Options**	**Weighted Average Exercise Price**
Outstanding as of December 31, 2016	1,040,211	$ 13.35
Granted in 2017	199,700	$ 2.16
Forfeitures (Pre-vesting)	(2,058)	$ 20.48
Expirations (Post-vesting)	(137,213)	$ 25.03
Outstanding as of September 30, 2017	1,100,640	$ 9.85

At September 30, 2017, the unrecognized expense portion of stock-based awards granted to employees under the 2008 Plan was $224,853, compared to $591,849 for the same period in 2016.

2017 Long-Term Incentive Compensation Plan

Total Authorized under the plan (Shareholders)	6,500,000
Total Registered under the plan (S-8 dated June 14, 2017)	3,500,000
Shares issued during 2017	1,576,000
Options granted	1,576,000
Forefeitures	(58,000)
Available for grant at September 30, 2017 (Registered & Unregistered)	4,982,000

Options:	**Number of Options**	**Weighted Average Exercise Price**
Outstanding as of December 31, 2016	-	$ NA
Granted in 2017	1,576,000	$ 1.00
Forfeitures (Pre-vesting)	(58,000)	$ 1.00
Expirations (Post-vesting)	-	$ NA
Outstanding as of September 30, 2017	1,518,000	$ 1.00

At September 30, 2017, the unrecognized expense portion of stock-based awards granted to employees under the 2017 Plan was $673,921, without comparison for the same period in 2016, as the 2017 Plan was only implemented recently.

Under the provisions of ASC 718, expensing takes place proportionally to the vesting associated with each stock-award, adjusted for cancellations, forfeitures and returns. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

Note 7. Income taxes

Income Taxes

The following table presents details of the net provision for income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Provision for income tax	$ 147,640	$ 8,450	$ 81,144	$ 27,557

As a result of our cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities.

Note 8. Significant Customer and Geographical Information

Sales to our significant customers, as a percentage of net revenue were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Two largest customers	96.9%	88.9%	96.1%	87.0%

The geographical distribution of our revenue, as a percentage of revenue, was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Europe	95.5%	92.5%	94.2%	92.0%
All other (non-European) countries	4.5%	7.5%	5.8%	8.0%
	100%	100%	100.0%	100.0%

Note 9. Subsequent Events

1. On October 10, 2017, the Company closed on a public offering of common stock for gross proceeds of $1,569,750. The offering was a shelf takedown off of our registration statement on Form S-3 (File No. 333-213575) and was conducted pursuant to a placement agency agreement (the "Agreement") entered into between us and Dawson James Securities, Inc., the placement agent on a best-efforts basis with respect to the offering (the "Placement Agent"), that was entered into on October 5, 2017. The Company sold 1,495,000 shares of common stock in the offering at a purchase price of $1.05 per share. The material terms of the offering are described in a prospectus supplement which was filed by us with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on October 5, 2017. The Agreement contains customary representations, warranties and agreements by us and the Placement Agent. We also agreed in the Agreement to indemnify the Placement Agent against certain liabilities.

2. On October 16, 2017, the Company entered into a Share Exchange Agreement (the "Exchange Agreement") with Artilium, PLC, a public limited company incorporated under the laws of England and Wales ("ARTA"). Pursuant to the Exchange Agreement, ARTA agreed to issue and deliver to the Company an aggregate of 27,695,177 of its newly issued ordinary shares (the "ARTA Shares") in exchange for 3,200,332 restricted shares of the Company's common stock, par value $0.00001 (the "TEUM Shares"). The ARTA Shares issued to the Company will, upon issuance, constitute approximately 8% of ARTA's issued and outstanding capital stock.

   The closing of the transactions contemplated under the Exchange Agreement is subject to certain closing conditions, including the accuracy, in all material respects, when made and at the time of closing, of the representations and warranties of the parties contained in the Exchange Agreement.

   Concurrently with the execution of the Exchange Agreement, the Company and ARTA executed a Strategic Alliance Agreement (the "Strategic Alliance Agreement") for the mutual pursuit of joint commercial opportunities. Pursuant to the Strategic Alliance Agreement, the parties may enter into a contract to provide their technological solutions to prospective customers. In support of this effort, the Company and ARTA agree to provide each other with such assistance as may be reasonably requested of either of them by the other in the preparation and submission of proposals/RFPs/tenders etc. and in securing the award of resulting projects to the Company and ARTA

3. On November 9, 2017, the Company announced the closing of a firm commitment underwritten public offering of its securities pursuant to which it issued an aggregate of 9,009,478 shares of the Company's common stock (the "Common Stock"), an aggregate of 4,034 shares of Series B Convertible Preferred Stock (each of which shares is an equivalent of 1,000 shares of Common Stock)(the "Series B Preferred Stock"), and warrants to purchase an aggregate of 7,478,228 shares of Common Stock (which includes warrants to purchase 956,489 shares of Common Stock pursuant to the over-allotment option granted to the underwriter in the underwriting agreement) at a public offering price of $0.92 per share of Common Stock (or Series B Preferred Stock) and warrant. The Company received gross proceeds of approximately $12 million from the offering, before deducting placement agent fees and estimated offering expenses. These deductions result in net proceeds of $10,723,899.

Note 10. Divestiture of ValidSoft

The sale of ValidSoft at the end of the third quarter for the price of $3.0 million was completed and the Company received $2.0 million in cash and a $1.0 million promissory note. The $2.0 million in cash was used to pay down the senior secure loan.

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

Forward-Looking Statements

Any forward looking statements made herein are based on current expectations of the Company, involve a number of risks and uncertainties and should not be considered as guarantees of future performance. The factors that could cause actual results to differ materially include: interruptions or cancellation of existing contracts, inability to integrate acquisitions, impact of competitive products and pricing, product demand and market acceptance risks, the presence of competitors with greater financial resources than the Company, product development and commercialization risks, changes in governmental regulations, and changing economic conditions in developing countries and an inability to arrange additional debt or equity financing.

Overview

The Company has developed a Communications Cloud Services Platform, providing (i) Mobility, (ii) Messaging and (iii) Security services and applications, with a Single-Sign-On, API and software development suite:

Our solution has proven itself globally against much larger competitors and is installed in multiple companies in diverse countries around the world ranging from small service providers to one of the world's largest telecoms companies, Vodafone, based in Europe. We had more than 1,100,000 active subscribers on our platforms as of December 31, 2016.

The market and our customers tell us that they need to find ways to reduce cost, they want to find ways to increase their revenues, and they want to scale and grow their business, and all consider Cloud capabilities as a vital means to achieve these goals. As we've listened to our customers and understood the business goals that they have, we believe the Company is well placed to help them achieve these goals, drive value for customers, and ultimately value for our own business.

We have designed a solution that solves these problems. Each of these three platforms - mobility, messaging and security - can be marketed and deployed independently, or they can be delivered as a single, integrated Cloud Service Platform, as illustrated in the figure above.

The Pareteum platform hosts integrated IT/Back Office and Core Network functionality for mobile network operators, and for enterprises implement and leverage mobile communications solutions on a fully outsourced SaaS, PaaS and/or IaaS basis: made available either as an on-premise solution or as a fully hosted service in the Cloud depending on the needs of our customers. Pareteum also delivers an Operational Support System ("OSS") for channel partners, with Application Program Interfaces ("APIs") for integration with third party systems, workflows for complex application orchestration, customer support with branded portals and plug-ins for a multitude of other applications. These features facilitate and improve the ability of our channel partners to provide support and to drive sales.

Our integrated (or modular) Cloud Platform solution includes, more specifically, functionality such as service design and control, Intelligent Networking, subscriber provisioning, messaging, switching, real-time dynamic rating and pre- or post-paid charging and billing, call center and customer care support, reporting, self-care web portal environments, change management in active systems, SIM Management, (Data) Session Control Management, Voucher Management, Mobile Marketing systems, (Mobile) Payment Systems, Real Time Credit Checking Systems, Interactive Voice Response Systems, Voicemail Systems, Trouble Ticketing Systems, Device Management Systems, Mass Customer Migrations, life cycle management, database hardware and software, large scale real-time processing, and integrating, provisioning, all the while managing and maintaining specific core network components.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto and the other financial information included elsewhere in this report.

The Company was influenced by several events through September 30, 2017:

- the restructuring of Atalaya debt on March 6, 2017, May 2, 2017 and August 9, 2017;
- 25-1 reverse stock split;
- the conversion of unsecured convertible debt and modification of derivative securities;
- a capital raise;
- an extension was granted by the NYSE for compliance with the listing requirements;
- new director appointment
- Dawson James capital raise on November 9, 2017;
- Joseph Gunnar warrant exercise; and
- new employee stock option plan.

Atalaya Debt Restructuring

On March 6, 2017, Elephant Talk Europe Holding B.V., an entity organized under the laws of the Netherlands (the “Borrower”), a wholly owned subsidiary of the Company, as Borrower, the Company, Pareteum North America Corp., a Delaware corporation, Corbin Mezzanine Fund I, L.P. (“Lender”) and Atalaya Administrative LLC, a New York limited liability company (Atalaya”), as administrative agent and collateral agent for the Lender, entered into an agreement to amend certain terms of the credit agreement among the parties, dated November 17, 2014, as has been amended from time to time (as so amended, the “Amended and Restated Agreement”). On March 31, 2017, the relevant parties entered into the formal amendment to the Amended and Restated Agreement (the “Amendment”). Capitalized terms used herein but not otherwise defined shall have the meaning as set forth in the Amended and Restated Credit Agreement.

Pursuant to the Amendment: (i) the Maturity Date was extended to December 31, 2018; (ii) the amortization schedule was amended as follows: Q1-2017: $1,500,000; Q2-2017: $1,500,000; Q3-2017: $500,000; Q4-2017: $500,000; Q1-2018: $750,000; Q2-2018: $750,000; Q3-2018: $750,000; and (iii) inserting a new definition of “2017 Equity Offering.” Additionally, the two warrants previously issued to the Lender (the “Corbin Warrant”) and ACM Carry-I LLC (the “ACM Warrant” and, together with the Corbin Warrant, the “Warrants”) were amended and treated as a modification to (a) increase the aggregate amount of shares of common stock underlying the Corbin Warrant to 1,229,100 and increase the aggregate amount of shares of common stock underlying the ACM Warrant to 216,900; (b) adjust the exercise price of the Warrants to $1.305 per share; and (c) remove the anti-dilution sections (Sections 9(d) and 9(h)) of the Warrants.

On May 2, 2017, the Borrower, the Company, Pareteum North America Corp., a Delaware corporation, Lender and Atalaya Administrative LLC, a New York limited liability company, as administrative agent and collateral agent for the Lender, executed a term sheet (the “Term Sheet”) to amend certain terms of that credit agreement among the parties, as amended via the Amended & Restated Credit Agreement dated December 27, 2016, and further amended on March 6, 2017.

On August 9, 2017, the parties entered the Second Amendment (“Second Amendment”), among other items, to reduce the quarterly principal amortization payment amounts and confirmed the maturity date of December 31, 2018. Further, the parties agreed on a revised repayment schedule, which reduces the principal repayments to $250,000 for the second and third quarters of 2017 and $500,000 for the fourth quarter of 2017. The quarterly principal repayments for 2018 have also been materially reduced from $750,000 per quarter to $500,000 per quarter with a final payment due by December 31, 2018. The parties also agreed that the two warrants previously issued under prior amendments will be revised to adjust the exercise price of $0.64. The Company also agreed to issue new warrants with a strike price of $0.64 for consideration received from the Lender and Atalaya in the amounts of 793,900 and 140,100, respectively.

Reverse Stock Split

The Company received a deficiency letter from the New York Stock Exchange MKT (the “NYSE MKT”) on December 6, 2016, indicating that the Company’s securities had been selling for a low price per share for a substantial period of time and, pursuant to Section 1003(f)(v) of the NYSE MKT Company Guide (the “Company Guide”), our continued listing on the NYSE MKT was predicated on our effecting a reverse split and other requirements or otherwise demonstrating sustained price improvement. This notice was in addition to a prior notice we received from NYSE MKT on May 26, 2016, as previously disclosed on a Current Report on Form 8-K filed on June 2, 2016. The NYSE MKT indicated that we had an additional six months, or until June 6, 2017, to gain compliance with Section 1003(f)(v) of the Company Guide.

On February 27, 2017, the Company completed a 1-for-25 reverse split of our issued and outstanding common stock and regained compliance with Section 1003 (f)(v) of the Company Guide. The financial information has been adjusted for comparability post reverse split.

Conversion of Convertible Preferred Stock

The Company's Certificate of Incorporation authorizes the issuance of 50,000,000 shares of Preferred Stock, $0.00001 par value per share. -0- shares of Preferred Stock are issued and outstanding as of September 30, 2017 compared to 249 shares of Preferred Stock outstanding as of December 31, 2016, a decrease of 249 shares. Under the Company's Certificate of Incorporation, the Board of Directors has the power, without further action by the holders of the Common Stock, subject to the rules of the NYSE MKT LLC, to designate the relative rights and preferences of the Preferred Stock, and issue the Preferred Stock in such one or more series as designated by the Board of Directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the Common Stock or the Preferred Stock of any other series. The issuance of Preferred Stock may have the effect of delaying or preventing a change in control of the Company without further stockholder action and may adversely affect the rights and powers, including voting rights, of the holders of Common Stock. In certain circumstances, the issuance of Preferred Stock could depress the market price of the Common Stock.

On March 7, 2017, the Company received conversion notices from holders of an aggregate of $1,910,000, or 191 shares of the Company's Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock (the "Preferred Shares"). The Preferred Shares converted into shares of common stock, $0.00001 par value per share, of the Company at a 13% discount to a public offering and became effective upon the filing by the Company of a prospectus supplement disclosing the terms of an offering. The closing of the public offering took place March 15, 2017 and the public offering price was set at $1.50, therefore the discounted conversion price for the preferred shareholders was calculated at $1.305. The number of shares of common stock issued was approximately 1,463,601.

On September 28, 2017, the Company converted the remaining holders with an aggregate of $580,000. The Preferred Shares converted into 338,419 shares of common stock, $0.00001 par value per share, of the Company.

Conversion of Unsecured Convertible Promissory Note and Modification of Derivative Securities

On March 30, 2017, the Company entered into an agreement with Saffelberg Investments NV (the "Holder") pursuant to which the Company and the Holder amended the terms of, redeemed or effected conversion, as the case may be, of certain convertible promissory notes (the "Note(s)") and warrants (the "Warrant(s)") previously issued by the Company to the Holder, which was replaced by an agreement dated September 7, 2017

Pursuant to the agreement, the Company and the Holder agreed to modify certain terms of the Notes pursuant to the agreement dated September 7, 2017, whereby the Company entered into a repayment plan with an initial cash payment $75,000, with monthly cash payments of $20,000 plus interest to be paid until paid in full. As of November 13, 2017, the principal and interest payments have totaled $95,000. Additionally, the terms of the note dated August 18, 2016 are put back in place for $723,900 principal with a 9% coupon, 96,520 warrants with a variable conversion price based on dilutive common stock equivalents issuances, a mandatory conversion price of $5.375, and a repayment date of August 18, 2019.

Joseph Gunnar & Co., LLC - Public Offering

On March 10, 2017, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Joseph Gunnar & Co., LLC (the "Underwriter"), relating to the issuance and sale of 2,333,334 shares of the Company's common stock, at a price to the public of $1.50 per share together with five-year warrants to purchase an aggregate of 1,166,667 shares of common stock at an exercise price of $1.87. The Underwriter agreed to purchase the shares from the Company pursuant to the Underwriting Agreement at a price of $1.3949 per share. The gross proceeds to the Company from the offering were approximately $3.5 million, before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The offering closed on March 15, 2017. In addition, under the terms of the Underwriting Agreement, the Company had granted the Underwriter a 45-day option to purchase up to (i) up to 350,000 additional shares of common stock (the "Option Shares") at a purchase price of $1.3949 per one Option Share, taking into account the Underwriter's discount, and/or (ii) warrants to purchase up to 175,000 additional shares of Common Stock (the "Option Warrants"), that option expired at the end of 45 days. The Underwriter partially exercised their over-allotment option on 109,133 Option Warrants. No Option Shares were exercised.

Extension Granted for Compliance with the NYSE MKT Listing Requirements

On July 13, 2017, the Company received a notice from the NYSE MKT indicating that the Company is not currently in compliance with the NYSE MKT's continued listing standards as set forth in Section 1003(a)(i), Section 1003(a)(ii), Section 1003(a)(iii), and Section 1003(a)(iv) of the NYSE MKT Company Guide. The Company is now in compliance with Section 1003(f)(v). The NYSE MKT has reviewed the Company's most recent updates and determined to extend the plan period for the Company to regain compliance with Section 1003(a)(iv) through November 27, 2017. The compliance date for Section 1003(a)(i), Section 1003(a)(ii), and Section 1003(a)(iii) remain November 27, 2017, as was previously stated in the NYSE MKT's notice dated January 5, 2017 and disclosed on a Current Report on Form 8-K filed by the Company on January 9, 2017.

If the Company is not in compliance with the continued listing standards of the Company Guide by November 27, 2017, or if the Company does not make progress consistent with the plan during the plan period, the NYSE MKT will initiate delisting proceedings as appropriate. The Company may appeal a staff delisting determination in accordance with Section 1010 and Part 12 of the Company Guide.

New Director Appointment

Effective July 25, 2017, the Company appointed Laura Thomas as an independent director of the Company.

Ms. Thomas presently serves as the Chief Financial Officer of Towerstream, Inc. Ms. Thomas previously served on the Board of Directors of Impact Telecom ("Impact"), a full-service telecommunications company, from January 2016 through December 2016, during which time she served as Chairman of the Board of Directors from January 2016 through June 2016. From December 2014 through December 2015 she served as the Chief Executive Officer of TNCI Operating Company, which acquired Impact in January 2016. From 2000 through 2014 she served in a variety of roles at XO Holdings, Inc. (now XO Communications), a telecommunications services provider, including as Chief Financial Officer from May 2009 through April 2011 and again from December 2013 through August 2014, and as Chief Executive Officer from April 2011 through December 2013.

Dawson James Securities – Public Offering

On November 9, 2017, the Company announced the closing of a firm commitment underwritten public offering of its securities pursuant to which it issued an aggregate of 9,009,478 shares of the Company's common stock (the "Common Stock"), an aggregate of 4,034 shares of Series B Convertible Preferred Stock (each of which shares is an equivalent of 1,000 shares of Common Stock)(the "Series B Preferred Stock"), and warrants to purchase an aggregate of 7,478,228 shares of Common Stock (which includes warrants to purchase 956,489 shares of Common Stock pursuant to the over-allotment option granted to the underwriter in the underwriting agreement) at a public offering price of $0.92 per share of Common Stock (or Series B Preferred Stock) and warrant. The Company received gross proceeds of approximately $12 million from the offering, before deducting placement agent fees and estimated offering expenses for net proceeds of $10,723,899.

Joseph Gunnar Warrant Exercise

On July 17, 2017, the Company entered into Warrant Exercise Agreements (the "Exercise Agreements") with certain holders (the "Exercising Holders") of outstanding warrants to purchase up to an aggregate of 1,150,000 shares of common stock of the Company at $1.87 per share (the "Original Warrants") whereby the Exercising Holders and the Company agreed that the Exercising Holders would, exercise their Original Warrants at a reduced exercise price of $1.00 per share. The Company expected to receive aggregate gross proceeds before expenses of approximately $1.15 million from the exercise of the Original Warrants by the Exercising Holders.

In consideration for the Exercising Holders exercising their Original Warrants, the Company issued to each Exercising Holder a new warrant (each, a "New Warrant") to purchase shares of the Company's common stock equal to the number of shares of common stock received by such Exercising Holder upon the cash exercise of such Exercising Holder's Original Warrants. The terms of the New Warrants was substantially similar to the terms of the Original Warrants, except that the New Warrants will (i) have an exercise price equal to $1.39 per share and (ii) be exercisable six months from first issuance of the New Warrants, for a period of five years.

The issuance of the New Warrants wasnot be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The New Warrants were issued in reliance on the exemption from registration provided by Section 4(a)(2) under the Securities Act and/or Regulation D promulgated thereunder. Each Exercising Holder had represented that it is an accredited investor, as defined in Rule 501 of Regulation D promulgated under the Securities Act.

In connection with the Exercise Agreements, the Company engaged Joseph Gunnar & Co., LLC to act as the Company's placement agent. The Company has agreed to pay Joseph Gunnar & Co., LLC a cash fee equal to seven percent (7%) of the sum of the gross proceeds received by the Company from the exercise of the Original Warrants.

New Employee Stock Option Plan

On June 8, 2017, the Board adopted the 2017 Pareteum Corp. Long-Term Incentive Compensation Plan (the "2017 Plan"), an omnibus equity incentive plan pursuant to which the Company may grant equity and equity-linked awards to officers, directors, consultants and others. The Board adopted the 2017 Plan as a means to offer incentives and attract, motivate and retain and reward persons eligible to participate in the 2017 Plan. Accordingly, the Board unanimously approved and adopted the 2017 Plan, including authorization of the issuance of 6,500,000 shares of the Company's common stock. On June 14, 2017, the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-8, registering 3,500,000 shares under the 2017 Plan. On September 12, 2017, shareholders approved the plan.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles, or GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, stock-based compensation expense, long-lived asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs, litigation and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected. For a description of our critical accounting policies and estimates, please refer to the "Critical Accounting Policies and Estimates" section in Part II, Item 7, "Management's Discussion and Analysis of Financial

Condition and Results of Operations” of our 2016 Annual Report. There have been no material changes in any of our critical accounting policies and estimates during the nine months ended September 30, 2017.

Comparison of three months ended September 30, 2017 and September 30, 2016.

Revenue

Revenue for the three months ended September 30, 2017, was $3,498,688, a $328,092 or 10% increase compared to $3,170,596 for the comparable three months in 2016. The higher revenues result from additional Vodafone development projects.

	Three months ended		
	2017	**2016**	**Variance**
Revenues	$ 3,498,688	$ 3,170,596	$ 328,092

Cost of Service

Cost of service includes origination, termination, network and billing charges from telecommunications operators, costs of telecommunications service providers, network costs, data center costs, facility cost of hosting network and equipment and cost in providing resale arrangements with long distance service providers, cost of leasing transmission facilities, international gateway switches for voice, data transmission services, and the cost of professional services of staff directly related to the generation of revenues, consisting primarily of employee-related costs associated with these services, including share-based compensation and the cost of subcontractors. Cost of service excludes depreciation and amortization.

	Three months ended		
	2017	**2016**	**Variance**
Revenues	$ 3,498,688	$ 3,170,596	$ 328,092
Cost of service	791,334	892,069	(100,735)
Margin	$ 2,707,354	$ 2,278,527	$ 428,827

Cost of service for the three month period ended September 30, 2017 was $791,334, a decrease of $100,735 or 11%, compared to $892,069 for the three-month period in 2016 due to cost cutting.

Product Development

Product Development costs consist primarily of salaries and related expenses, including share-based expenses, of employees involved in the development of the Company's services, which are expensed as incurred. Costs such as database architecture, and Pareteum BOSS & IN platform development and testing are included in this function.

Costs incurred during the application development stage of internal-use software projects, such as those used in the Company's operations, are capitalized in accordance with the accounting guidance for costs of computer software developed for internal use. Capitalized costs are amortized on a straight-line basis. When assigning useful lives to internal-use software, the Company considers the effects of obsolescence, competition, technology, and other economic factors. Because of the ongoing restructuring measures, that also impacted the development department, the Company decided to suspend project capitalization during the last half year of 2016 and the first quarter of 2017. During the third quarter, we evaluated the projects and re-instated the capitalization of certain projects. During the three-month period ended September 2017 and 2016, the Company capitalized $369,032 and $444,563, respectively.

Product development costs for the three month periods ended September 30, 2017 and 2016 were $497,078 and $667,788, respectively, a decrease of $170,710 or 26%. The decrease for the three-month period was mainly the net result of expensed development costs in conjunction with the reduction in management and personnel expenses, non-cash stock based employee compensation and capitalization of software development costs in 2017.

Sales and Marketing

Sales and Marketing expenses consist primarily of salaries and related expenses, including share-based expenses, for our sales and marketing staff, including commissions, payments to partners and marketing programs. Marketing programs consist of advertising, events, corporate communications and brand building.

Sales and marketing expenses for the three month periods ended September 30, 2017 and 2016 were $412,881 and $206,632, respectively, an increase of $206,249 or 100%. The increase was mainly caused by increased management and travel expenses and non-cash stock based employee compensation.

General and Administrative

General and administrative expenses are our largest cost and consist primarily of overhead related salaries and expenses, including share-based compensation, for non-employee directors, finance and accounting, legal, internal audit and human resources personnel, legal costs, professional fees and other corporate expenses.

General and administrative expenses for the three month period ended September 30, 2017 and 2016 were $1,578,960 and $2,743,670, respectively, a decrease of $1,164,710 or 42%. The decrease was mainly caused by reduced management, personnel expenses, facilities and related costs.

Restructuring and Settlement costs

Restructuring and settlement costs for the three months ended September 30, 2017 and 2016 were $253,014 and $560,181. The substantial three phase restructuring plan (the "Plan") was completed in the third quarter of 2016. The Plan which commenced in the fourth quarter of 2015 was designed to align actual expenses and investments with current revenues. During the third quarter of 2017, there were certain severance accruals and payments as well as a reserve for a liability resulting from a dispute with the tax authorities in the country of Mexico for 2013.

Share-based compensation

Share-based compensation is comprised of:

- the expensing of the options granted under the 2008 and 2017 Plan to staff and management;
- the expensing of the shares issued under the 2006 and 2008 Plans to contractors, directors and executive officers in lieu of cash compensation and;
- the expensing of restricted shares issued for consultancy services.

For the three month period ended September 30, 2017 and 2016, we recognized share-based compensation expense of $385,242, and $796,311, respectively, a decrease of $410,887 or 52%.

In the following table, we show the allocation of share-based compensation according to functions in the Consolidated Statement of Comprehensive Loss:

	September 30, 2017	September 30, 2016
Cost of service	$ 26,750	$ (27,084)
Product Development	20,434	(215,132)
Sales and Marketing	53,347	(16,297)
General and Administrative	284,893	1,054,824
Total	$ 385,424	$ 796,311

Depreciation and Amortization

Depreciation and amortization expenses for the three month period ended September 30, 2017 was $1,432,712, an increase of $324,159 or 29%, compared to $1,108,553 for the same period in 2016. This increase is primarily the result of amortization for the capitalized software and depreciation for software development projects.

Interest Expense Related to Debt Discount Accretion

Interest expenses related to debt discount accretion for the three months ended September 30, 2017 and 2016, were $205,842 and $2,319,679, respectively an improvement of 2,113,837 or 91% with the changes due to debt restructuring.

Amortization of Deferred Financing Costs

Amortization of deferred financing costs for the three months ended September 30, 2017 and 2016, were $25,595 and $568,246, respectively an improvement of $542,651 or 95% with the changes due to debt restructuring.

Changes in derivative liabilities

Changes in derivative liabilities for the three month period ended September 30, 2017 and 2016 was $-0- and $735,902, respectively, an improvement of $735,902 or 100% with the changes due to debt restructuring.

Change in Fair Value of Conversion Feature

During the second quarter of 2017, the Company negotiated with all parties having a derivative instrument with conversion feature to eliminate any condition responsible for the need of derivative accounting. This resulted in the calculation of the fair value as per the agreement date of the elimination of such feature and the subsequent accounting for the allocation of the remaining liability value towards extinguishment of debt and change in fair value of the conversion feature.

Change in Fair Value of Warrant Liabilities

During the second quarter of 2017, the Company negotiated with all parties having a derivative warrant to eliminate any condition (mainly caused by anti-dilution protection conditions) responsible for the need of the subsequent derivative accounting. This resulted in the calculation of the fair value as per the agreement date of the elimination of such condition and the subsequent accounting for the allocation of the remaining liability value towards change in fair value of the warrant liability.

The fair market value of the more complex conversion feature and warrant liability was determined by a third-party valuation expert using a Monte-Carlo Simulation model.

Gain on extinguishment of debt

Gain on extinguishment of debt for the three month periods ended September 30, 2017 and 2016 were $299,511 and $443,426, respectively, an improvement of $143,915 or 32%.

Other Income, net

Other income, net for the three month period ended September 30, 2017 and 2016 is an income of $216,002 and $101,328, respectively, an increase of $114,674 or 113%.

Provision (Benefit) Income taxes

Income tax provision for the three month period ended September 30, 2017 and 2016 was a loss of $147,640 and $8,450 respectively, an increase of $139,190 or 1,647%.

Net Loss

Net loss for the three month period ended September 30, 2017, was $2,309,305, a decrease of $10,728,996 or 82%, compared to the loss of $13,038,301 for the same period in 2016. The decrease in Net Loss was primarily caused by the restructuring measures, executed in 2016, that significantly lowered cost and operating expenses.

Other Comprehensive (Loss) Income

We record foreign currency translation gains and losses as other comprehensive income or gain, which amounted to a gain of $2,139 and a gain of $425,354 for the three month periods ended September 30, 2017 and 2016, respectively. This change is primarily attributable to the translation effect resulting from the fluctuations in the USD/Euro exchange rates.

Comparison of nine months ended September 30, 2017 and September 30, 2016.

Revenue

Revenue for the nine months ended September 30, 2017, was $9,532,807, a $178,481 or 2% decrease, compared to $9,711,288 for the comparable nine months in 2016. The lower revenues can partly be explained by the extinguishment of the former ValidSoft sales.

	Nine months ended		
	2017	2016	Variance
Revenues	$ 9,532,807	$ 9,711,288	$ (178,481)

Cost of Service

Cost of service includes origination, termination, network and billing charges from telecommunications operators, costs of telecommunications service providers, network costs, data center costs, facility cost of hosting network and equipment and cost in providing resale arrangements with long distance service providers, cost of leasing transmission facilities, international gateway switches for voice, data transmission services, and the cost of professional services of staff directly related to the generation of revenues, consisting primarily of employee-related costs associated with these services, including share-based compensation and the cost of subcontractors. Cost of service excludes depreciation and amortization.

	Nine months ended					
	2017		2016		Variance	
Revenues	$	9,532,807	$	9,711,288	$	(178,481)
Cost of service		2,578,925		2,996,496		(415,571)
Margin	$	6,953,882	$	6,714,792	$	(239,090)

Cost of service for the nine month period ended September 30, 2017 was $2,578,925, a decrease of $415,571 or 14%, compared to $2,996,496 for the nine month period in 2016. The main decrease in cost of service was the result of reductions in a combination of cash and non-cash stock based employee compensation and decreases in the cost of mobile bundled service business and network.

Product Development

Product Development costs consist primarily of salaries and related expenses, including share-based expenses, of employees involved in the development of the Company's services, which are expensed as incurred. Costs such as database architecture, and Pareteum BOSS & IN platform development and testing are included in this function.

Product development costs for the nine month periods ended September 30, 2017 and 2016 were 1,055,285 and $2,766,690, respectively, a decrease of $1,711,405 or 62%. The main decrease for the nine month period was the net result of decreased development costs in conjunction with the reduction in management and personnel expenses, non-cash stock based employee compensation and capitalization of software development costs of $563,968 in 2017.

Sales and Marketing

Sales and Marketing expenses consist primarily of salaries and related expenses, including share-based expenses, for our sales and marketing staff, including commissions, payments to partners and marketing programs. Marketing programs consist of advertising, events, corporate communications and brand building.

Sales and marketing expenses for the nine month periods ended September 30, 2017 and 2016 were $1,103,162 and $1,094,305, respectively, an increase of $8,857 or 1%. The main increase was caused by increased sales staff in the United Kingdom and the United States, increased travel expenses, non-cash stock based employee compensation and an increase in tradeshow costs.

General and Administrative

General and administrative expenses are our largest cost and consist primarily of overhead related salaries and expenses, including share-based compensation, for non-employee directors, finance and accounting, legal, internal audit and human resources personnel, legal costs, professional fees and other corporate expenses.

General and administrative expenses for the nine month period ended September 30, 2017 and 2016 were $5,435,187 and $7,588,752, respectively, a decrease of $2,153,565 or 28%. The decrease was mainly caused by reduced employee costs and non-cash stock based employee compensation as well as other General and administrative expenses.

Restructuring and Settlement costs

Restructuring and settlement costs for the nine months ended September 30, 2017 and 2016 were $841,120 and $1,395,984. The Plan which commenced in the fourth quarter of 2015 was designed to align actual expenses and investments with current revenues as well as introduce new executive management. During the third quarter of 2017, there were certain severance accruals and payments as well as a reserve for a liability resulting from a dispute with the tax authorities in the country of Mexico for 2013.

Share-based compensation

Share-based compensation is comprised of:

- the expensing of the options granted under the 2008 and 2017 Plan to staff and management;
- the expensing of the shares issued under the 2006 and 2008 Plans to contractors, directors and executive officers in lieu of cash compensation; and
- the expensing of restricted shares issued for consultancy services.

For the nine month period ended September 30, 2017 and 2016, we recognized share-based compensation expense of $1,508,535 and $2,102,440, respectively, a decrease of $593,905 or 28%.

In the following table, we show the allocation of share-based compensation according to functions in the Consolidated Statement of Comprehensive Loss:

	September 30, 2017	September 30, 2016
Cost of service	$ 30,571	$ 52,986
Product Development	37,577	151,774
Sales and Marketing	119,913	75,390
General and Administrative	1,320,474	1,822,290
Total	$ 1,508,535	$ 2,102,440

Depreciation and Amortization

Depreciation and amortization expenses for the nine month period ended September 30, 2017 was $3,149,188, an increase of $170,916 or 5%, compared to $3,320,104 for the same period in 2016. This increase is primarily the result of depreciation along with amortization on the capitalized software development.

Interest Expense Related to Debt Discount Accretion

For the nine months ended September 30, 2017 and 2016, interest expenses related to debt discount accretion were $1,548,440 and $2,932,823, respectively an improvement of $1,384,383 or 47%. This decrease is mainly related to the accelerated amortization as a result of the repayment in 2016 of part of the Senior Secured Loan with proceeds of the ValidSoft sale. The repayment triggered accelerated amortization of the related debt discounts.

Amortization of Deferred Financing Costs

For the nine month periods ended September 30, 2017 and 2016, the amortization of deferred financing costs were $248,218 and $850,541, respectively, an improvement of $602,323 or 71%, also related to the accelerated amortization as a result of the repayment in 2016 of part of the Senior Secured Loan with proceeds of the ValidSoft sale.

Changes in derivative liabilities

For the nine month period ended September 30, 2017 and 2016 the changes in derivative liabilities were $1,920,881 and a loss of $75,966 respectively, an increase of $1,996,847 or 2,629%. This gain was caused by the elimination of the warrant liability which was part of the agreement when amending the Senior Secured Loan.

Change in Fair Value of Conversion Feature

During the second quarter of 2017, the Company negotiated with all parties having a derivative instrument with conversion feature to eliminate any condition responsible for the need of derivative accounting. This resulted in the calculation of the fair value as per the agreement date of the elimination of such feature and the subsequent accounting for the allocation of the remaining liability value towards extinguishment of debt and change in fair value of the conversion feature.

Change in Fair Value of Warrant Liabilities

During the second quarter of 2017, the Company negotiated with all parties having a derivative warrant to eliminate any condition (mainly caused by anti-dilution protection conditions) responsible for the need of the subsequent derivative accounting. This resulted in the calculation of the fair value as per the agreement date of the elimination of such condition and the subsequent accounting for the allocation of the remaining liability value towards change in fair value of the warrant liability.

The fair market value of the more complex conversion feature and warrant liability was determined by a third-party valuation expert using a Monte-Carlo Simulation model.

Gain on extinguishment of debt

For the nine month periods ended September 30, 2017 and 2016 the gain or loss on extinguishment of debt were a gain of $163,834 and a loss of $443,426, respectively, an improvement of $606,849 or 137%. The gain in 2017 is the result of the conversions of the 9% Unsecured Subordinated Convertible Promissory Notes which were executed in the first quarter.

Other Income, net

For the nine months ended September 30, 2017 and 2016, other income & (expense) were $686,478 and $213,888, respectively, a gain of $472,590 or 222% and represents mainly the unrealized exchange rate gain mainly related to the Senior Secured Loan against the primary functional currency (EURO) of the company.

Provision (Benefit) Income taxes

For the nine month period ended September 30, 2017 and 2016, the income tax provision was a loss of $81,144 and $27,557 respectively, an increase of $53,587 or 194% and is mainly caused by a provision taken for disputed unrecoverable taxes in Mexico.

Net Loss

Net loss for the nine month period ended September 30, 2017 and 2016, was $4,945,245, a decrease of $15,230,087 or 76%, compared to the loss of $20,175,322 for the same period in 2016. The decrease in Net Loss was primarily caused by the restructuring measures, executed in 2016, that significantly lowered cost and operating expenses.

Other Comprehensive (Loss) Income

We record foreign currency translation gains and losses as other comprehensive income or loss, which amounted to a loss of $8,512 and a gain of $421,091 for the nine-month periods ended September 30, 2017 and 2016, respectively. This change is primarily attributable to the translation effect resulting from the fluctuations in the USD/Euro exchange rates.

Liquidity and Capital Resources

As reflected in the accompanying consolidated financial statements, the Company reported net (loss) of $(4,945,245) for the period ended September 30, 2017 and had an accumulated deficit of $(292,025,479) as of September 30, 2017.

The cash balance including restricted cash of the Company at September 30, 2017 was $1,398,300.

Although we have previously been able to attract financing as needed, such financing may not continue to be available at all, or if available, may not be on reasonable terms. Further, the terms of such financing may be dilutive to existing shareholders or otherwise on terms not favorable to us or existing shareholders.

During the first nine months of 2017, the Company has been able to improve the shareholders’ deficit to $(4,878,443) as of September 30, 2017 from $(9,364,531) as of December 31, 2016, primarily, as a result of raising capital through the sale of common stock and the restructuring of certain common stock equivalents. Additional capital could be raised during 2017 to cover working capital deficiencies and help to continue to improve the shareholders’ deficit.

On November 9, 2017, the Company announced the closing of a firm commitment underwritten public offering of its securities pursuant to which it issued an aggregate of 9,009,478 shares of the Company’s common stock (the “Common Stock”), an aggregate of 4,034 shares of Series B Convertible Preferred Stock (each of which shares is an equivalent of 1,000 shares of Common Stock)(the “Series B Preferred Stock”), and warrants to purchase an aggregate of 7,478,228 shares of Common Stock (which includes warrants to purchase 956,489 shares of Common Stock pursuant to the over-allotment option granted to the underwriter in the underwriting agreement) at a public offering price of $0.92 per share of Common Stock (or Series B Preferred Stock) and warrant. The Company received gross proceeds of approximately $12 million from the offering, before deducting placement agent fees and estimated offering expenses.

If we are unable to secure additional financing, as circumstances require, or if we do not succeed in meeting our sales objectives, we may be required to change or significantly reduce our operations or ultimately may not be able to continue our operations. As a result of our historical net losses and cash flow deficits, and net capital deficiency, these conditions could raise substantial doubt as to the Company’s ability to continue as a going concern.

Operating activities

	September 30, 2017	September 30, 2016
Net loss	$ (4,945,245)	$ (20,175,322)
Adjustments to reconcile net loss to net cash used in operating activities:	4,214,031	15,338,232
	(731,214)	(4,837,090)

Changes in operating assets and liabilities:	(678,402)	3,129,918
Net cash used in operating activities	$ (1,409,616)	$ (1,707,172)

Net cash used in operating activities for the period ended September 30, 2017 was adjusted for depreciation and amortization (3,149,188)(loss), provision for doubtful accounts (6,378)(loss), stock based compensation ($1,508,535)(loss), change in fair value of warrant liability ($1,920,881) (gain), amortization of deferred financing costs ($248,218)(loss), interest relating to debt discount and conversion feature ($1,548,440)(loss) unrealized foreign currency gains ($686,478)(gain), Debt settled by issuance of shares ($524,465) and a gain on extinguishment of debt ($163,834) (gain) and furthermore impacted by the increase of accounts payable and customer deposits ($274,030) and the decrease of accounts receivable ($272,928), prepaid expenses, deposits and other assets ($755,036), net billings in excess of revenue and deferred revenue ($639,550) and accrued expenses and other payables ($1,340,846)

As a result of the above, cash used in operating activities was $1,409,616 for the nine months ended September 30, 2017 compared to net cash used in operating activities of $1,707,172 for the nine months ended September 30, 2016.

Investing activities

Net cash used in investing activities for the nine months ended September 30, 2017 was $538,245 compared to $1,067,873 cash provided by in the same period in 2016. This decrease $1,606,118 is mainly the result of the divestiture of ValidSoft assets in the third quarter of 2016 for an amount of $2,450,000 (inflow). The cash used in investing activities for the nine months ended September 30, 2017 includes capitalized software development costs, property and equipment.

Financing activities

Net cash provided by financing activities for the nine months ended September 30, 2017 and 2016 was $2,046,597 and $2,158,224, respectively, a decrease of $111,627. During the first nine months of 2017, the most significant use of funds has been the repayment of $2 million to our senior secured lender, which was offset by capital raised by the Company.

Effect of exchange rates on cash and cash equivalents

Effect of exchange rates on cash and cash equivalents for the nine month period ended September 30, 2017 was $(195,643), compared to $(159,944) for the same period in 2016.

As a result of the above activities, for the nine months ended September 30, 2017 and 2016, we had cash, cash equivalents and restricted cash of $1,398,300 and $1,728,231, respectively.

Off- Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have either a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, nor we have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosure about Market Risks

Foreign currency exchange rate

Although the clear majority of our business activities are carried out in Euros, we report its financial statements in USD. The conversion of Euros and USD leads to period-to-period fluctuations in our reported USD results arising from changes in the exchange rate between the USD and the Euro. Generally, when the USD strengthens relative to the Euro, it has an unfavorable impact on our reported revenue and income and a favorable impact on our reported expenses. Conversely, when the USD weakens relative to the Euro, it produces a favorable impact on our reported revenue and income, and an unfavorable impact on our reported expenses. The above fluctuations in the USD/Euro exchange rate therefore result in currency translation effects (not to be confused with real currency exchange effects), which impact our reported USD results and may make it difficult to determine actual increases and decreases in our revenue and expenses which are attributable to our actual operating activities. We carry out our business activities primarily in Euros, and we do not currently engage in hedging activities. As the clear majority of our business activities are carried out in Euros and we report our financial statements in USD, fluctuations in foreign currencies impact the total amount of assets and liabilities that we report for our foreign subsidiaries upon the translation of those amounts in USD. We do not believe that we have currently material exposure to interest rate or other market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2017, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on the evaluation, the Company's Principal Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

telSPACE -vs- Elephant Talk et al., AAA Case No. 01-16-0003-8242.

Claimant commenced this AAA arbitration on or about September 7, 2016 by the filing of a statement of claim. Claimant asserted claims arising out of Software Licensing Agreements ("Licensing Agreements") entered into by Claimant and mCash Holdings LLC (together, "Licensors"), on the one hand, and Telnicity LLC, on the other, which Telnicity subsequently assigned to the Company. Pursuant to the Licensing Agreements, the Company obtained the license to use certain intellectual property in exchange for monthly payments to the Licensors. Claimant alleged that the Company failed to make monthly payments from on or about November 2015, causing the Licensors to terminate the Licensing Agreements, and continued using Licensors' intellectual property after such termination. Based on these allegations, Claimant asserted claims for breach of contract, misappropriation of trade secret, and copyright infringement. Claimant seeks unspecified damages, specific performance, prejudgment interest, attorneys' fees, and costs.

On October 31, 2016, the Company filed a statement of answer denying Claimant's claims. On January 5, 2017, the arbitration panel scheduled the hearing for April 13, 2017. The Parties have conducted limited discovery, which concluded on February 28, 2017. On March 10, 2017, Claimant requested leave to move for a default judgment against the Company for failing to advance the AAA administrative fees, and for sanctions based on alleged spoliation of evidence. On March 15, 2017, the Arbitration Chair denied Claimant's request for leave to move for default, and granted Claimant's request for leave to move for sanctions.

After a two-day arbitration hearing in Seattle, WA, the Arbitration tribunal, on or about June 9, 2017, issued an award for the benefit of Claimant in the amount of $510,916.18, inclusive of AAA tribunal and administrative fees (the "Award"). On or about July 25, 2017, the parties entered into a forbearance agreement, pursuant to which Claimant agreed to forbear from commencing any confirmation or enforcement proceedings and from taking any collection efforts or discovery related to the Award in exchange for the Company's agreement to pay the Award in agreed-upon installment payments. As of September 30, 2017, this transaction is reflected in the financial statements.

Saffelberg Investments NV -vs- Pareteum Corp. *et al.*, SDNY Case No. 1:16-cv-07282-PGG.

On September 19, 2016, Plaintiff filed a Complaint against the Company for breach of contract and unjust enrichment in connection with a May 31, 2016 unsecured promissory note in the amount of $350,000. On May 18, 2017, Plaintiff filed a First Amended Complaint, adding an additional defendant and claims of anticipatory repudiation and fraudulent inducement. On June 7, 2017, the Company requested the Court's permission to file a motion to dismiss the fraudulent inducement cause of action. On July 29, 2017, the parties reached an agreement in principle to settle the litigation. As of September 30, 2017, this transaction is reflected in the financial statements.

Ellenoff Grossman & Schole LLP, claimed legal fees.

On May 5, 2017, the company's former legal counsel, Ellenoff Grossman & Schole LLP commenced litigation proceedings in New York alleging breach of contract and claiming $817,822 in unpaid legal fees for the period January 2015 through November 2016. On June 29, 2017, the parties entered into a settlement agreement with agreed-upon installment payments. As of September 30, 2017, this transaction is reflected in the financial statements.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the Risk Factors included in Part I, "Item 1A. — "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016. These Risk Factors could materially impact our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely impact our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

31.1	Certification of the principal executive officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)
31.2	Certification of the principal accounting officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)
32.1	Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARETEUM CORPORATION

Date: November 14, 2017

By /s/ Robert H. Turner
Hal Turner
Executive Chairman
(Principal Executive Officer)

Date: November 14, 2017

By /s/ Edward O'Donnell
Edward O'Donnell
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert H. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pareteum Corporation.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2017

/s/ Robert H. Turner
Robert H. Turner
Executive Chairman
Principal Executive Officer

Exhibit 31.2

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Edward O’Donnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pareteum Corporation.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 14, 2017

/s/ Edward O’Donnell
Edward O’Donnell
Chief Financial Officer
Principal Accounting Officer

Exhibit 32.1

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), the undersigned officer of Pareteum Corporation, a Delaware corporation (the “Company”), does hereby certify, to the best of such officer’s knowledge and belief, that to my knowledge:

(1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: November 14, 2017

/s/ Robert H. Turner
Robert H. Turner
Executive Chairman
Principal Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

Exhibit 32.2

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), the undersigned officer of Pareteum Corporation, a Delaware corporation (the “Company”), does hereby certify, to the best of such officer’s knowledge and belief, that to my knowledge:

(1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: November 14, 2017

/s/ Edward O’Donnell
Edward O’Donnell
Chief Financial Officer
Principal Accounting Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.