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, 2018

☐ 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.)ont*

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, New York, NY 10036
USA
(Address of principal executive offices) (Zip Code)

+ 1 (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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark 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 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

As of November 13, 2018, there were 97,287,561 shares of the Company's common stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The financial information set forth below with respect to the financial statements as of September 30, 2018 and 2017 and for the three and nine month periods ended September 30, 2018 and 2017 is unaudited. This financial information, in the opinion of our management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data. The results of operations for the three and nine month periods ended September 30, 2018 are not necessarily indicative of results to be expected for any subsequent period. Our fiscal year end is December 31.

PARETEUM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

		September 30, 2018 (Unaudited)		December 31, 2017 (Audited)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	18,434,576	$	13,537,899
Restricted cash		429,776		199,776
Accounts receivable, net of an allowance for doubtful accounts of $349,589 at September 30, 2018 and $90,173 at December 31, 2017		7,200,014		2,058,284
Prepaid expenses and other current assets		943,224		900,369
Total current assets		27,007,590		16,696,328
NON-CURRENT ASSETS				
OTHER ASSETS		39,067		91,267
NOTE RECEIVABLE		587,695		594,520
PROPERTY AND EQUIPMENT, NET		3,944,659		4,713,710
LONG TERM INVESTMENTS		3,230,208		3,230,208
TOTAL ASSETS	$	34,809,219	$	25,326,033
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and customer deposits	$	2,795,981	$	1,978,726
Net billings in excess of revenues		122,906		242,986
Accrued expenses and other payables		3,891,454		5,250,130
9% Unsecured Subordinate Convertible Promissory Note (current portion net of Debt Discount and Debt Issuance)		90,308		66,000
Total current liabilities		6,900,649		7,537,842
LONG TERM LIABILITIES				
Derivative liabilities		-		1,597,647
Other long term liabilities		94,999		151,163
Unsecured Convertible Promissory Note (net of Debt Discount and Debt Issuance)		-		617,848
Total long term liabilities		94,999		2,366,658
Total liabilities		6,995,648		9,904,500
Commitments and Contingencies (See Notes)				
STOCKHOLDERS' EQUITY				
Common Stock $0.00001 par value, 500,000,000 shares authorized, 61,120,240 issued and outstanding as of September 30, 2018 and 46,617,093 shares issued and outstanding as of December 31, 2017		341,157,837		321,271,437
Accumulated other comprehensive loss		(6,303,005)		(6,306,691)
Accumulated deficit		(307,041,261)		(299,543,213)
Total stockholders' equity		27,813,571		15,421,533
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	34,809,219	$	25,326,033

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, 2018	Three Months Ended September 30, 2017	Nine months Ended September 30, 2018	Nine months Ended September 30, 2017
REVENUES	$ 8,007,734	$ 3,498,688	$ 18,123,484	$ 9,532,807
COST AND OPERATING EXPENSES				
Cost of service	2,128,683	791,334	5,103,088	2,578,925
Product development	765,723	497,078	2,246,499	1,055,285
Sales and marketing	842,743	412,881	2,184,183	1,103,162
General and administrative	8,127,982	1,578,960	12,638,904	5,435,187
Restructuring and acquisition costs	1,994,511	253,014	2,073,704	841,120
Depreciation and amortization	998,857	1,432,712	2,958,466	3,149,188
Total cost and operating expenses	14,858,499	4,965,979	27,204,844	14,162,867
(LOSS) FROM OPERATIONS	(6,850,765)	(1,467,291)	(9,081,360)	(4,630,060)
OTHER (EXPENSE) / INCOME				
Interest income	49,972	41,964	135,837	136,000
Interest expense	(111,311)	(421,392)	(274,778)	(1,344,576)
Interest expense related to debt discount and conversion feature	(115,414)	(205,842)	(175,252)	(1,548,440)
Changes in derivative liabilities	-	-	1,283,914	1,920,881
(Loss) / Gain on Extinguishment of Debt	-	(299,511)	-	163,834
Other income	35,452	216,002	672,706	686,478
Amortization of deferred financing costs	(8,757)	(25,595)	(21,108)	(248,218)
Total other (expense) / income	(150,058)	(694,374)	1,621,319	(234,041)
(LOSS) BEFORE PROVISION FOR INCOME TAXES	(7,000,823)	(2,161,665)	(7,460,041)	(4,864,101)
Provision for income taxes	19,583	147,640	38,007	81,144
NET (LOSS)	(7,020,406)	(2,309,305)	(7,498,048)	(4,945,245)
OTHER COMPREHENSIVE (LOSS) / INCOME				
Foreign currency translation (loss) /income	(21,580)	2,139	3,686	(8,512)
COMPREHENSIVE (LOSS)	$ (7,041,986)	$ (2,307,166)	$ (7,494,362)	$ (4,953,757)
Net (loss) per common share and equivalents - basic	$ (0.12)	$ (0.16)	$ (0.14)	$ (0.41)
Net (loss) per common share and equivalents - diluted	$ (0.12)	$ (0.16)	$ (0.14)	$ (0.41)
Weighted average shares outstanding during the period – basic	59,314,867	14,304,340	54,275,784	12,201,452
Weighted average shares outstanding during the period – diluted	59,314,867	14,304,340	54,275,784	12,201,452

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, 2018	September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,498,048)	$ (4,945,245)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	2,958,466	3,149,188
Provision for doubtful accounts	-	6,378
Stock based compensation	7,409,592	1,508,535
Change in fair value of warrant liability	(1,283,914)	(1,920,881)
Amortization of deferred financing costs	21,108	248,218
Interest expense relating to debt discount and conversion feature	175,252	1,548,440
Shares issued for services	249,548	524,465
(Gain) on extinguishment of debt	-	(163,834)
Changes in operating assets and liabilities:		
(Increase) / Decrease in accounts receivable	(5,077,689)	272,928
(Increase) / Decrease in prepaid expenses and other current assets	(27,699)	755,036
Increase in accounts payable and customer deposits	798,573	274,030
(Decrease) in net billings in excess of revenues and deferred revenue	(127,683)	(639,550)
(Decrease) in accrued expenses and other payables	(1,421,435)	(2,027,324)
Net cash (used in) operating activities	(3,823,929)	(1,409,616)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, and capitalized software	(2,189,415)	(538,245)
Net cash (used in) investing activities	(2,189,415)	(538,245)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of warrants and options	5,683,354	1,150,000
Repayments on other long term loans	(60,894)	(10,813)
Principal repayment Senior Secured Loan	-	(2,000,000)
Financing related fees	(632,900)	(592,590)
Gross Proceeds from public offering	6,100,000	3,500,000
Net cash provided by financing activities	11,089,560	2,046,597
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	50,461	(195,643)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	5,126,677	(96,907)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF THE PERIOD	13,737,675	1,495,207
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF THE PERIOD	$ 18,864,352	$ 1,398,300
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash received during the period for interest	$ 109,265	$ 136,000
Cash paid during the period for interest	96,030	906,590
Cash paid during the period for taxes	-	2,359
NON-CASH FINANCING ACTIVITIES:		
Conversion of preferred stock	-	2,143,196
Conversion of convertible notes	1,911,380	281,944
Amendment to warrants and convertible notes	-	2,704,574

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 ("Pareteum," the "Company," "we," "us," or "our") (Nasdaq: TEUM) reported a comprehensive loss of $7,494,362 for the nine-month period ended September 30, 2018 and had an accumulated deficit of $307,041,261 as of September 30, 2018.

The Company's financial statements through September 30, 2018 were materially impacted by several warrant exercises, stock-based compensation, and costs associated with the Artilium plc acquisition that was finalized on October 1, 2018.

Warrant Exercises

From January 1, 2018 through September 30, 2018, 13,929,364 warrants were exercised on a cash and a cashless basis pursuant to which 10,428,047 shares of common stock were issued and a gross total of $5,683,354 was received by the Company.

Public Offering

On May 9, 2018, the Company entered into a securities purchase agreement with select accredited investors relating to a registered direct offering, issuance and sale of an aggregate of 2,440,000 shares of the Company's common stock, $0.00001 par value per share, at a purchase price of $2.50 per share.

The Shares are being issued pursuant to the Company's previously filed and effective Registration Statement on Form S-3 that was filed with the Securities and Exchange Commission on September 9, 2016, as amended October 21, 2016 and November 10, 2016, and declared effective November 14, 2016 (File No. 333-213575). The Company will file a prospectus supplement related to the registered direct offering dated May 9, 2018.

The gross proceeds to the Company from the Offering, before deducting the Company's estimated offering expenses, are expected to be approximately $6,100,000. Proceeds from the Offering shall be used for working capital and general corporate purposes.

Dawson James Securities, Inc. acted as placement agent on a best-efforts basis in connection with the Offering, pursuant to a placement agency agreement that was entered into on May 9, 2018.

July 2018 Registration Statement

On July 31, 2018, the Company filed a prospectus, following the filing of a registration statement on Form S-3, announcing the resale of an aggregate of 7,151,146 shares of common stock, par value $0.00001 per share, issuable upon the exercise of warrants issued to investors in a private placement offering conducted by the Company and closed on December 5, 2017. The selling stockholders may offer all or part of the shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. The Company has paid all of the registration expenses incurred in connection with the registration of the shares, but the Company will not pay any of the selling commissions, brokerage fees or related expenses. Cash warrant exercises of $5,683,354 have been received through September 30, 2018.

Acquisitions

On October 1, 2018 the Company completed its previously announced acquisition (the "Acquisition") of all of the outstanding shares of Artilium plc, a public limited company registered in England and Wales ("Artilium"). Following the Acquisition, Artilium will operate as a wholly-owned subsidiary of the Company. Artilium is a software development company active in the enterprise communications and core telecommunications markets delivering software solutions which layer over disparate fixed, mobile and IP networks to enable the deployment of converged communication services and applications.

Proposed Acquisition of iPass, Inc.

On November 12, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with iPass, Inc., a Delaware corporation ("iPass") and TBR, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (the "Merger Sub").

Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will commence a tender offer (the "Offer") for any and all outstanding shares of common stock of iPass (the "iPass Common Stock") for 1.17 shares of common stock of the Company per share of iPass Common Stock (the "Exchange Ratio") for an aggregate of approximately 9,861,410 shares of the Company's common stock (the "Offer Price"), without interest and subject to any required withholding for taxes, and Merger Sub will subsequently merge with and into iPass (the "Merger"). The Merger Agreement contemplates that, subject to iPass' stockholders tendering and not withdrawing a majority of the outstanding shares of iPass stock in the exchange offer, the Merger will be effected pursuant to Section 251(h) of the Delaware General Corporation Law, and iPass, as the surviving corporation, will become a wholly-owned subsidiary of the Company without any additional stockholder approval, and each issued and outstanding share of iPass Common Stock will be converted into the right to receive the Offer Price. No fractional shares of the Company will be issued to iPass stockholders; any fractional shares will be cancelled, and the balance paid to such stockholders in cash. The Company intends to fund the balance required for any fractional shares with cash on hand.

The Company, Merger Sub and iPass have made customary representations and warranties in the Merger Agreement and agreed to certain customary covenants, including covenants regarding the operation of the business of iPass, and to a lesser extent the Company, prior to the closing.

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which, including all schedules, exhibits, attachments and annexes thereto, is attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC as of November 13, 2018, and is incorporated herein by reference.

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

Business overview

Pareteum 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. As of October 1, 2018, the Company now includes Artilium plc, which operates as a wholly-owned subsidiary of the Company. Artilium is a software development company active in the enterprise communications and core telecommunications markets delivering software solutions which layer over disparate fixed, mobile and IP networks to enable the deployment of converged communication services and applications.

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 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, 2017, included in our 2017 Annual Report on Form 10-K filed with the SEC on March 30, 2018, referred to as our 2017 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, 2018 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 1, "Business and Summary of Significant Accounting Policies," of our 2017 Annual Report. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2018.

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, 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.

Reclassification

Certain reclassifications have been made to the Company's consolidated financial statements for the prior years to conform to the current year presentation. Such reclassifications had no impact on net (loss) or net cash flows.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. See Note 9 for further details.

Note 3. Supplemental Financial Information

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

Prepaid Expenses and Other Current Assets	**September 30, 2018**	**December 31, 2017**
Prepaid Expenses - Other	$ 556,595	$ 576,277
VAT	386,629	324,092
	$ 943,224	$ 900,369

Property and Equipment	**September 30, 2018**	**December 31, 2017**
Furniture and fixtures	$ 139,857	$ 139,857
Computer, communications and network equipment	17,108,945	17,020,421
Software	4,101,293	2,899,794
Automobiles	10,744	10,744
Software development	1,232,108	398,654
Accumulated depreciation and amortization	(18,648,288)	(15,755,760)
	$ 3,944,659	$ 4,713,710

Accrued Expenses and Other Payables	**September 30, 2018**	**December 31, 2017**
Accrued selling, general and administrative expenses	$ 2,092,784	$ 3,463,800
Accrued cost of service	318,477	413,942
Accrued taxes (including VAT)	1,354,286	877,366
Accrued interest payable	57,638	96,801
Other accrued expenses	68,269	398,221
	$ 3,891,454	$ 5,250,130

	Outstanding September 30, 2018	*Closing(s) during 2018*	*Regular Amortizations (during 2018)*	*Conversions (during 2018) including accelerated amortization*	*December 31, 2017*
9% Unsecured Convertible Note (Private Offering Q4- 2015 – Q1-2016	$ (90,308)	$ -	$ (42,683)	$ 56,350	$ (103,975)
9% Saffelberg Note (Unsecured Convertible)	-	-	(42,149)	622,022	(579,873)
	$ (90,308)	$ -	$ (84,832)	$ 678,372	$ (683,848)

On June 29, 2018, the Company amended the Saffelberg Investments N.V. ("Saffelberg") convertible note dated August 18, 2016 with principal of $723,900 and amended the August 18, 2016 Warrant. These amendments removed the elements that generated the derivative liabilities and related expense from the convertible note and warrant.

On June 29, 2018, the Company entered into an agreement with Saffelberg agreeing to (i) pay the balance and interest of the September 7, 2017 repayment agreement, (ii) convert at $2.37 per share on July 11, 2018 the August 18, 2016 $723,900 convertible note and accrued interest into 387,913 common shares, (iii) adjust the strike price of the 96,250 warrants to a fixed amount of $2.37 on June 29, 2018 and (iv) register converted 387,913 common shares, the 96,250 warrant and other shares held by Saffelberg in the next registration statement.

Fair Market Value Warrants & Conversion Feature	**FMV as of September 30, 2018**	**Additional closings during 2018**	**Agreement Amendments/ Conversions/ FX effect**	**Mark to market adjustment Ytd-2018**	**FMV as of December 31, 2017**
9% Saffelberg Note (Unsecured Convertible)	$ -	$ -	$ (1,706,484)	$ 279,581	$ 1,426,903
FMV Conversion Feature	**$ -**	**$ -**	**$ (1,706,484)**	**$ 279,581**	**$ 1,426,903**
9% Convertible Note Warrants - Saffelberg	$ -	$ -	$ (204,896)	$ 34,152	$ 170,744
FMV Warrant Liabilities	**$ -**	**$ -**	**$ (204,896)**	**$ 34,152**	**$ 170,744**
Total	**$ -**	**$ -**	**$ (1,911,380)**	**$ 313,733**	**$ 1,597,647**

Outstanding Numbers of Warrants

The outstanding number of warrants and activity for the nine months ended September 30, 2018 is listed in the schedule below.

Number of underlying shares for Warrants & Conversion Features	Outstanding September 30, 2018	Agreement Amendments / Interest effects	Exercises / Conversions / Expirations	Outstanding December 31, 2017
9% Convertible Note - Investors	39,321	584	(22,292)	61,029
9% Convertible Note - Saffelberg	-	(472,030)	(387,913)	859,943
Outstanding Conversion Features	**39,321**	**(471,446)**	**(410,205)**	**920,972**
13%+Eurodollar Senior Secured	-	-	(2,400,000)	2,400,000
2017 Registered Public Offering	508,970	-	(766,830)	1,275,800
Investor Management `Services	710,000	-	-	710,000
9% Convertible Note Warrants	520,373	-	-	520,373
2013 Convertible Notes	60,000	-	(80,000)	140,000
Other 9% Convertible Note Warrants	96,520	-	-	96,520
2017 Registered Public Offering Agent Warrants	23,334	-	(150,833)	174,167
9% Convertible Note 7% Agent Warrants	66,230	-	-	66,230
Oct-2017 Shelf take Down Agent Warrants	843	74,750	(73,907)	-
Nov-2017 Underwriter Agreement Investor Warrants	-	-	(2,838,496)	2,838,496
Nov-2017 Underwriter Agreement Agent Warrants	910,587	-	(724,331)	1,634,918
Dec-2017 SPA Investor Warrants	533,733	-	(6,617,413)	7,151,146
Dec-2017 SPA Agent warrants	-	-	(357,557)	357,557
May-2018 Public Offering Agent Warrants	122,000	122,000	-	-
Preferred Share Conversion Warrants	731,798	-	-	731,798
Preferred Share issuance 8% Agent Warrants	38,827	-	-	38,827
Outstanding Warrants	**4,323,215**	**196,750**	**(14,009,367)**	**18,135,832**
Total	**4,362,536**	**(274,696)**	**(14,419,572)**	**19,056,804**

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 includes 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 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 common stock. The Company had 61,120,240 shares of common stock issued and outstanding as of September 30, 2018, an increase of 14,503,147 shares from December 31, 2017, due to warrant exercises (10,428,047), equity fund raises (2,453,400), non-cash compensation for board and management (918,988), conversion of notes (387,913), consultants (194,803) and settlement of debt (119,996).

(B) 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, 2018 (unaudited) and December 31, 2017 have been recorded and classified as equity is 4,362,536 and 19,056,804 respectively. The Company successfully renegotiated the terms of the related 'liability warrants' and such amended terms resulted in the elimination of the derivative conditions. The Weighted Average Exercise Price for the currently outstanding warrants in the table below is $2.26. The table below summarizes the warrants outstanding as of September 30, 2018 and as of December 31, 2017:

Outstanding Warrants	Exercise/ Conversion price(s) (range)	Expiring	September 30, 2018	December 31, 2017
Equity Warrants - Fundraising	$1.05 - $5.375	2018 - 2023	4,323,215	18,039,312
Liability Warrants - Fundraising	$3.75	2021	-	96,520
			4,323,215	18,135,832

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 ("2008 Plan")

Total Authorized under the plan	2,240,000
Shares issued in prior years	1,074,824
Outstanding options	251,266
Available for grant at September 30, 2018 (Registered and Unregistered)	913,910

During the nine months ended September 30, 2018, no shares were issued or options granted under the 2008 Plan.

Stock option activity is set forth below for the 2008 Plan:

Options:	Number of Options	Weighted Average Exercise Price
Outstanding as of December 31, 2017	1,128,384	$ 9.40
Cancelled January 1, 2018	(786,697)	$ 6.33
Forfeitures (Pre-vesting)	(175)	$ 3.07
Expirations (Post-vesting)	(90,246)	$ 25.60
Outstanding as of September 30, 2018	251,266	$ 13.18

At September 30, 2018, due to all unvested options being canceled as part of reorganization, the unrecognized expense portion of stock-based awards granted to employees under the 2008 Plan was $0, compared to $224,853 for the same period in 2017.

2017 Long-Term Incentive Compensation Plan ("2017 Plan")

Total Authorized under the plan (Shareholders)	6,500,000
Total Registered under the plan (S-8 dated September 14, 2017 and April 13, 2018)	6,500,000
Shares issued under the plan	2,405,413
Reserved for Time-conditioned share awards	787,504
Reserved for outstanding Options	3,294,890
Available for grant at September 30, 2018 (Registered & Unregistered)	12,193

During the nine months ended September 30, 2018, 853,318 shares were issued and 1,515,000 options were granted under the 2017 Plan.

Stock option activity is set forth below for the 2017 Plan:

Options:	Number of Options	Weighted Average Exercise Price
Outstanding as of December 31, 2017	1,899,800	$ 1.00
Granted in 2018	1,515,000	$ 2.49
Forfeitures (Pre-vesting)	(117,577)	$ 1.10
Expirations (Post-vesting)	(2,333)	$ NA
Outstanding as of September 30, 2018	3,294,890	$ 1.68

At September 30, 2018 and 2017, the unrecognized expense portion of stock-based awards granted to employees under the 2017 Plan was $2,347,236 and $673,921, respectively, which will be recognized over a three year vesting period.

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,	
	2018	**2017**	**2018**	**2017**
Net Provision for income taxes	$ 19,583	$ 147,640	$ 38,007	$ 81,144

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 based upon an expected annual tax rate.

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,	
	2018	**2017**	**2018**	**2017**
Two largest customers	65.5%	96.9%	64.9%	96.1%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Europe	71.3%	95.5%	82.8%	94.2%
All other (non-European) countries	28.7%	4.5%	17.2%	5.8%
	100%	100%	100%	100%

Note 9. Revenues

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We recorded a net increase to opening retained earnings of $107,520 as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to our installation revenues that were previously deferred for which the performance obligation was determined to be complete as of the date of adoption. The impact to revenues to be recognized for the nine months ended September 30, 2018 was a decrease of $107,520 as a result of applying Topic 606, relating to the aforementioned installation revenues and an increase to the accumulated deficit.

Revenue Recognition

Our revenues represent amounts earned for our mobile and security solutions. Our solutions take many forms but our revenue generally consists of fixed and/or variable charges for services delivered monthly under a combined services and SaaS model. We also offer discrete (one-time) services for implementation and for development of specific functionality to properly service our customers.

The following table presents our revenues disaggregated by revenue source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (1)	2018	2017 (1)
Monthly Service	$ 7,357,365	$ 3,218,191	$ 15,130,195	$ 8,859,811
Installation and Software Development	650,369	280,497	2,993,289	672,996
Total revenues	$ 8,007,734	$ 3,498,688	$ 18,123,484	$ 9,532,807

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Monthly services revenues are recognized at a point in time and amounted to $7,357,365 for the three-month period ended September 30, 2018. Installation and software development revenues are recognized over time and amounted to $650,369 for the three-month period ended September 30, 2018.

Monthly services revenues are recognized at a point in time and amounted to $15,130,195 for the nine-month period ended September 30, 2018. Installation and software development revenues are recognized over time and amounted to $2,993,289 for the nine-month period ended September 30, 2018.

The following table presents our revenues disaggregated by geography, based on the billing addresses of our customers

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (1)	2018	2017 (1)
Europe	$ 5,709,346	$ 3,342,378	$ 14,999,260	$ 8,978,815
Other geographic areas	2,298,388	156,310	3,124,224	553,992
Total revenues	$ 8,007,734	$ 3,498,688	$ 18,123,484	$ 9,532,807

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Monthly Service Revenues

The Company’s performance obligations in a monthly Software as a Service (SaaS) and service offerings are simultaneously received and consumed by the customer and therefore, are recognized over time. For recognition purposes, we do not unbundle such services into separate performance obligations. The Company typically bills its customer at the end of each month, with payment to be received shortly thereafter. The fees charged may include a combination of fixed and variable charges with the variable charges tied to the number of subscribers or some other measure of volume. Although the consideration may be variable, the volumes are estimable at the time of billing, with “true-up” adjustments occurring in the subsequent month. As such adjustments have not historically been material, no amounts of variable consideration are subject to constraint.

Installation and Software Development Revenues

The Company's other revenues consist generally of installation and development projects.

Installation represents the activities necessary for a customer to obtain access and connectivity to the Company's monthly SaaS and service offerings. While installation may require separate phases, it represents one promise within the context of the contract.

Development consists of programming and other services to add new, additional or customized functionality to a customer's existing service offerings. Each development activity is typically its own performance obligation.

Revenue is recognized over time if the installation and development activities create an asset that has no alternative use for which the Company is entitled to receive payment for performance completed to date. If not, then revenue is not recognized until the applicable performance obligation is satisfied.

Arrangements with Multiple Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers.

Net Billings in Excess of Revenues

The Company records net billings in excess of revenues when payments are made in advance of our performance, including amounts which are refundable. Net billings in excess of revenues was $122,906 as of September 30, 2018, a decrease of $120,080 for the nine months ended September 30, 2018, as compared to $242,986 for December 31, 2017.

Payment terms vary by the type and location of our customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, payment is required before the products or services are delivered to the customer.

Contract Assets

Given the nature of the Company's services and contracts, it has no contract assets.

Note 10. Subsequent Events

2018 Pareteum Corporation Long-Term Incentive Compensation Plan

On October 10, 2018, the Company filed a registration statement on Form S-8 to register the 8,000,000 shares of common stock, including 2,040,000 shares of common stock that were registered for resale.

Subsequent Equity Issuances

On October 25, 2018, the company issued an aggregate of 1,308,914 shares of common stock, par value $0.00001 per share, of the Company to several key persons. The issued shares are pursuant to the Company's 2018 Long Term Incentive Compensation Plan (the "2018 Plan"), the Company's 2017 Long Term Incentive Compensation Plan (the "2017 Plan") and the Company's 2008 Long Term Incentive Compensation Plan (the "2008 Plan").

An aggregate of 269,164 shares were issued to Victor Bozzo, Alexander Korff, Yves Van Sante and Luis Jimenez-Tunon; and 1,000,000 shares were issued to Robert H. Turner, pursuant to the Registration Statement on Form S-8 as filed with the Securities and Exchange Commission for the 2018 Plan, the 2017 Plan and the 2008 Plan. Additionally, 39,750 shares were issued to Martin Zuubier as pursuant to the Registration Statement on Form S-8 as filed with the Securities and Exchange Commission for the 2018 Plan, the 2017 Plan and the 2008 Plan.

Acquisition of Artilium plc

On October 1, 2018 the Company completed its previously announced acquisition (the "Acquisition") of all of the outstanding shares of Artilium plc, a public limited company registered in England and Wales ("Artilium"). The Acquisition was effected by means of a court-sanctioned scheme of arrangement between Artilium and shareholders of Artilium under Part 26 of the UK Companies Act 2006, as amended, as further described below. In connection with the Acquisition, the Company issued an aggregate of 37,511,447 shares of the Company's common stock. Artilium held 3,200,332 shares of the Company's common stock, which were cancelled as of the time of completion of the Acquisition.

Rule 2.7 Announcement

As previously disclosed, on June 7, 2018, the Company issued an announcement (the "Rule 2.7 Announcement") pursuant to Rule 2.7 of the United Kingdom City Code on Takeovers and Mergers (the "Takeover Code") disclosing the terms of a recommended offer (the "Offer") by the Company to acquire the entire issued and to be issued shares of Artilium in a cash and stock transaction. In connection with the Acquisition, the Company and Artilium also entered into a Co-operation Agreement, dated June 7, 2018 (the "Co-operation Agreement") and, the Company entered into a management agreement, as described below.

Pursuant to the Offer under the Rule 2.7 Announcement, Artilium shareholders are entitled to receive, for each Artilium ordinary share held by such shareholders, 0.1016 new shares of the Company's common stock and 1.9 pence in cash. The Acquisition was effected by means of a court-sanctioned scheme of arrangement between Artilium and Artilium shareholders under Part 26 of the UK Companies Act 2006, as amended (the "Scheme"). As of September 28, 2018, the most recent practicable trading day prior to the date of this Report, each Artilium ordinary share would be valued at 25.29 pence, based on the Company's closing share price of $3.00 as of that date and exchange rate of $1.3031:£1 as of that date, representing an aggregate equity value for Artilium of approximately £100.9 million, or approximately $131.5 million.

Management Services Agreement

As previously disclosed, in connection with the Offer, the Company and Bart Weijermars (acting through Grootzande Management BV) entered into a Management Services Agreement, dated May 8, 2018 and as amended June 7, 2018 (the "Management Services Agreement"), setting out the terms on which Bart Weijermars will be engaged as Chief Executive Officer of Pareteum Europe BV, a wholly owned subsidiary of the Company, effective upon completion of the Acquisition, and the Company issued 537,271 shares of common stock to Grootzande Management BV at the closing.

Issuance of Unregistered Shares of Common Stock

As described above, the Company issued an aggregate of 37,511,447 shares of the Company's common stock in connection with the Acquisition, consisting of: (i) 33,403,733 shares issued to Artilium shareholders pursuant to the Offer in reliance on the exemption from registration provided by Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act"); and (ii) 4,107,714 shares issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, of which 537,271 shares were issued to Grootzande Management BV in connection with the Management Services Agreement (as described above), and 3,570,443 shares issued in private placement transactions pursuant to the Rule 15 Offer Letters (as described below). Rule 15 of the Takeover Code ("Rule 15") requires that, when an offer is made for voting equity share capital or for other transferable securities carrying voting rights and the offeree company has any outstanding securities which are convertible into, or which comprise options or other rights to subscribe for, securities to which the voting equity offer relates (the "Rule 15 Securities"), the offeror must make an appropriate offer or proposal to the holders of those Rule 15 Securities. In accordance with the requirements of Rule 15, Artilium and the Company entered into three separate offer letters (the "Rule 15 Offer Letters"), by and between Artilium and the Company, and each of Mr. Rupert Hutton, Mr. Andreas Felke and Grootzande Management BV (on behalf of Bart Weijermars) (collectively, the "Rule 15 Offerees"). Pursuant to the Rule 15 Offer Letters, each of the Rule 15 Offerees received the option to accept the "Pareteum Proposal" wherein each of the Rule 15 Offerees' option holdings in Artilium would be cancelled and in exchange the Company would issue a certain number of the Company's shares to each of the Rule 15 Offerees, or each of the Rule 15 Offerees could reject the Pareteum Proposal and exercise their respective options to the extent vested in their Artilium shares. Each of the Rule 15 Offerees accepted the terms of the Pareteum Proposal.

Employment Agreement with Denis McCarthy

Effective October 1, 2018, the Company entered into an employment agreement with Denis McCarthy, appointing him to serve as President of the Company. Mr. McCarthy commenced employment with the Company as of January 1, 2018 in the capacity of SVP of Corporate Development. The agreement serves to expand Mr. McCarthy's responsibilities within the Company during his term of continued employment.

The agreement entered into by and between the Company and Mr. McCarthy provides for the following:

- annual salary of $225,000 per year;
- annual bonus of up to 100% of base salary subject to the achievement of business plan targets;
- other customary allowances, bonuses, reimbursements and vacation pay.

The agreement is an "at will" agreement, which also provides that if Mr. McCarthy's employment with the Company is terminated by the Company, then, subject to a mutual release, the Company will pay Mr. McCarthy's base salary for an additional 12 months after termination in accordance with customary payroll practices. Mr. McCarthy is also subject to customary confidentiality requirements during and after the term of his employment.

Listing of the Common Stock on Nasdaq

On October 11, 2018, the Company, acting pursuant to authorization from its Board of Directors, determined to voluntarily withdraw the principal listing of the Company's common stock from the New York Stock Exchange ("NYSE") and transfer the listing to The Nasdaq Stock Market LLC ("Nasdaq"). Listing and trading of the common stock on the NYSE ended at market close on October 22, 2018, and trading commenced on Nasdaq at market open on October 23, 2018 under the stock symbol "TEUM."

Proposed Acquisition of iPass, Inc.

On November 12, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with iPass, Inc., a Delaware corporation ("iPass") and TBR, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (the "Merger Sub").

Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will commence a tender offer (the "Offer") for any and all outstanding shares of common stock of iPass (the "iPass Common Stock") for 1.17 shares of common stock of the Company per share of iPass Common Stock (the "Exchange Ratio") for an aggregate of approximately 9,861,410 shares of the Company's common stock (the "Offer Price"), without interest and subject to any required withholding for taxes, and Merger Sub will subsequently merge with and into iPass (the "Merger"). The Merger Agreement contemplates that, subject to iPass' stockholders tendering and not withdrawing a majority of the outstanding shares of iPass stock in the exchange offer, the Merger will be effected pursuant to Section 251(h) of the Delaware General Corporation Law, and iPass, as the surviving corporation, will become a wholly-owned subsidiary of the Company without any additional stockholder approval, and each issued and outstanding share of iPass Common Stock will be converted into the right to receive the Offer Price. No fractional shares of the Company will be issued to iPass stockholders; any fractional shares will be cancelled, and the balance paid to such stockholders in cash. The Company intends to fund the balance required for any fractional shares with cash on hand.

The Company, Merger Sub and iPass have made customary representations and warranties in the Merger Agreement and agreed to certain customary covenants, including covenants regarding the operation of the business of iPass, and to a lesser extent the Company, prior to the closing.

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which, including all schedules, exhibits, attachments and annexes thereto, is attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC as of November 13, 2018, and is incorporated herein by reference.

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

Pareteum is an award-winning global Cloud Communications Platform company with a mission: "to connect every person and every thing".™ Customers use Pareteum's award-winning Communications-Platform-as-a-Service (CPaaS) and software solutions to energize their growth and profitability through cloud communication services and complete turnkey solutions featuring relevant content, applications, and connectivity worldwide. We provide a single software solution, fully enabling and securing cloud communications, connections and transactions, regardless of users' location or network. With estimates of up to 30 billion devices to be managed, connected and intelligently leveraged, there are numerous large addressable markets for our Communications-Platform-as-a-Service (CPaaS) solutions.

Pareteum's customers include Enterprises of all sizes, Communication Service Providers (CSPs), Internet of Things (IoT) and other software and application developers, manufacturers and brand-marketing companies. These customers use Pareteum to energize their growth and profitability through cloud-based communication services featuring relevant content, applications, and connectivity worldwide.

Our proprietary and patent-protected software enablement platforms are connected to 53 international mobile networks in 76 countries using multiple different communications protocols including IP, mobile telephony, data, SMS, VOIP, OTT services. We support 64+ million Wi-Fi hotspots in 180+ countries through our strategic alliance with iPass. We also have over 1,200 GSMA and CDMA connectivity interconnect relationships - and counting! Pareteum integrates all these disparate software enablement methods and services and brings them to life for customers and application developers, allowing communications to become value-added, using simple Application Program Interfaces (APIs). It is our strategy to enable open mobility, applications, software and developer exchange through our APIs. Our API toolkits allow customers and developers to connect to previously hard to access networks and communications services. In other words, Pareteum's software enablement solutions remove the commercial and technical barriers to all forms of connectivity allowing our customers to create new and interesting solutions and revenue opportunities all over the world. The simplicity of our "SuperAPI" allows our customers and developers to iterate, test and refine new ideas and business cases on our Customer Success Platform. Our strategy involves supporting "any device… any network… anytime" and for our customers a key advantage is to "pay as you go @ The Speed of Need", leveraging the advantages of scale and elasticity of cloud-computing, for communications and connectivity. This represents a major strategic shift for many industries, from telecommunications providers to the disruptive software and big data enterprises of today and the future.

Our software enablement solutions have proven themselves globally against much larger competitors and are deployed in multiple companies in diverse countries around the world ranging from small service providers to one of the world's largest telecoms companies, Vodafone. We had more than 2.9 million active connections on our platforms as of September 30, 2018. We expect this number to grow rapidly through our own aggressive sales growth, as well as through our acquisition strategy, which includes the planned close of our acquisition of Artilium plc later this year.

Our integrated communications and software enablement solutions increasingly leverage the latest developments in deep neural networks (DNN), predictive analytics and machine-learning (ML) and artificial intelligence (AI) and we see this trend growing and are competing aggressively to bring the maximum commercial value from these techniques. All this is complemented through enabling a new set of features such as distributed ledger (blockchain) functionality and cashless settlements through cryptocurrencies – in all cases, positioning our customers' business ahead of market disruption and growth.

The Pareteum Cloud Communications Platform and software increasingly also targets new and growing sectors from IoT (Internet of Things), Data Analytics, Smart Cities, and Application-developer markets - each in need of mobile platforms, management and connectivity. These sectors need Communications-as-a-Service (CaaS), which Pareteum delivers. Our solutions have received industry acclaim.

Pareteum is a mission focused company empowering every person and every “thing” to be globally connected, applying our philosophy of ANY DEVICE, ANY NETWORK, ANYWHERE™.

On October 1, 2018 the Company completed its previously announced acquisition (the “Acquisition”) of all of the outstanding shares of Artilium plc, a public limited company registered in England and Wales (“Artilium”). Following the Acquisition, Artilium will operate as a wholly-owned subsidiary of the Company. Artilium is a software development company active in the enterprise communications and core telecommunications markets delivering software solutions which layer over disparate fixed, mobile and IP networks to enable the deployment of converged communication services and applications.

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.

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 2017 Annual Report. There have been no material changes in any of our critical accounting policies and estimates during the nine months ended September 30, 2018.

Comparison of three months ended September 30, 2018 and September 30, 2017.

Revenues

Revenue for the three months ended September 30, 2018, was $8,007,734, a $4,509,046 or 129% increase compared to $3,498,688 for the comparable three months in 2017. Our deployments with existing customers continues to grow, new implementations are generating new revenues and new cloud based revenues were all factors in our revenue growth.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Variance
Revenues	$ 8,007,734	$ 3,498,688	$ 4,509,046

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 September 30, 2018	Three months ended September 30, 2017	Variance
Revenues	$ 8,007,734	$ 3,498,688	$ 4,509,046
Cost of service (excluding depreciation and amortization)	2,128,683	791,334	1,337,349
Gross Profit (excluding depreciation and amortization)	$ 5,879,051	$ 2,707,354	$ 3,171,697

Cost of service excluding depreciation and amortization for the three-month period ended September 30, 2018 was $2,128,683, an increase of $1,337,349 or 169%, compared to $791,334 for the three-month period in 2017. This 169% increase in cost of service as compared to 129% increase in revenue, is expected as implementations have lower margins.

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 business operating system network and intelligent network platform development and testing are included in this function.

Product development costs for the three-month periods ended September 30, 2018 and 2017 were $765,723 and $497,078, respectively, an increase of $268,645 or 54%. The increase is due to the overall expansion of our lines of business year over year.

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, 2018 and 2017 were $842,743 and $412,881 respectively, an increase of $429,862 or 104%. This increase is a direct result of hiring new employees and allocating resources to growing our business.

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, 2018 and 2017 were $8,127,982 and $1,578,960, respectively, an increase of $6,549,022 or 415%. This increase is primarily the result of increased share-based compensation, travel, legal, accounting, and marketing costs.

Restructuring and Acquisition Costs

Restructuring and acquisition costs for the three months ended September 30, 2018 and 2017 were $1,994,511 and $253,014, an increase of $1,741,497 or 688%, which was mainly due to expenses related to the acquisition of Artilium.

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 2008 and 2017 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, 2018 and 2017, we recognized share-based compensation expense of $5,638,012 and $385,424, respectively, an increase of $5,252,588 or 1,363%. This was an expected increase as it was an incentive related to the approval of the Artilium acquisition.

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

	Three months ended September 30,	
	2018	**2017**
Cost of Service (excluding depreciation and amortization)	$ 78,988	$ 26,750
Product Development	128,508	20,434
Sales and Marketing	320,261	53,347
General and Administrative	5,110,255	284,893
Total	$ 5,638,012	$ 385,424

Depreciation and Amortization

Depreciation and amortization expenses for the three-month period ended September 30, 2018 was $998,857, a decrease of $433,855 or 30%, compared to $1,432,712 for the three-month period ended September 30, 2017. This was due to a decrease in depreciation expense due to certain assets having been fully depreciated in a prior period.

Interest Income and Expense

Interest income for the three-month periods ended September 30, 2018 and 2017, was $49,972 and $41,964, respectively, an increase of $8,008 or 19%. Interest income mainly consists of interest accrued for the promissory note by ValidSoft held by the Company and interest charged to customers for extended payment terms.

Interest expense for the three-month periods ended September 30, 2018 and 2017, was $111,311 and $421,392, respectively, a decrease of $310,081 or 74%. Interest expense decreased mainly as the result of paying off all Senior Secured Debt during December of 2017.

Interest Expense Related to Debt Discount and Conversion Feature

For the three months ended September 30, 2018 and 2017, interest expenses related to debt discount and conversion feature were $115,414 and $205,842, respectively a decrease of $90,428 or 44%. This decrease is mainly the result of paying off all Senior Secured Debt during December of 2017.

Other Income, net

Other income for the three-month periods ended September 30, 2018 and 2017 were $35,452 and $216,002, respectively, a decrease of $180,550 or 84%. This represents the unrealized exchange rate gains and an adjustment to liabilities that are no longer deemed obligations.

Amortization of Deferred Financing Costs

Amortization of Deferred Financing Costs for the three-month periods ended September 30, 2018 and 2017 was $8,757 and $25,595, respectively, a decrease of $16,838 or 66%. This decrease is mainly the result of paying off all Senior Secured Debt during December of 2017.

Provision for Income taxes

Income tax provision for the three-month period ended September 30, 2018 was $19,583, compared to $147,640 for the same period in 2017. The tax provision was calculated based upon an expected annual tax rate.

Net Loss

Net loss for the three-month period ended September 30, 2018, was $7,020,406, an increase of $4,711,101 or 204%, compared to the loss of $2,309,305 for the same period in 2017. The increase in Net Loss was primarily due to an increase General and Administrative expenses of $6,549,022, and an increase of Restructuring and Acquisition Charges of $1,741,497.

Other Comprehensive (Loss) / Income

We record foreign currency translation gains and losses as other comprehensive income or loss, which amounted to a loss of ($21,580) and a gain of $2,139 for the three-month periods ended September 30, 2018 and 2017, 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, 2018 and September 30, 2017.

Revenues

Revenue for the nine months ended September 30, 2018, was $18,123,484, a $8,590,677 or 90% increase compared to $9,532,807 for the comparable nine months in 2017. Our deployments with existing customers continues to grow, new implementations are generating new revenues and new cloud based revenues were all factors in our revenue growth.

	Nine months ended September 30,		
	2018	**2017**	**Variance**
Revenues	$ 18,123,484	$ 9,532,807	$ 8,590,677

Cost of Service

Cost of service excluding depreciation and amortization 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 September 30, 2018	2017	Variance
Revenues	$ 18,123,484	$ 9,532,807	$ 8,590,677
Cost of service (excluding depreciation and amortization)	5,103,088	2,578,925	2,524,163
Gross Profit (excluding depreciation and amortization)	$ 13,020,396	$ 6,953,882	$ 6,066,514

Cost of service excluding depreciation and amortization for the nine-month period ended September 30, 2018 was $5,103,088, an increase of $2,524,163 or 98%, compared to $2,578,925 for the nine-month period in 2017. This 98% increase in cost of service as compared to our 90% increase in revenue is expected as implementations have lower margins.

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 business operating system network and intelligent network platform development and testing are included in this function.

Product development costs for the nine-month periods ended September 30, 2018 and 2017 were $2,246,499 and $1,055,285, respectively, an increase of $1,191,214 or 113%. The increase is due to the overall expansion of our lines of business year over year.

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, 2018 and 2017 were $2,184,183 and $1,103,162 respectively, an increase of $1,081,021 or 98%. This increase is a direct result of hiring new employees and allocating resources to growing our business.

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, 2018 and 2017 were $12,638,904 and $5,435,187, respectively, an increase of $7,203,717 or 133%. This increase is primarily the result of increased share-based compensation, travel, legal, accounting and marketing costs.

Restructuring and Acquisition Costs

Restructuring and acquisition costs for the nine months ended September 30, 2018 and 2017 were $2,073,704 and $841,120, respectively, an increase of $1,232,584 or 147%, primarily as a result of charges related to the acquisition of Artilium (see subsequent event footnote.)

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 2008 and 2017 Plans to contractors, directors and executive officers in lieu of cash compensation and awards; and
- the expensing of restricted shares issued for consultancy services.

For the nine-month period ended September 30, 2018 and 2017, we recognized share-based compensation expense of $7,409,592 and $1,508,535, respectively, an increase of $5,901,057 or 391%. This increase was related to options and common shares grants.

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

	September 30, 2018	September 30, 2017
Cost of service (excluding depreciation and amortization)	$ 60,738	$ 30,571
Product Development	171,279	37,577
Sales and Marketing	412,519	119,913
General and Administrative	6,739,151	1,320,474
Restructuring	25,905	-
Total	$ 7,409,592	$ 1,508,535

Depreciation and Amortization

Depreciation and amortization expenses for the nine-month period ended September 30, 2018 was $2,958,466, a decrease of $190,722 or 6%, compared to $3,149,188 for the same period in 2017. This was due to a decrease in depreciation expense due to certain assets having been fully depreciated in a prior period.

Interest Income and Expense

Interest income for the nine-month periods ended September 30, 2018 and 2017, was $135,837 and $136,000, respectively, a decrease of $163 or 0.1%. Interest income mainly consists of interest accrued for the promissory note by ValidSoft held by the Company and interest charged to customers for extended payment terms.

Interest expense for the nine-month periods ended September 30, 2018 and 2017, was $274,778 and $1,344,576, respectively, a decrease of $1,069,798 or 80%. Interest expense decreased mainly as the result of paying off all Senior Secured Debt during December of 2017.

Interest Expense Related to Debt Discount and Conversion Feature

For the nine months ended September 30, 2018 and 2017, interest expenses related to debt discount accretion were $175,252 and $1,548,440, respectively a decrease of $1,373,188 or 89%. This decrease is mainly the result of paying off all Senior Secured Debt during December of 2017.

Changes in Derivative Liabilities

Changes in derivative liabilities for the nine-month period ended September 30, 2018 was $1,283,914, a decrease of $636,967 or 33%, compared to a change of $1,920,881 for the same period in 2017. During 2017 the change was the result of renegotiating and elimination of the derivative feature of certain outstanding warrants and convertible notes, also during 2018 we renegotiated terms of the remaining outstanding derivative liabilities, the company accounted for any effects of the amended terms through the profit and loss account for the changes in the fair value of the occurring this year and the remainder of the fair market value of the amendment on previous year derivative liability balance through equity.

Our derivative liabilities as of September 30, 2018 are $0, so no quarterly calculations will need to be made, in the past these fair market valuations for the conversion features and warrant liabilities were determined by a third-party valuation expert using a Monte-Carlo Simulation model.

Other Income, net

Other income for the nine-month periods ended September 30, 2018 and 2017 were $672,706 and $686,478, respectively, a decrease of $13,772 or 2%. This represents the unrealized exchange rate gains and an adjustment to liabilities for no longer deemed obligations.

Amortization of Deferred Financing Costs

Amortization of Deferred Financing Costs for the nine-month periods ended September 30, 2018 and 2017 was $21,108 and $248,218, respectively, a decrease of $227,110 or 91%. This decrease is mainly the result of paying off all Senior Secured Debt during December of 2017.

Provision for Income taxes

Income tax provision for the nine-month period ended September 30, 2018 was $38,007, compared to $81,144 for the same period in 2017. The tax provision was calculated based upon an expected annual tax rate.

Net Loss

Net loss for the nine-month period ended September 30, 2018, was $7,498,048, an increase of $2,552,803 or 52%, compared to the loss of $4,945,245 for the same period in 2017. The increase in Net Loss was primarily due to an increase General and Administrative expenses of $7,203,717, and an increase of Restructuring and Acquisition Charges of $1,232,584.

Other Comprehensive Income (Loss)

We record foreign currency translation gains and losses as other comprehensive income or loss, which amounted to a gain of $3,686 and a loss of ($8,512) for the nine-month periods ended September 30, 2018 and 2017, 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 $7,498,048 for the period ended September 30, 2018 and had an accumulated deficit of $307,041,257 as of September 30, 2018.

The cash balance of the Company at September 30, 2018 was $18,434,576.

Operating Activities

Net cash used in operating activities of $3,823,929 for the nine-month period ended September 30, 2018 was impacted by an increase in accounts payable and customer deposits of $798,573, a decrease in accrued expenses and other payables of $1,421,435, and an increase in accounts receivable of $5,077,689.

As a result of the above, cash used in operating activities was $3,823,929 for the nine months ended September 30, 2018 compared to net cash used in operating activities of $1,409,616 for the nine months ended September 30, 2017 and increased $2,414,313 or 171%. This increase was due to an increase in non-cash expenses and accounts payable and offset by an increase in accounts receivable.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2018 was $2,189,415, an increase of $1,651,170, or 307% compared to $538,245 in the same period in 2017. This change was mainly the result of software purchases of $1,214,940 and capitalized software development of $833,453 in 2018.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2018 and 2017 was $11,089,560 and $2,046,597, respectively, an increase of $9,042,963 or 442%. This increase was due to exercises of warrants and options, proceeds from public offerings and the absence of principal repayments on senior secured debt that was paid off in December of 2017.

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, 2018 was a gain of 50,461, compared to a loss of ($195,643) for the same period in 2017.

As a result of the above activities, for nine months ended September 30, 2018, we had cash, cash equivalents and restricted cash of $18,864,352, a net increase in cash, cash equivalents, and restricted cash of $5,126,677 since December 31, 2017.

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 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, 2018, 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

On January 1, 2018, the Company adopted ASC Topic 606, "Revenue from Contracts with Customers" and other than this change and related update to the Company's internal controls, there have been no additional changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2018 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

The Company is not presently engaged in any active material litigation or regulatory proceedings and no such proceedings are contemplated. Nevertheless, from time to time, the Company may be subject to legal actions and claims in the ordinary course of business. We have previously received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves or our customers or partners by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

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 the section titled "Risk Factors" of our Definitive Merger Proxy Statement (the "Merger Proxy"), filed with the SEC as of August 3, 2018. 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.

Risks Related to Our Business

The current economic climate, especially in Europe, may have an adverse effect in the markets in which we operate.

Much of our customers' business is consumer driven, and to the extent there is a decline in consumer spending, our customers could experience a reduction in the demand for their services and consequently affect the demand for our services and a decrease in our revenues, net income and an increase in bad debts arising from non-payment of our trade receivables. The potential adverse effects of an economic downturn include:

- reduced demand for services, resulting in increased price competition or deferrals of purchases, with lower revenues not fully compensated through reduced costs; risk of financial difficulties or failures among our suppliers;
- increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counterparty default;
- risk of impairment losses related to our intangible assets as a result of lower forecasted sales of certain products;
- increased difficulties in forecasting sales and financial results as well as increased volatility in our reported results; and
- end user demand could also be adversely affected by reduced consumer spending on technology, changed operator pricing, security breaches and trust issues.

Uncertainties and risks associated with international markets could adversely impact our international operations.

We have significant international operations in Europe, and to a lesser extent in the U.S., Middle East and elsewhere. There can be no assurance that we will be able to obtain the permits and operating licenses required for us to operate, obtain access to local transmission facilities on economically acceptable terms, or market services in international markets. In addition, operating in international markets generally involves additional risks, including unexpected changes in regulatory requirements, taxes, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, problems in collecting accounts receivable, political risks, fluctuations in currency exchange rates, restrictions associated with the repatriation of funds, technology export and import restrictions, and seasonal reductions in business activity. Our ability to operate and grow our international operations successfully could be adversely impacted by these risks.

We operate in a complex regulatory environment, and failure to comply with applicable laws and regulations could adversely affect our business.

Our operations are subject to a broad range of complex and evolving laws and regulations. Because of our coverage in many countries, we must perform our services in compliance with the legal and regulatory requirements of multiple jurisdictions. Some of these laws and regulations may be difficult to ascertain or interpret and may change from time to time. Violation of such laws and regulations could subject us to fines and penalties, damage our reputation, constitute a breach of our client agreements, impair our ability to obtain and renew required licenses, and decrease our profitability or competitiveness. If any of these effects were to occur, our operating results and financial condition could be adversely affected.

We may not be able to integrate new technologies and provide new services in a cost-efficient manner.

The telecommunications industry is subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. We cannot predict the effect of these changes on our competitive position, our profitability or the industry generally. Technological developments may reduce the competitiveness of our networks and our software solutions and require additional capital expenditures or the procurement of additional products that could be expensive and time consuming. In addition, new products and services arising out of technological developments may reduce the attractiveness of our services. If we fail to adapt successfully to technological advances or fail to obtain access to new technologies, we could lose customers and be limited in our ability to attract new customers and/or sell new services to our existing customers. In addition, delivery of new services in a cost-efficient manner depends upon many factors, and we may not generate anticipated revenue from such services.

Disruptions in our networks and infrastructure may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our systems are an integral part of our customers' business operations. It is critical for our customers, that our systems provide a continued and uninterrupted performance. Customers may be dissatisfied by any system failure that interrupts our ability to provide services to them. Sustained or repeated system failures would reduce the attractiveness of our services significantly and could result in decreased demand for our services.

We face the following risks to our networks, infrastructure and software applications:

- our territory can have significant weather events which physically damage access lines;
- power surges and outages, computer viruses or hacking, earthquakes, terrorism attacks, vandalism and software or hardware defects which are beyond our control; and
- unusual spikes in demand or capacity limitations in our or our suppliers' networks.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and/or incur expenses, and thereby adversely affect our business, revenue and cash flow.

Integration of acquisitions ultimately may not provide the benefits originally anticipated by management and may distract the attention of our personnel from the operation of our business.

We strive to broaden our solutions offerings as well as to increase the number of subscribers hosted on our platforms, volume of voice and data that we carry over our existing global network in order to reduce transmission costs and other operating costs as a percentage of net revenue, improve margins, improve service quality and enhance our ability to introduce new products and services. Strategic acquisitions in desired markets play a part of our growth strategy, and we may pursue additional acquisitions in the future to further strengthen our strategic objectives. Acquisitions of businesses and customer lists involve operational risks, including the possibility that an acquisition may not ultimately provide the benefits originally anticipated by management. Moreover, we may not be successful in identifying attractive acquisition candidates, completing and financing additional acquisitions on favorable terms, or integrating the acquired business or assets into our own. There may be difficulty in integrating technologies and solutions, in migrating customer bases and in integrating the service offerings, distribution channels and networks gained through acquisitions with our own. Successful integration of operations and technologies requires the dedication of management and other personnel, which may distract their attention from the day-to-day business, the development or acquisition of new technologies, and the pursuit of other business acquisition opportunities. Therefore, successful integration may not occur in light of these factors.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycle and strategic mobile partnership cycles with MNOs and other large enterprises. Our software platforms, outsourced solutions and value-added communication services, are relatively complex and their purchase may involve a significant commitment of mostly human capital, with attendant delays frequently associated with the allocation of substantial human resources and procurement procedures within an organization. The purchase of these types of products typically also requires coordination and agreement across many departments within a potential customer. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry, which may recur in the current economic climate, our typical sales cycle may lengthen, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales and strategic mobile partnership cycle could reduce growth in our revenue in the future.

Because most of our business is conducted outside the U.S., fluctuations in foreign currency exchange rates versus the U.S. Dollar could adversely affect our results of operations.

Currently most of our net revenue, expenses and capital expenditures are derived and incurred from sales and operations outside the U.S., whereas the reporting currency for our consolidated financial statements is the U.S. Dollar ("USD"). The local currency of each country is the functional currency for each of our respective entities operating in that country, where the Euro is the predominant currency. Considering the fact that most income and expenses are not subject to relevant exchange rate differences, it is only at a reporting level that the translation needs to be made to the reporting unit of USD. In the future, we expect to continue to derive a significant portion of our net revenue and incur a significant portion of our operating costs outside the U.S., and changes in exchange rates have had and may continue to have a significant, and potentially distorting effect (either negative or positive) on the reported results of operations, not necessarily being the result of operations in real terms. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the following exchange rates: USD/Euro.

We historically have not engaged in hedging transactions since we primarily operate in same currency countries, currently being the Euro ("EUR"). However, the operations of affiliates and subsidiaries in non-US countries have been funded with investments and other advances denominated in foreign currencies and more recently in USD. Historically, such investments and advances have been long-term in nature, and we have accounted for any adjustments resulting from currency translation as a charge or credit to accumulate other comprehensive loss within the stockholders' deficit section of our consolidated balance sheets. Although we have not engaged in hedging so far, we continue to assess on a regular basis the possible need for hedging.

We are substantially smaller than our major competitors, whose marketing and pricing decisions, and relative size advantage, could adversely affect our ability to attract and retain customers and are likely to continue to cause significant pricing pressures that could adversely affect our net revenues, results of operations and financial condition.

Our services related to cloud-based communications software and information systems, outsourced solutions and value added communication services are subject to competitive pressure, and we expect competition to continue to increase. We compete with telecom solution providers, independent software and service providers and the in-house IT and network departments of communications companies as well as firms that provide IT services (including consulting, systems integration and managed services), software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services (such as Internet, land-line and mobile services, cable, satellite and service bureaus) and companies that offer software systems in combination with the sale of network equipment. Also, in this more fragmented market, larger players exist with associated advantages described earlier which we need to compete against.

We believe that our ability to compete depends on a number of factors, including:

- The development by others of software products that are competitive with our products and services,
- the price at which others offer competitive software and services,
- the ability to make use of the networks of mobile network operators,
- the technological changes of telecommunication operators affecting our ability to run services over their networks,
- the ability of competitors to deliver projects at a level of quality that rivals our own,
- the responsiveness of our competitors to customer needs, and
- the ability of our competitors to hire, retain and motivate key personnel.

A number of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties.

Our positioning in the marketplace as a smaller provider places a significant strain on our resources, and if not managed effectively, could result in operational inefficiencies and other difficulties.

Our positioning in the marketplace may place a significant strain on our management, operational and financial resources, and increase demand on our systems and controls. To manage this position effectively, we must continue to implement and improve our operational and financial systems and controls, invest in development & engineering, critical systems and network infrastructure to maintain or improve our service quality levels, purchase and utilize other systems and solutions, and train and manage our employee base. As we proceed with our development, operational difficulties could arise from additional demand placed on customer provisioning and support, billing and management information systems, product delivery and fulfillment, sales and marketing and administrative resources.

For instance, we may encounter delays or cost overruns or suffer other adverse consequences in implementing new systems when required. In addition, our operating and financial control systems and infrastructure could be inadequate to ensure timely and accurate financial reporting.

We could suffer adverse tax and other financial consequences if U.S. or foreign taxing authorities do not agree with our interpretation of applicable tax laws.

Our corporate structure is based, in part, on assumptions about the various tax laws, including withholding tax, and other relevant laws of applicable non-U.S. jurisdictions. Foreign taxing authorities may not agree with our interpretations or reach different conclusions. Our interpretations are not binding on any taxing authority and, if these foreign jurisdictions were to change or to modify the relevant laws, we could suffer adverse tax and other financial consequences or have the anticipated benefits of our corporate structure materially impaired. In 2015 and particularly in 2016 we undertook significant restructuring and reorganization activities in order to improve operating efficiencies and reduce operating costs, including changes in our executive team and Board of Directors, or Board. Such activities may require significant efforts, including the integration, consolidation and rationalization of product development, sales and marketing efforts and general and administrative activities. These activities could result in the disruption of our business including relationships with employees, suppliers and customers, all of which could adversely affect our operating results. There can be no assurance that such activities would be successful or reduce operating costs.

We must attract and retain skilled personnel. If we are unable to hire and retain technical, technical sales and operational employees, our business could be harmed.

Our ability to manage our reorganization and growth will be particularly dependent on our ability to develop and retain an effective sales force and qualified technical and managerial personnel. We need software development specialists with in-depth knowledge of a blend of IT and telecommunications or with a blend of security and telecom. We intend to hire additional necessary employees, including software engineers, communication engineers, project managers, sales consultants, employees and operational employees, on a permanent basis. The competition for qualified technical sales, technical, and managerial personnel in the communications and software industry is intense in the markets where we operate, and we may not be able to hire and retain sufficient qualified personnel. In addition, we may not be able to maintain the quality of our operations, control our costs, maintain compliance with all applicable regulations, and expand our internal management, technical, information and accounting systems in order to support our desired growth, which could have an adverse impact on our operations. Volatility in the stock market and other factors could diminish our use, and the value, of our equity awards as incentives to employees, putting us at a competitive disadvantage or forcing us to use more cash compensation.

If we are not able to use and protect our intellectual property domestically and internationally, it could have a material adverse effect on our business.

Our ability to compete depends, in part, on our ability to use intellectual property internationally. We rely on a combination of patents, copyright, trade secrets and confidentiality, trademarks and licenses to protect our intellectual property. There is limited protection under patent law to protect the source codes we developed or acquired on our platform. The copyright and know-how protection may not be sufficient. Our granted patents and pending patent applications may be challenged. We are also subject to the risks of claims and litigation alleging infringement of the intellectual property rights of others. The telecommunications industry is subject to frequent litigation regarding patent and other intellectual property rights. We rely upon certain technology, including hardware and software, licensed from third parties. The technology licensed by us may not continue to provide competitive features and functionality. Licenses for technology currently used by us or other technology that we may seek to license in the future may not be available to us on commercially reasonable terms or at all.

Product defects or software errors could adversely affect our business.

Design defects or software errors may cause delays in product introductions and project implementations, damage customer satisfaction and may have a material adverse effect on our business, results of operations and financial condition. Our software systems are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and correct. Because our products are generally used by our customers to perform critical business functions, design defects, software errors, misuse of our products, incorrect data from external sources or other potential problems within or outside of our control may arise during implementation or from the use of our products and may result in financial or other damages to our customers, for which we may be held responsible. Although we have license agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. Our insurance coverage is not sufficient to protect against all possible liability for defects or software errors. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages caused to them arising from the use of our products, even if our liability is limited by a license or other agreement. Claims and liabilities arising from customer problems could also damage our reputation, adversely affecting our business, results of operations and the financial condition.

Political risks, including changes to United States tariff and import/export regulations may have a negative effect on our business.

There have been recent changes to United States trade policies, treaties and tariffs, including determinations made by the United States to reinstate or impose new sanctions levied by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") against certain nation states. The Company or its subsidiaries may engage in business with entities located in certain regions which may be impacted, directly or indirectly by such changes. If the Company is precluded as a result of changes to sanctions laws from doing business in certain jurisdictions or with certain entities, the loss of any related revenues could impact our business, results of operations and/or financial condition.

Risks Related to Our Industry

Changes in the regulation of the telecommunications industry could adversely affect our business, revenue or cash flow.

We operate in a heavily regulated industry. As a provider of communications technology, we are directly and indirectly subject to varying degrees of regulation in each of the jurisdictions in which we provide our services. Local laws and regulations, and the interpretation of such laws and regulations, differ significantly among the jurisdictions in which we operate. Enforcement and interpretations of these laws and regulations can be unpredictable and are often subject to the informal views of government officials. Certain European, foreign, federal, and state regulations and local franchise requirements have been, are currently, and may in the future be, the subject of judicial proceedings, legislative hearings and administrative proposals. Such proceedings may relate to, among other things, the rates we may charge for our local, network access and other services, the manner in which we offer and bundle our services, the terms and conditions of interconnection, unbundled network elements and resale rates, and could change the manner in which telecommunications companies operate. We cannot predict the outcome of these proceedings or the impact they will have on our business, revenue and cash flow.

There can be no assurance that future regulatory changes will not have a material adverse effect on us, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations, any of which could have a material adverse effect upon us. Potential future regulatory, judicial, legislative, and government policy changes in jurisdictions where we operate could have a material adverse effect on us. Domestic or international regulators or third parties may raise material issues with regard to our compliance or noncompliance with applicable regulations, and therefore may have a material adverse impact on our competitive position, growth and financial performance.

The market for communications services is highly competitive and fragmented, and we expect competition to continue to increase.

We compete with independent software and service providers and with the in-house IT and network departments of communications companies. Our main competitors include firms that provide communications services and IT services (including consulting, systems integration and managed services), software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services (such as Internet, wire line and wireless services, cable, satellite and service bureaus) and network equipment providers that offer software systems in combination with the sale of network equipment. We also compete with companies that provide digital commerce software and solutions.

The telecommunications industry is rapidly changing, and if we are not able to adjust our strategy and resources effectively in the future to meet changing market conditions, we may not be able to compete effectively.

The telecommunications industry is changing rapidly due to deregulation, privatization, consolidation, technological improvements, availability of alternative services such as mobile, broadband, DSL, Internet, VOIP, and wireless DSL through use of the fixed wireless spectrum, and the globalization of the world's economies. In addition, alternative services to traditional land-line services, such as mobile, broadband, Internet and VOIP services, have shown a competitive threat to our legacy land-line traffic business. If we do not continue to invest and exploit our contemplated plan of development of our communications information systems, outsourced solutions and value-added communication services to meet changing market conditions, or if we do not have adequate resources, we may not be able to compete effectively in providing technology solutions to our customers. The telecommunications industry is marked by the introduction of new product and service offerings and technological improvements. Achieving successful financial results will depend on our ability to anticipate, assess and adapt to rapid technological changes, and offer, on a timely and cost-effective basis, services including the bundling of multiple services into our technology platforms that meet evolving industry standards. If we do not anticipate, assess or adapt to such technological changes at a competitive price, maintain competitive services or obtain new technologies on a timely basis or on satisfactory terms, our financial results may be materially and adversely affected.

If we are not able to operate a cost-effective network, we may not be able to grow our business successfully.

Our long-term success depends on our ability to design, implement, operate, manage and maintain a reliable and cost-effective network. In addition, we rely on third parties to enable us to expand and manage our global network and to provide local, broadband Internet and mobile services.

Risks Related to Our Capital Stock

We could issue additional common stock, which might dilute the book value of our capital stock.

Our Board of Directors has authority, without action or vote of our stockholders, to issue all or a part of our authorized but unissued shares of common stock. Any such stock issuance could be made at a price that reflects a discount or a premium to the then-current trading price of our common stock. In addition, in order to raise future capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances, if any, would dilute your percentage ownership interest in the Company, thereby having the effect of reducing your influence on matters on which stockholders vote. You may incur additional dilution if holders of stock options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants to purchase shares of our common stock. As a result, any such issuances or exercises would dilute your interest in the Company and the per share book value of the common stock that you owned, either of which could negatively affect the trading price of our common stock and the value of your investment.

As a "thinly-traded" stock, large sales can place downward pressure on our stock price.

Our stock experiences periods when it could be considered "thinly traded". Financing transactions resulting in a large number of newly issued shares that become readily tradable, or other events that cause current stockholders to sell shares, could place further downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

We have no dividend history and have no intention to pay dividends in the foreseeable future.

We have never paid dividends on or in connection with our common stock and do not intend to pay any dividends to common stockholders for the foreseeable future.

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

Except as previously disclosed in Current Reports on Form 8-K, the Company has not issued unregistered securities during the quarter ending September 30, 2018.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Subsequent Equity Issuances

On October 25, 2018, the company issued an aggregate of 1,308,914 shares of common stock, par value $0.00001 per share, of the Company to several key persons. The issued shares are pursuant to the Company's 2018 Long Term Incentive Compensation Plan (the "2018 Plan"), the Company's 2017 Long Term Incentive Compensation Plan (the "2017 Plan") and the Company's 2008 Long Term Incentive Compensation Plan (the "2008 Plan").

The aggregate of 269,164 shares were issued to Victor Bozzo, Alexander Korff, Yves Van Sante and Luis Jimenez-Tunon; and 1,000,000 shares were issued to Robert H. Turner, pursuant to the Registration Statement on Form S-8 as filed with the Securities and Exchange Commission for the 2018 Plan, the 2017 Plan and the 2008 Plan. Additionally, 39,750 shares were issued to Martin Zuubier as pursuant to the Registration Statement on Form S-8 as filed with the Securities and Exchange Commission for the 2018 Plan, the 2017 Plan and the 2008 Plan.

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, 2018	By	/s/ Robert H. Turner Robert H. Turner Executive Chairman (Principal Executive Officer)
Date: November 14 , 2018	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, 2018

/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, 2018

/s/ Edward O'Donnell
Edward O'Donnell
Chief Financial Officer
Principal Financial and 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, 2018 (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, 2018

/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, 2018 (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, 2018

/s/ Edward O’Donnell
Edward O’Donnell
Chief Financial Officer
Principal Financial and 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.