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

FORM 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2016

OR

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

For the transition period from __________ to __________

Commission file number: 001-36827

pdvWireless, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of Incorporation or organization)**	**33-0745043** **(I.R.S. Employer Identification No.)**
3 Garret Mountain Plaza **Suite 401** **Woodland Park, New Jersey** **(Address of principal executive offices)**	**07424** **(Zip Code)**

(973) 771-0300
(Registrant's telephone number, including area code)

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

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

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

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

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

At February 1, 2017, 14,342,872 shares of the registrant's common stock were outstanding.

pdvWireless, Inc.
FORM 10-Q
For the quarterly period ended December 31, 2016

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes statements of our expectations, intentions, plans, and beliefs that constitute "forward-looking statements." These forward-looking statements are principally, but not solely, contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements include, but are not limited to, statements about our strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements contained herein that are not historical facts. Our forward-looking statements are generally, but not always, accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "should," "will," "may," "plan," "goal," "can," "could," "continuing," "ongoing," "intend" or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and projections about future events and financial, market and business trends. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. Many of these risks, uncertainties and other factors are beyond our ability to control, influence, or predict. The most significant of these risks, uncertainties and other factors are described in "Item 1A—Risk Factors" in Part II of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended March 31, 2016 filed with the Securities and Exchange Commission (the "SEC") on June 13, 2016. As a result, investors are urged not to place undue reliance on any forward-looking statements. These forward-looking statements reflect our views and assumptions only as of the date such forward-looking statements were made. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

pdvWireless, Inc.

Consolidated Balance Sheets

	December 31, 2016 (Unaudited)	March 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 130,686,333	$ 153,462,865
Accounts receivable, net of allowance for doubtful accounts	869,449	528,283
Inventory	44,278	93,203
Prepaid expenses and other current assets	986,728	906,952
Total current assets	**132,586,788**	**154,991,303**
Property and equipment	15,149,709	15,119,766
Intangible assets	104,429,090	103,655,459
Capitalized patent costs, net	213,712	222,359
Other assets	307,321	60,073
Total assets	**$ 252,686,620**	**$ 274,048,960**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 3,831,684	$ 3,780,697
Accounts payable - officers	15,942	44,159
Current portion of note payable	494,545	494,545
Deferred revenue	782,474	744,605
Total current liabilities	**5,124,645**	**5,064,006**
Noncurrent liabilities		
Long-term portion of note payable	497,265	497,265
Deferred revenue	5,226,487	5,647,773
Other liabilities	1,187,795	654,536
Total liabilities	**12,036,192**	**11,863,580**
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.0001 par value per share, 10,000,000 shares authorized and no shares outstanding at December 31, 2016 and March 31, 2016	—	—
Common stock, $0.0001 par value per share, 100,000,000 shares authorized and 14,340,372 shares issued and outstanding at December 31, 2016 and 14,300,790 shares issued and outstanding at March 31, 2016	1,442	1,438
Additional paid-in capital	329,306,025	325,669,088
Accumulated deficit	(88,657,039)	(63,485,146)
Total stockholders' equity	**240,650,428**	**262,185,380**
Total liabilities and stockholders' equity	**$ 252,686,620**	**$ 274,048,960**

See accompanying notes to consolidated financial statements

pdvWireless, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Operating revenues				
Service revenue	$ 976,324	$ 652,918	$ 2,626,900	$ 1,923,599
Spectrum lease revenue	182,186	182,186	546,558	546,559
Other revenue	176,769	105,288	349,110	122,552
Total operating revenues	$ 1,335,279	$ 940,392	3,522,568	2,592,710
Cost of revenue				
Sales and service	1,831,847	906,291	5,090,569	1,772,050
Gross profit (loss)	(496,568)	34,101	(1,568,001)	820,660
Operating expenses				
General and administrative	4,846,755	3,843,378	18,069,321	12,154,625
Sales and support	1,420,673	1,118,630	3,856,658	2,815,312
Product development	539,182	341,129	1,734,026	982,226
Total operating expenses	6,806,610	5,303,137	23,660,005	15,952,163
Loss from operations	(7,303,178)	(5,269,036)	(25,228,006)	(15,131,503)
Interest expense	(1,364)	(932)	(4,091)	(932)
Interest income	25,110	26,151	73,168	77,664
Other income (expense)	(8,171)	—	(12,964)	1,250
Net loss	$ (7,287,603)	$ (5,243,817)	$ (25,171,893)	$ (15,053,521)
Net loss per common share basic and diluted	$ (0.51)	$ (0.36)	$ (1.75)	$ (1.07)
Weighted-average common shares used to compute basic and diluted net loss per share	14,396,212	14,375,441	14,385,002	14,084,506

See accompanying notes to consolidated financial statements

pdvWireless, Inc.

Consolidated Statement of Stockholders' Equity

(Unaudited)

For the nine months ended December 31, 2016

	Number of Shares						
	Preferred Stock Series AA	Common Stock	Preferred Stock Series AA	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at March 31, 2016	—	14,384,594	$ —	$ 1,438	$ 325,669,088	$ (63,485,146)	$ 262,185,380
Equity based compensation*	—	39,582	—	4	3,636,937	—	3,636,941
Net loss	—	—	—	—	—	(25,171,893)	(25,171,893)
Balance at December 31, 2016	—	14,424,176	$ —	$ 1,442	$ 329,306,025	$ (88,657,039)	$ 240,650,428

* includes restricted shares

See accompanying notes to consolidated financial statements

pdvWireless, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended December 31, 2016	Nine months ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (25,171,893)	$ (15,053,521)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	1,626,200	286,898
Non-cash compensation expense attributable to stock awards	3,636,941	3,587,730
Bad debt expense	43,106	—
Changes in operating assets and liabilities		
Accounts receivable	(384,272)	(103,830)
Inventory	48,925	—
Prepaid expenses and other assets	(327,024)	138,670
Accounts payable and accrued expenses	50,987	(3,289,906)
Accounts payable - officers	(28,217)	(21,205)
Deferred revenue	(598,334)	(537,705)
Other liabilities	502,980	257,620
Net cash flows used by operating activities	(20,600,601)	(14,735,249)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of intangible assets	(503,956)	(1,347,710)
Purchases of equipment	(1,670,914)	(7,940,112)
Payments for patent costs	(1,061)	(11,847)
Net cash used by investing activities	(2,175,931)	(9,299,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from follow-on offering	—	64,792,220
Proceeds from stock option exercise	—	45,066
Net cash provided from financing activities	—	64,837,286
Net change in cash and cash equivalents	(22,776,532)	40,802,368
CASH AND CASH EQUIVALENTS		
Beginning of the period	**153,462,865**	**119,873,668**
End of the period	**$ 130,686,333**	**$ 160,676,036**

See accompanying notes to consolidated financial statements

pdvWireless, Inc.

Notes to Consolidated Financial Statements
(Unaudited)

1. Nature of Operations

pdvWireless, Inc. (formerly known as Pacific DataVision, Inc., the "Company") is a private wireless communications carrier and provider of mobile workforce communications and location based solutions that increase the productivity of its customers' field-based workers and the efficiency of their dispatch and call center operations. The Company has launched and is operating private push-to-talk ("PTT") networks in seven major markets within the United States. Its proprietary and industry-validated suite of mobile communications and workforce management applications improve team communication and field documentation across a wide array of industries, including transportation, distribution, construction, hospitality, waste management and field services. At the same time, the Company is independently pursuing a number of broadband and other spectrum opportunities and initiatives, including but not limited to, a Federal Communications Commission ("FCC") regulatory process aimed at the realignment of its spectrum to be able in the future to deploy broadband technologies to enterprises.

The Company is currently operating wide-area, enhanced two-way radio networks that offer PTT communications services to primarily dispatch-centric, small and medium-sized businesses in the seven major markets. In June 2015, the Company commercially launched its PTT service, which it markets as DispatchPlus™, in the greater Houston, Texas metropolitan area. The Company commenced service in six additional major metropolitan markets during fiscal 2016, including: Dallas, Atlanta, Philadelphia, Chicago, the greater New York area and Baltimore/Washington. In addition, in a number of markets, the Company has deployed, or is in the process of deploying, additional sites to expand its coverage areas in these markets based on specific customer opportunities and/or its assessment of market opportunities. The Company's continued operation of its existing PTT business, including any potential expansion of that business to additional market areas in the future, is both separate from, and not contingent on, the initiatives at the FCC or on other activities the Company is pursuing, including but not limited to, increasing the number of licensed channels that it holds in the 900 MHz spectrum band.

The Company offers its DispatchPlus communications solutions, which combines pdvConnect™, its proprietary suite of mobile communication and workforce management applications, with state-of-the-art digital network architecture and mobile devices supplied by Motorola Solutions, Inc. and its subsidiaries ("Motorola"). Developed for dispatch-centric businesses, pdvConnect is an easy to use and efficient mobile communication and workforce management solution that enables businesses to locate and communicate with their field workers and improve the documentation of work events and job status. Also built with the commercial dispatch user in mind, Motorola's digital network architecture allows the Company to provide highly reliable, instant and wide-area PTT communication services to its customers.

The Company expects that its DispatchPlus business will become its principal near-term operating business. The Company primarily markets its DispatchPlus service to customers indirectly through third-party dealers selected from Motorola's nationwide dealer network and other select wireless dealers. The Company supports its indirect sales representatives by providing them with training, marketing and advertising support from its internal sales and marketing team. The Company normally enters into contracts directly with end users of its DispatchPlus communication solutions, including those introduced to it through its indirect dealer network.

Concurrently with launching and operating its DispatchPlus business, the Company is independently pursuing initiatives to increase the efficiency and capacity of its spectrum licenses, including the filing (together with the Enterprise Wireless Alliance) of a Joint Petition for Rulemaking with the FCC proposing a realignment of a portion of the 900 MHz spectrum from narrowband to broadband. In September 2016, an item was circulated with the Commissioners' offices at the FCC related to the Joint Petition. The Company is currently waiting for the FCC Commissioners to formally vote on and, if approved, then publicly file the item. The FCC's action may take a number of forms ranging from a Notice of Proposed Rulemaking, to a Notice of Inquiry, to a dismissal of the Joint Petition without further action. Although the FCC has not announced a decision on the Joint Petition, the Company currently believes that the most likely outcome is that the FCC will adopt a Notice of Inquiry as the next step in the process. A Notice of Inquiry is a vehicle for the FCC to gather additional information for the record. If the FCC elects to adopt a Notice of Inquiry, it could request additional information and input on the optimal use of the 900 MHz band generally. A Notice of Inquiry could also request information on the specific issues and proposed solutions raised by us and other commentators in the Joint Petition proceeding, as well as in other proceedings involving the 900 MHz spectrum that were initiated by third parties. The adoption of a Notice of Inquiry does not mean that the FCC has accepted or denied the Joint Petition, or that the Joint Petition will or will not ultimately result in a Notice of Proposed Rulemaking. The Company continues to believe in the merits of its proposal, and that the Joint Petition is consistent with the FCC's past practices and policies. Nevertheless, obtaining a favorable result from the FCC may take a significant amount of time and resources. Moreover, there is no assurance that the FCC will ultimately approve the Company's Joint Petition or will conduct a rulemaking proceeding along the lines originally advocated by the Company.

In addition to this regulatory action, the Company is also pursuing a number of initiatives related to spectrum and wireless service opportunities, that are primarily oriented toward facilitating the future assembly of contiguous spectrum holdings and/or enabling potential future pursuit of additional business and customer opportunities. These additional initiatives include, but are not limited to,

- acquiring additional spectrum, or swapping licensed spectrum, to support its spectrum realignment proposal and the potential future deployment of broadband or other wireless service;
- working with incumbents in the 900 MHz band and other interested parties to demonstrate and/or provide relocation solutions and to generate support for the Joint Petition;
- developing a strategic plan for its potential future deployment of broadband or other wireless services in the 900 MHz band; and
- evaluating the existing technologies and equipment that can be used to support its spectrum initiatives and the additional future customer opportunities it identifies.

In addition, the Company also participated in the First Responder Network Authority ("FirstNet") bid process. This opportunity involved government plans and a related process to provide use of spectrum and a substantial amount of funding for the build-out and operation of a dedicated Nationwide Public Safety Broadband Network ("NPSBN") that also may be used, on a non-priority, excess capacity basis, to meet the wireless service needs of commercial customers. However, on October 17, 2016, the Company received written notice from the Contracting Officer of the U.S. Department of the Interior that its proposal for the FirstNet NPSBN was no longer being considered for the award.

Prior to acquiring its 900 MHz spectrum, the Company was engaged in the development and sale of its wireless communications applications, marketed primarily under the name pdvConnect. The Company continues to be engaged in these business activities and primarily offers these applications indirectly to the end users of two Tier I wireless communications carriers in the United States and, until July 2015, one international wireless communications carrier under licensing agreements between the Company and these carriers. The Company also offers these applications directly to end users.

The Company was originally incorporated in California in 1997, and reincorporated in Delaware in 2014. In November 2015, the Company changed its name from Pacific DataVision, Inc. to pdvWireless, Inc. The Company maintains offices in Woodland Park, New Jersey, Reston, Virginia and San Diego, California. It also maintains a sales office in West Conshohocken, Pennsylvania.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 most significant estimates relate to allowance for doubtful accounts, estimated useful lives of depreciable assets, asset retirement obligations, the carrying amount of long-lived assets under construction in process, valuation allowance on the Company's deferred tax assets, and recoverability of intangible assets. The Company is also required to make certain estimates with regard to the valuation of awards and forfeiture rates for its share-based award programs. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the applicable period. Accordingly, actual results could materially differ from those estimates.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, including PDV Spectrum Holding Company, LLC formed in April 2014. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated interim financial statements as of December 31, 2016 have been prepared in accordance with the requirements of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC") pertaining to reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended March 31, 2016. Accordingly, they do not include all the information and footnotes required by US GAAP for complete financial statements. Certain information and disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading and all adjustments considered necessary for a fair presentation have been included. In the opinion of management, the Company's results for the three and nine months ended December 31, 2016 are not necessarily indicative of the results to be expected for the full year or any future financial period.

Reclassifications

Certain prior year amounts have been reclassified to conform to the presentation of the corresponding amounts in the financial statements for the three and nine months ended December 31, 2016. These reclassifications had no effect on previously reported results of operations, cash flows, assets, liabilities or equity for the years presented.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the time of purchase are considered cash equivalents. Cash equivalents are stated at cost, which approximates the quoted market value and include amounts held in money market funds.

Allowance for Doubtful Accounts

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. The Company reviews its allowance for uncollectible receivables on a quarterly basis. Past due balances meeting specific criteria are reviewed individually for collectability. At December 31, 2016 and March 31, 2016, management provided an allowance of $29,766 and $2,633, respectively, for certain slow paying accounts.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the applicable lease term. The carrying amount at the balance sheet date of long-lived assets under construction in process include construction costs to date on capital projects that have not been completed, assets being constructed that are not ready to be placed into service, and assets that are not currently in service. These costs are transferred to property and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. Depreciation commences upon completion.

Accounting for Asset Retirement Obligations

An asset retirement obligation is evaluated and recorded as appropriate on assets for which the Company has a legal obligation to retire. The Company records a liability for an asset retirement obligation and the associated asset retirement cost at the time the underlying asset is acquired and put into service. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation, if any.

The Company enters into long-term leasing arrangements primarily for tower site locations. The Company constructs assets at these locations and, in accordance with the terms of many of these agreements, the Company is obligated to restore the premises to their original condition at the conclusion of the agreements, generally at the demand of the other party to these agreements. The Company recognizes the fair value of a liability for an asset retirement obligation and capitalizes that cost as part of the cost basis of the related asset, depreciating it over the useful life of the related asset.

As of December 31, 2016, the Company had an asset retirement obligation of $233,824.

Intangible Assets

Intangible assets are wireless licenses that will be used to provide the Company with the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the FCC. License renewals have occurred routinely and at nominal cost in the past. There are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Company’s wireless licenses. As a result, the Company has determined that the wireless licenses should be treated as an indefinite-lived intangible asset. The Company will evaluate the useful life determination for its wireless licenses each year to determine whether events and circumstances continue to support their treatment as an indefinite useful life asset.

The licenses are tested for impairment on an aggregate basis, as the Company will be utilizing the wireless licenses on an integrated basis as part of developing its nationwide network. Before employing detailed impairment testing, the Company first evaluates the likelihood of impairment by considering relevant qualitative factors that may have a significant bearing on fair value. If it determines that it is more likely than not that the wireless licenses are impaired, it will apply a quantitative analysis including detailed testing methodologies. Otherwise, it concludes that no impairment exists. In the event a quantitative analysis is required, the Company considers estimates of valuation methods to perform the test of the fair values of the wireless licenses using, among other things, market based and discounted cash flow approaches.

Long-Lived Asset Impairment

The Company evaluates long-lived assets, other than intangible assets with indefinite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Asset groups are determined at the lowest level for which identifiable cash flows are largely independent of cash flows of other groups of assets and liabilities. When the carrying amount of a long-lived asset group is not recoverable and exceeds its fair value, an impairment loss is recognized equal to the excess of the asset group’s carrying value over the estimated fair value.

Revenue Recognition

The Company recognizes revenue in the period that persuasive evidence of an arrangement exists, delivery of the product has occurred or services have been rendered, it is able to determine the amount of revenue and when the collection of such amount is considered probable. In accordance with the guidance provided in Accounting Standards Codification ("ASC") Topic 605-45-45, Revenue Recognition – Principal Agent Considerations, the Company has determined that it is the primary obligor with respect to the service revenue derived from sales of the Company's software applications through its Tier I domestic carrier partners. As a result, revenue is recorded at the gross amount billed to end-user customers for sales through these carrier partners. The Company recognized service revenue for its international carrier (which business relationship terminated in July 2015) on the net amount billed since it has determined that it is not the primary obligor. The Company also sells service and applications directly to end-users, which are billed and collected directly by the Company.

In September 2014, Motorola paid the Company an upfront, fully-paid leasing fee of $7.5 million in order to lease a portion of the Company's wireless spectrum licenses. The payment of the fee is accounted for as deferred revenue on the Company's Consolidated Balance Sheets. The Company recognizes leasing revenue in accordance with ASC Topic 840, Leases. The fee is amortized using the straight-line method over the lease term of approximately ten years, which represents the time period in which the benefits of the leased property are expected to be depleted.

The Company evaluates certain transactions for its DispatchPlus service offering to determine whether they should be viewed as a Multiple Element Arrangement as provided in ASC Topic 605-25. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the units of accounting. Multiple deliverable arrangements are presumed to be bundled transactions, and the total consideration is measured and allocated to the separate transactions based on their relative selling price, with certain limitations.   The relative selling price for each deliverable is determined using vendor-specific objective evidence ("VSOE") of selling price, or third party evidence of selling price if VSOE does not exist. If neither VSOE nor third party evidence of selling price exist, the Company uses its best estimate of the selling price for the deliverable. The Company has determined that the rental of user devices in connection with service contracts for its DispatchPlus service are multiple deliverable arrangements.

Cost of Revenue

The Company's cost of revenue relating to sales of its software applications through its wireless carrier partners includes the portion of service revenue retained by its domestic Tier 1 carrier partners pursuant to its agreements with these parties, which may include network services, connectivity, SMS service, sales, marketing, billing and other ancillary services. With respect to its DispatchPlus service offering, the Company's cost of revenue includes the costs of operating its dispatch network and its cloud-based solutions and to a lesser degree, the costs associated with the sales of the relevant user devices.

Stock Compensation

The Company accounts for stock options in accordance with US GAAP, which requires the measurement and recognition of compensation expense, based on the estimated fair value of awards granted to employees and directors. The Company estimates the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense in the Company's statements of operations over the requisite service periods. In the event the participant's employment by or engagement with (as a director or otherwise) the Company terminates before exercise of the options granted, the stock options granted to the participant shall immediately expire and all rights to purchase shares thereunder shall immediately cease and expire and be of no further force or effect, other than applicable exercise rights for vested shares that may extend past the termination date as provided for in the participant's applicable option award agreement. Additionally, the Compensation Committee adopted an Executive Severance Plan (the "Severance Plan") in February 2015, and the Company subsequently entered into Severance Plan Participation Agreements with its executive officers and certain key employees. In addition to providing participants with severance payments, the Severance Plan provides for accelerated vesting and extends the exercise period for outstanding equity awards if the Company terminates a participant's service for reasons other than cause, death or disability or the participant terminates his or her service for good reason, whether before or after a change of control (each of such terms as defined in the Severance Plan).

To calculate option-based compensation, the Company uses the Black-Scholes option-pricing model. The Company's determination of fair value of option-based awards on the date of grant using the Black-Scholes model is affected by assumptions regarding a number of subjective variables.

The fair value of restricted stock, restricted stock units and performance units are measured based upon the quoted closing market price for the stock on the date of grant. The compensation cost for the restricted stock and restricted stock units is recognized on a straight-line basis over the vesting period. The compensation cost for the performance units is recognized when the performance criteria are expected to be complete.

No tax benefits were attributed to the share-based compensation expense because the Company maintained a full valuation allowance for all net deferred tax assets.

Net Loss Per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. For purposes of the diluted net loss per share calculation, preferred stock, stock options and warrants are considered to be potentially dilutive securities. Because the Company has reported a net loss for the three and nine months ended December 31, 2016 and 2015, diluted net loss per common share is the same as basic net loss per common share for those periods.

Common stock equivalents resulting from potentially dilutive securities approximated 742,000 and 900,000 at December 31, 2016 and March 31, 2016, respectively, and have not been included in the diluted weighted average shares outstanding, as their effects are anti-dilutive.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ("ASU 2014-09") which supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue that is recognized. The guidance, as stated in ASU 2014-09, is effective for annual and interim periods beginning after December 15, 2016. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date by one year, with early adoption on the original effective date permitted. Under ASU 2014-09, two adoption methods are allowed. Under one method, a company may apply the rules to contracts in all reporting periods presented, subject to certain allowable exceptions. Under the other method, a company may apply the rules to all contracts existing as of January 1, 2018 (provided early adoption is not elected), recognizing an adjustment to retained earnings for the cumulative effect of the change and providing additional disclosures comparing results to previous rules. The Company is evaluating the impact the new guidance will have on its consolidated financial statements and has not made any decision regarding early adoption.

In August 2014, FASB issued ASU 2014-15, *Presentation of Financial Statements.* This ASU requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in the U.S. auditing standards. Specifically, the ASU (1) provides a definition of the term substantial doubt, (2) requires an evaluation every reporting period including interim periods, (3) provides principles for considering the mitigating effect of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plan, (5) requires an express statement and other disclosures when substantial doubt is not alleviated, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). This standard is effective for the fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company will adopt the provisions for this ASU for the annual period ending March 31, 2017. The Company believes the adoption of ASU 2014-15 will not impact the Company's financial position or results of operations but may impact future disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The ASU also requires disclosure of key information about leasing arrangements to increase the transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance as well as to the new revenue recognition guidance in ASU 2014-09. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Upon adoption of ASU 2016-02, the Company expects a substantial increase to assets and liabilities on its balance sheet. The Company is evaluating the full effects that adoption of ASU 2016-02 will have on its financial position and results of operations.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation, Improvements to Employee Share-Based Payment Accounting (Topic 718)*. This update is intended to provide simplification of the accounting for share based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update is effective for our fiscal year beginning April 1, 2017. Although early adoption is permitted, the Company has decided not to early adopt. The adoption of ASU 2016-09 is not expected to have a significant impact on the financial position, results of operations, or cash flows of the Company.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The effective date and transition requirements for this amendment is the same as the effective date and transition requirements of ASU 2014-09, which is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*. ASU 2016-10 is intended to reduce the cost and complexity of applying the guidance in the FASB's new revenue standard on identifying performance obligations, and is also intended to improve the operability and understandability of the licensing implementation guidance. The effective date for ASU 2016-10 is the same as for ASU 2014-09. The Company is evaluating the impact the new guidance will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under *Topic 230, Statement of Cash Flows, and Other Topics*. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that these financial statements were issued.

3. Property and equipment

Property and equipment consist of the following at December 31, 2016 and March 31, 2016:

	Estimated useful life	December 31, 2016	March 31, 2016
Network sites and equipment	5-10 years	$ 13,286,687	$ 11,258,725
Computer equipment	5-7 years	943,871	860,018
Furniture and fixture and other equipment	2-5 years	992,319	660,065
Leasehold improvements	Shorter of the lease term or 5 years	140,689	140,689
		15,363,566	12,919,497
Less accumulated depreciation		2,994,994	1,396,119
		12,368,572	11,523,378
Construction in process		2,781,137	3,596,388
Property and equipment, net		$ 15,149,709	$ 15,119,766

Depreciation expense for the three and nine months ended December 31, 2016 amounted to $581,457 and $1,616,492, respectively. For the three and nine months ended December 31, 2015, depreciation expense was $155,635 and $278,993, respectively. For the three and nine months ended December 31, 2016, approximately $540,000 and $1,486,000 of such depreciation expense was classified as cost of revenue, while the remainder for each period was classified as operating expense in the Company's Consolidated Statements of Operations. For the three and nine months ended December 31, 2015, approximately $122,000 and $205,000 of such depreciation expense was classified as cost of revenue, while the remainder was classified as operating expenses in the Company's Consolidated Statements of Operations. Construction in process includes the expenditures related to the costs to establish and/or to expand the Company's wide-area, two-way radio dispatch network in certain metropolitan areas.

4. Intangible Assets

Wireless licenses are considered indefinite-lived intangible assets. Indefinite-lived intangible assets are not subject to amortization but instead are tested for impairment annually, or more frequently if an event indicates that the asset might be impaired. The Company believes that no impairment indicators existed as of December 31, 2016 that would require it to perform impairment testing.

During the nine months ended December 31, 2016, the Company entered into agreements with several third parties in multiple U.S. markets to acquire wireless licenses for cash consideration, upon FCC approval. In addition, during the nine months ended December 31, 2016, the Company entered into a barter agreement whereby it will provide the use of the Company's network, radios, and installation of equipment in exchange for wireless licenses.

	Wireless Licenses
Balance at March 31, 2016	$ 103,655,459
Acquisitions	773,631
Balance at December 31, 2016	$ 104,429,090

5. Accounts Payable - officers

Accounts payable - officers represents unreimbursed expenses including travel, lodging, and meal expenses incurred by the Company's officers. At December 31, 2016 and March 31, 2016, the accounts payable to officers amounted to $15,942 and $44,159, respectively.

6. Promissory Note

On October 23, 2015, the Company entered into a promissory note in the amount of $1,289,013 with a third party in exchange for wireless licenses. The term of the note is through March 15, 2018 and bears a fixed rate of interest, of 0.55% per annum, which is based on the Short Term Applicable Federal Rate on the closing date. As of December 31, 2016, the Company's outstanding borrowings were $991,810, of which $494,545 is in current liabilities on the Company's Consolidated Balance Sheets.

7. Income Taxes

The Company had federal and state net operating loss carryforwards of approximately $53.5 million at March 31, 2016, which expire in varying amounts from 2021 through 2036.

The Company has deferred tax assets of approximately $19.4 million relating to these net operating loss carryforwards and stock compensation plans at March 31, 2016. Federal net operating loss carryforwards are subject to limitations as a result of a change in ownership. State net operating loss carryforwards are subject to limitations, which differ from federal law in that they may not allow the carryback of net operating losses, and have shorter carryforward periods. Due to the uncertainty with respect to the realization of these deferred tax assets, the Company recorded a valuation allowance for the entire amount. The difference between the tax benefit at the statutory rate and the effective tax rate is primarily attributable to a full valuation allowance placed upon the deferred tax asset.

The Company recognizes the effect of tax positions only when they are more likely than not to be sustained. The Company's management has determined that it had no uncertain tax positions that would require financial statement recognition or disclosure. The Company is no longer subject to U.S. federal, state or local income tax examinations for periods prior to 2013.

8. Stock Acquisition Rights, Stock Options and Warrants

The Company established the pdvWireless, Inc. 2014 Stock Plan (the "2014 Stock Plan") to attract, retain and reward individuals who contribute to the growth of the Company. This 2014 Stock Plan superseded previous stock plans. However, under such previous plans, 45,782 stock options remained outstanding, of which 45,540 stock options were vested as of December 31, 2016.

As of December 31, 2016, 2,538,234 shares of common stock were authorized and reserved for issuance under the 2014 Stock Plan. The number of shares authorized and reserved for issuance under the 2014 Stock plan increased on January 1, 2017 by 250,000 shares of common stock, as determined by the Board of Directors, for an aggregate of 2,788,234 shares authorized and reserved under the 2014 Stock Plan. The shares authorized and reserved for issuance under the 2014 Stock Plan will continue to increase each subsequent anniversary through January 1, 2024 by an amount equal to the lesser of 5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or a lesser amount determined by the Board of Directors.

Restricted Stock and Restricted Stock Units

A summary of non-vested Restricted Stock activity for the nine months ended December 31, 2016 is as follows:

	Restricted Stock	Weighted Average Grant Day Fair Value
Non-vested restricted stock at March 31, 2016	140,872	$ 26.47
Granted	34,198	20.75
Forfeited	(4,200)	(29.85)
Vested	(36,680)	(25.17)
Non-vested restricted stock at December 31, 2016	134,190	$ 25.26

The Company recognizes compensation expense for restricted stock on a straight line basis over the explicit vesting period. Vested restricted stock units are settled and issuable upon the earlier of the date the employee ceases to be an employee of the Company or a date certain in the future. Stock compensation expense related to restricted stock was approximately $428,000 and $1,156,000 for the three and nine months ended December 31, 2016. There was no stock compensation expense related to restricted stock for the three and nine months ended December 31, 2015. Stock compensation expense for restricted stock is accounted for in general and administrative expense in the Company's Consolidated Statement of Operations. At December 31, 2016, there was $2.8 million of unvested compensation expense related to the restricted stock, which is expected to be recognized over a weighted average period of 2.9 years.

Performance Stock Units

A summary of the Performance Stock Unit activity for the nine months ended December 31, 2016 is as follows:

	Performance Stock	Weighted Average Grant Day Fair Value
Performance units at March 31, 2016	37,295	$ 25.81
Granted	—	—
Forfeited	—	—
Vested	—	—
Performance units at December 31, 2016	37,295	$ 25.81

The performance stock units were awarded in January 2016 and represent the number of shares of the Company's common stock that the recipient would receive upon the Company's attainment of the applicable performance goals. The units will vest in full upon attainment of the performance goals. Performance is based upon achievement, prior to January 13, 2020, of (A) a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (B) the lack of objection by the Company's Board of Directors to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms, and technical and operational rules) set forth or referenced in the Final Order.

For the three and nine months ended December 31, 2016, there was no stock compensation expense recognized for the performance units. At December 31, 2016, there was approximately $963,000 of unvested compensation expense of the performance units.

Stock Options

A summary of Stock Option activity for the nine months ended December 31, 2016 is as follows:

	Options	Weighted Average Exercise Price
Options outstanding at March 31, 2016	1,693,200	$ 22.91
Granted during the period	60,750	24.70
Forfeited/Exercised during the period	(42,355)	(32.86)
Options outstanding at December 31, 2016	1,711,595	$ 22.73

The options to purchase shares of common stock awarded during the nine months ended December 31, 2016 have a ten-year contractual life and 25% will vest on the first anniversary of grant, and the remainder will vest in three equal annual installments thereafter. Shares granted to employees are subject to vesting, future settlement conditions and other such terms as determined by the Board of Directors.

Additional information regarding Stock Options outstanding at December 31, 2016 is as follows:

Exercise Prices			Number Outstanding	Weighted Average Remaining Life in Years		Weighted Average Exercise Price	Options Exercisable		Weighted Average Exercise Price of Shares Exercisable
$ 13.25	- $	20.00	1,153,243	7.17	$	19.74	615,126	$	19.48
20.01	-	46.23	476,500	8.54		25.64	158,937		25.47
46.24	-	72.85	81,852	8.26		47.89	21,289		47.95
			1,711,595	7.61	$	22.72	795,352	$	21.46

The Black-Scholes option model requires weighted average assumptions to be used for calculation of the Company's stock compensation expense. The assumptions used during the nine months ended December 31, 2016 were: the expected life of the awards was 5 years; the risk-free interest rate ranged from 1.07% to 1.29%; the expected volatility was 46.36%; and the expected dividend yield was 0.0%. There was a 2% forfeiture rate used for the calculation.

Performance Stock Options

A summary of the Performance Stock Options as of December 31, 2016 is as follows:

	Performance Options		**Weighted Average Exercise Price**
Performance options outstanding at March 31, 2016	50,000	$	25.81
Performance options granted	—		—
Performance options forfeited/expired	—		—
Performance options outstanding at December 31, 2016	50,000	$	25.81

During the year ended March 31, 2016, the Company awarded an executive officer an option to purchase 50,000 shares of common stock with an exercise price of $25.81 that vests immediately upon meeting certain performance conditions. These options have a ten-year contractual life. The performance stock options will vest in full upon attainment of the performance goals. Performance is based upon achievement, prior to January 13, 2020, of (A) a Final Order from the FCC providing for the creation and allocation of licenses for spectrum in the 900 MHz band consisting of paired blocks of contiguous spectrum, each containing at least 3 MHz of contiguous spectrum, authorized for broadband wireless communications uses and (B) the lack of objection by the Company's Board of Directors to the terms and conditions (including, but not limited to, the rebanding, clearing and relocation procedures, license assignment and award mechanisms, and technical and operational rules) set forth or referenced in the Final Order.

Stock compensation expense related to the amortization of the fair value of stock options issued was approximately $769,000 and $2,480,000 (net of forfeitures of $19,000 and $172,000) for the three and nine months ended December 31, 2016, respectively. For the three and nine months ended December 31, 2015, stock compensation expense was $1,132,000 and $3,588,000, respectively. There was no stock compensation expense related to the performance stock options issued for the three and nine months ended December 31, 2016 and 2015. Stock compensation expense is included as part of general and administrative expense in the accompanying Consolidated Statement of Operations. The weighted average fair value for the stock option awards granted during the nine months ended December 31, 2016 was $10.21. As of December 31, 2016, there was approximately $3.7 million of unrecognized compensation cost related to non-vested share options granted under the Company's stock option plans, of which $3.2 million pertains to the non-performance based stock options and $0.5 million pertains to the performance based stock options. The cost is expected to be recognized over a weighted-average period of 2.3 years.

Warrants

A summary of Warrant activity is as follows:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at March 31, 2016	6,039	$ 82.79
Expired	(6,039)	(82.79)
Warrants outstanding at December 31, 2016	—	$ -

The outstanding warrants were not exercised and expired in June 2016.

Motorola Investment

On September 15, 2014, Motorola invested $10.0 million to purchase 500,000 Class B Units of the Company's subsidiary, PDV Spectrum Holding Company, LLC (at a price equal to $20.00 per unit). The Company owns 100% of the Class A Units in this subsidiary. Motorola has the right at any time to convert its 500,000 Class B Units into 500,000 shares of the Company's common stock. The Company also has the right to force Motorola's conversion of these Class B Units into shares of its common stock on the occurrence of certain corporate events or at its election after September 15, 2016. Motorola is not entitled to any assets, profits or distributions from the operations of the subsidiary. In addition, Motorola's conversion ratio from Class B Units to shares of the Company's common stock is fixed on a one-for-one basis, and is not dependent on the performance or valuation of either the Company or the subsidiary. The Class B Units have no redemption or call provisions and can only be converted into shares of the Company's common stock. Management has determined that this investment does not meet the criteria for temporary equity or non-controlling interest due to the limited rights that Motorola has as a holder of Class B Units, and accordingly has presented this investment as part of its permanent equity within Additional Paid-in Capital in the accompanying consolidated financial statements.

9. Supplemental Disclosure of Cash Flow Information

The Company paid in cash $39,759 in taxes and did not make any payments for interest during the nine months ended December 31, 2016. The Company paid in cash $3,600 in taxes and did not make any payments for interest during the nine months ended December 31, 2015.

During the nine months ended December 31, 2016, the Company entered into a barter transaction with a third party whereby it acquired wireless licenses valued at approximately $307,000 consisting of approximately $269,000 related to use of the Company's network along with radios and $39,000 in cash (see Note 4). The Company capitalized Asset Retirement Obligations that amounted to $30,278 for the nine months ended December 31, 2016.

10. Commitments and Contingencies

Leasing Obligations

The Company is obligated under certain lease agreements for office space, which expire on various dates from January 7, 2019 through May 31, 2020. The Company entered into multiple lease agreements for tower space related to its DispatchPlus business. The lease expiration dates range from February 28, 2020 to June 30, 2026.

Rent expense amounted to approximately $496,000 and $1,405,000 for the three and nine months ended December 31, 2016, of which approximately $360,000 and $1,044,000 was classified as cost of revenue in the Consolidated Statements of Operations for the three and nine months ended December 31, 2016, respectively. The remainder of the rent expense of $136,000 and $361,000 was classified in operating expenses in the Consolidated Statements of Operations for the same periods, respectively. Total rent expense was approximately $183,000 and $405,000 for the three and nine months ended December 31, 2015, of which approximately $82,000 and $142,000, respectively, was classified as cost of revenue. The remainder of the rent expense $101,000 and $263,000, respectively, was classified as operating expenses in the Consolidated Statements of Operations for the same periods. At December 31, 2016, accumulated deferred rent payable amounted to approximately $955,000 and is included as part of other liabilities in the accompanying Consolidated Balance Sheet.

Aggregate rentals, under non-cancelable leases for office and tower space (exclusive of real estate taxes, utilities, maintenance and other costs borne by the Company) for the remaining terms of the leases are as follows:

Period Ending March 31,		
2017 (3 months)	$	378,142
2018		1,476,606
2019		1,839,972
2020		1,780,522
2021		1,312,874
After 2021		4,128,716
Total	$	10,916,832

Litigation

The Company is not involved in any material legal proceedings or other litigation matters at this time. However, from time to time, the Company may be involved in litigation that arises from the ordinary operations of the business, such as contractual or employment disputes or other general actions. In the event of an adverse outcome of these proceedings, the Company believes the resulting liabilities would not have a material adverse effect on its financial condition or results of operations.

11. Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable.

The Company places its cash and temporary cash investments with financial institutions for which credit loss is not anticipated.

The Company sells its current software applications product and extends credit predominately through two domestic third-party carriers. The Company maintains allowances for doubtful accounts based on factors surrounding the write-off history, historical trends, and other information.

12. Business Concentrations

For the three months ended December 31, 2016, the Company had two Tier 1 domestic carriers that accounted for approximately 40% and 8% of operating revenues, respectively. For the nine months ended December 31, 2016, these two Tier 1 carriers accounted for approximately 36% and 12% of operating revenues, respectively. The two Tier 1 carriers accounted for approximately 35% and 18% of operating revenues for the three months ended December 31, 2015 and 40% and 21% for the nine months ended December 31, 2015.

As of December 31, 2016 and March 31, 2016, the Company had two Tier 1 domestic carriers that accounted for approximately 59% and 13% and 49% and 32%, respectively, of accounts receivable.

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

This discussion and analysis of the financial condition and results of operations of pdvWireless, Inc. ("pdv," the "Company", "we", "us", or "our") should be read in conjunction with our financial statements and notes thereto included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended March 31, 2016, filed with the SEC on June 13, 2016. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those identified in "Item 1A—Risk Factors" in Part II of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. As a result, investors are urged not to place undue reliance on any forward-looking statements. Except to the limited extent required by applicable law, the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report.

Overview

We are a private wireless communications carrier and provider of mobile workforce communication and location based solutions focused on increasing the productivity of our customers' field-based workers and the efficiency of their dispatch and call center operations. We have launched and are operating push-to-talk ("PTT") networks in seven major markets within the United States. Our proprietary and industry-validated suite of mobile communications and workforce management applications improve team communication and field documentation across a wide array of industries, including transportation, distribution, construction, hospitality, waste management and field services. At the same time, we are independently pursuing a number of spectrum opportunities and initiatives, including but not limited to, a Federal Communications Commission ("FCC") regulatory process aimed at the realignment of our spectrum to be able in the future to deploy broadband technologies to enterprises. We maintain offices in Woodland Park, New Jersey, Reston, Virginia and San Diego, California. We also maintain a sales office in West Conshohocken, Pennsylvania.

We are currently operating wide-area, two-way radio networks that offer PTT communications services to primarily dispatch-centric, small and medium-sized businesses in seven major markets. In June 2015, we commercially launched our PTT service, which we market as DispatchPlus™, in the greater Houston, Texas metropolitan area. We commenced service in six additional major metropolitan markets during fiscal 2016, including: Dallas, Atlanta, Philadelphia, Chicago, the greater New York area and Baltimore/Washington. In addition, in a number of markets, we have deployed, or are in the process of deploying, additional sites to expand our coverage areas in these markets based on specific customer opportunities and/or our assessment of market opportunities.

We offer our DispatchPlus communications solutions, which combines pdvConnect™, our proprietary suite of mobile communication and workforce management applications, with state-of-the-art digital network architecture and mobile devices manufactured by Motorola Solutions, Inc. and its subsidiaries ("Motorola"). Developed for dispatch-centric businesses, pdvConnect is an easy to use and efficient mobile communication and workforce management solution that enables businesses to locate and communicate with their field workers and improve the documentation of work events and job status. Also built with the commercial dispatch user in mind, Motorola's digital network architecture allows us to provide highly reliable, instant and wide-area PTT communication solutions to our customers.

We expect that our DispatchPlus business will become our principal near term operating business. We primarily market our DispatchPlus service to customers indirectly through third-party dealers selected from Motorola's nationwide dealer network and other select wireless dealers. We support our indirect sales representatives by providing them with training, marketing and advertising support from our internal sales and marketing team. We are also implementing a number of sales initiatives, including lead generation programs and hiring additional sales resources. We believe this approach of utilizing existing wireless dealers to serve as our indirect sales representatives, coupled with our focused direct sales and marketing efforts and initiatives, will enable us to establish a presence in our markets and help to reduce the upfront costs of establishing a nationwide sales and distribution network. We normally enter into contracts directly with end users of our DispatchPlus communications solutions, including those introduced to us through our indirect dealer network.

To date, sales of our DispatchPlus service have been slower to ramp-up than our initial expectations for a number of reasons, including but not limited to, the performance of our indirect third-party sales representatives, longer initial sales cycle, and coverage gaps in certain markets due to delays in our deployment of planned sites or our need to add additional sites. We continue to develop and implement sales and marketing programs for our DispatchPlus service to drive revenue growth.

Progress in the growth of our sales funnel and positive customer feedback drive our optimism about future sales opportunities. Further, we are currently focusing our resources on the seven markets where we have commenced service.

That focus includes trialing and implementing a number of sales and marketing initiatives and strategies aimed at increasing sales of our DispatchPlus service and developing a predictable sales funnel and process. These initiatives include:

- Identifying and targeting high-value, small and medium-sized business customers that we believe will benefit from our DispatchPlus service;
- Focusing our advertising and marketing efforts on communicating the benefits of our services to business customers in our targeted market verticals;
- Developing and bringing to market innovative features that continue to differentiate us from other wireless communications service providers that provide PTT solutions;
- Providing additional incentive programs to our third-party sales representatives and prospects;
- Building and trialing a business development direct sales team in one of our seven markets and adding limited direct sales resources in the other markets;
- Developing a centralized business development and telesales team to increase flow of qualified leads and sales across all of our market areas; and
- Beginning to develop alternate sales channel strategies to identify new sources of sales and leads in our targeted market verticals.

We intend to continue to focus our efforts on the initial seven markets where we have commenced service until we determine which sales and marketing approaches produce the best results. We have continued, however, to prepare for the rollout of our DispatchPlus service in more than thirteen additional markets by completing initial network designs and in some markets pursuing site development efforts, including site selection and lease negotiation. We believe this approach will allow us to more quickly and effectively proceed with new market deployments when we determine it is best to do so. We also believe this approach will provide us with additional time and financial flexibility to refine our longer term strategies, including those related to our Joint Petition for Rulemaking with the FCC.

Concurrently with launching and operating our DispatchPlus business, we are independently pursuing initiatives to increase the efficiency and capacity of the spectrum licenses we hold including filing (together with the Enterprise Wireless Alliance) of a Joint Petition for Rulemaking with the FCC proposing a realignment of a portion of the 900 MHz spectrum from narrowband to broadband. In September 2016, an item was circulated with the Commissioners' offices at the FCC related to the Joint Petition. We are currently waiting for the FCC Commissioners to formally vote on and, if approved, then publicly file the item. The FCC's action may take a number of forms ranging from a Notice of Proposed Rulemaking, to a Notice of Inquiry, to a dismissal of the Joint Petition without further action. Although the FCC has not announced a decision on the Joint Petition, we currently believe that the most likely outcome is that the FCC will adopt a Notice of Inquiry as the next step in the process. A Notice of Inquiry is a vehicle for the FCC to gather additional information for the record. If the FCC elects to adopt a Notice of Inquiry, it could request additional information and input on the optimal use of the 900 MHz band generally. A Notice of Inquiry could also request information on the specific issues and proposed solutions raised by us and other commentators in the Joint Petition proceeding, as well as in other proceedings involving the 900 MHz spectrum that were initiated by third parties. The adoption of a Notice of Inquiry does not mean that the FCC has accepted or denied our Joint Petition, or that our Joint Petition will or will not ultimately result in a Notice of Proposed Rulemaking. We continue to believe in the merits of our proposal, and that our Joint Petition is consistent with the FCC's past practices and policies. Nevertheless, obtaining a favorable result from the FCC may take a significant amount of time and resources. Moreover, there is no assurance that the FCC will ultimately approve our Joint Petition or will conduct a rulemaking proceeding along the lines originally advocated by us.

In addition to this regulatory action, we are also pursuing a number of initiatives related to spectrum and wireless service opportunities, that are primarily oriented toward facilitating the future assembly of contiguous spectrum holdings and/or enabling potential future pursuit of additional business and customer opportunities. These additional initiatives include, but are not limited to:

- acquiring additional spectrum, or swapping licensed spectrum, to support our spectrum realignment proposal and the potential future deployment of broadband or other wireless services;
- working with incumbents in the 900 MHz band and other interested parties to demonstrate and/or provide relocation solutions and to generate support for the Joint Petition;
- developing a strategic plan for our potential future deployment of broadband or other wireless services in the 900 MHz band; and

- evaluating the existing technologies and equipment that can be used to support our spectrum initiatives and the additional future customer opportunities we identify.

Our continued operation of our existing PTT business, including any potential expansion of that business to additional market areas in the future, is separate from and not contingent on these initiatives. Although our current spectrum is well suited to our existing PTT business, and can be utilized to provide other narrowband and wideband wireless services, many of the future business opportunities that we are exploring and investigating will require appropriate contiguous spectrum. Based on our evaluation and testing of available technologies and equipment, we believe that success in achieving appropriate contiguous spectrum holdings is and will remain the most critical factor in determining whether we will be able to deploy and offer broadband or other wireless services in the future.

We have recently participated in the First Responder Network Authority ("FirstNet") bid process as another potential avenue to gain access to broadband spectrum. This opportunity involved government plans and a related process to provide use of spectrum and a substantial amount of funding for the build-out and operation of a dedicated Nationwide Public Safety Broadband Network ("NPSBN") that also may be used, on a non-priority, excess capacity basis, to meet the wireless service needs of commercial customers. However, on October 17, 2016, we received written notice from the Contracting Officer of the U.S. Department of the Interior that our proposal for the FirstNet NPSBN was no longer being considered for the award.

Prior to acquiring our 900 MHz spectrum, we were engaged in the development and sale of wireless communications applications, marketed primarily under the name pdvConnect. We continue to be engaged in these business activities and primarily offer these applications indirectly to the end users of two Tier 1 wireless communications carriers in the United States and, until July 2015, one international wireless communications carrier, under licensing agreements between these carriers and us. We also offer these applications directly to end users.

Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with US GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, our actual results could differ materially from those estimates. Further, to the extent that there are differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical performance, as these policies relate to the more significant areas involving our judgments and estimates.

Revenue Recognition. We recognize revenue in the period that persuasive evidence of an arrangement exists, delivery of the product has occurred or services have been rendered, we are able to determine the amount of revenue and when the collection of such amount is considered probable. In accordance with the guidance provided in Accounting Standards Codification ("ASC") Topic 605-45-45, Revenue Recognition – Principal Agent Considerations, we have determined that we are the primary obligor with respect to the service revenue derived from sales of our software applications through our Tier I domestic carrier partners. As a result, revenue is recorded at the gross amount billed to end-user customers for sales through these carrier partners. We recognized service revenue for our international carrier (which business relationship terminated in July 2015) on the net amount billed since we determined that we are not the primary obligor. We also sell service and applications directly to end-users, which are billed and collected directly by us.

In September 2014, Motorola paid us an upfront, fully-paid leasing fee of $7.5 million in order to lease a portion of our wireless spectrum licenses. The payment of the fee is accounted for as deferred revenue on our Consolidated Balance Sheets. We recognize leasing revenue in accordance with ASC Topic 840, Leases. The fee is amortized using the straight-line method over the lease term of approximately ten years, which represents the time period in which the benefits of the leased property are expected to be depleted.

We evaluate certain transactions for our DispatchPlus service offering to determine whether they should be viewed as a Multiple Element Arrangement as provided in ASC Topic 605-25. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the units of accounting. Multiple deliverable arrangements are presumed to be bundled transactions, and the total consideration is measured and allocated to the separate transactions based on their relative selling price with certain limitations. The relative selling price for each deliverable is determined using vendor-specific objective evidence ("VSOE") of selling price, or third-party evidence of such selling price if VSOE does not exist. If neither VSOE nor third party evidence of selling price exist, we use our best estimate of the selling price for the deliverable. We determined that the rental of user devices in connection with service contracts for our DispatchPlus service are multiple deliverable arrangements.

Stock compensation. For purposes of calculating stock-based compensation, we estimate the fair value of stock options using a Black-Scholes option-pricing model. The determination of the fair value of option-based compensation utilizing the Black-Scholes model is affected by a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The expected term and volatility is based on the historical volatility of our common stock along with comparable public companies within our industry since we have a short history regarding these variables. The risk-free interest rate assumption is based on the U.S. Treasury yield curve in effect at the time of the grant for periods corresponding with the expected life of the options. The dividend yield assumption is zero since we have never paid and do not anticipate paying any cash dividends in the foreseeable future.

The fair value of restricted stock and performance units are measured based on the quoted closing market price for the stock at the date of grant. The compensation cost for restricted stock is recognized on a straight-line basis over the vesting period. The compensation cost for the performance units is recognized when the performance criteria are complete.

We have not attributed tax benefits to the share-based compensation expense because we maintain a full valuation allowance for all net deferred tax assets.

Property and equipment. Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the applicable lease term. The carrying amount at the balance sheet date of long-lived assets under construction in process includes construction costs to date on capital projects that have not been completed, assets being constructed that are not ready to be placed in service, and assets that are not currently in service. These costs will be transferred to property and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. Depreciation commences upon completion.

Intangible Assets. Intangible assets are wireless licenses that will be used to provide the exclusive right to utilize designated radio frequency spectrum to provide wireless communication services. While licenses are issued for only a fixed time, generally ten years, such licenses are subject to renewal by the FCC. License renewals have occurred routinely and at nominal cost. There are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the Company's wireless licenses. As a result, the wireless licenses are treated as an indefinite-lived intangible asset. We evaluate the useful life determination for wireless licenses each year to determine whether events and circumstances continue to support an indefinite useful life.

The licenses are tested for impairment on an aggregate basis, since we will be utilizing the wireless licenses on an integrated basis as a part of developing our nationwide network. Before employing detailed impairment testing, we first evaluate the likelihood of impairment by considering relevant qualitative factors that may have a significant bearing on fair value. If we determine that it is more likely than not that the wireless licenses are impaired, we will apply a quantitative analysis including detailed testing methodologies. Otherwise, we will conclude that no impairment exists. In the event a quantitative analysis is required, we will consider estimates of valuation methods to perform the test of the fair values of the wireless licenses using, among other things, market based and discounted cash flow approaches.

Long-Lived Asset Impairment. We evaluate long-lived assets for impairment, other than intangible assets with indefinite lives, whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Asset groups are determined at the lowest level for which identifiable cash flows are largely independent of cash flows of other groups of assets and liabilities. When the carrying amount of a long-lived asset group is not recoverable and exceeds its fair value, an impairment loss is recognized equal to the excess of the asset group's carrying value over the estimated fair value.

Income taxes. We follow the liability method of accounting for income taxes. Under this method, taxes consist of taxes currently payable plus those deferred due to temporary differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities using tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Accounting for uncertainty in income taxes. We recognize the effect of tax positions only when they are more likely than not to be sustained. Our management has determined that we had no uncertain tax positions that would require financial statement recognition or disclosure. We are no longer subject to U.S. federal, state or local income tax examinations for periods prior to 2013.

JOBS Act. As an emerging growth company, or EGC, under the JOBS Act we are eligible for exemptions from various reporting requirements applicable to other public companies that are not EGCs, including, but not limited to:

- Not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- Reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- Exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As an EGC, we are also eligible to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Thus, we could delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Nevertheless, we have elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards no later than the relevant dates on which adoption of such standards is required for other public companies.

Results of Operations

Comparison of the three and nine months ended December 31, 2016 and 2015

The following table sets forth our results of operations for the three and nine months ended December 31, 2016 and 2015. The period-to-period comparison of financial results is not necessarily indicative of the financial results we will achieve in future periods.

	Three months ended December 31,		Nine months ended December 31,	
	2016	2015	2016	2015
Operating revenues				
Service revenue	$ 976,324	$ 652,918	$ 2,626,900	$ 1,923,599
Spectrum lease revenue	182,186	182,186	546,558	546,559
Other revenue	176,769	105,288	349,110	122,552
Total operating revenues	$ 1,335,279	$ 940,392	$ 3,522,568	$ 2,592,710
Cost of revenue				
Sales and service	1,831,847	906,291	5,090,569	1,772,050
Gross profit (loss)	(496,568)	34,101	(1,568,001)	820,660
Operating expenses				
General and administrative	4,846,755	3,843,378	18,069,321	12,154,625
Sales and support	1,420,673	1,118,630	3,856,658	2,815,312
Product development	539,182	341,129	1,734,026	982,226
Total operating expenses	6,806,610	5,303,137	23,660,005	15,952,163
Loss from operations	(7,303,178)	(5,269,036)	(25,228,006)	(15,131,503)
Interest expense	(1,364)	(932)	(4,091)	(932)
Interest income	25,110	26,151	73,168	77,664
Other income (expense)	(8,171)	—	(12,964)	1,250
Net loss	$ (7,287,603)	$ (5,243,817)	$ (25,171,893)	$ (15,053,521)
Net loss per common share basic and diluted	$ (0.51)	$ (0.36)	$ (1.75)	$ (1.07)
Weighted-average common shares used to compute basic and diluted net loss per share	14,396,212	14,375,441	14,385,002	14,084,506

Operating revenues. Overall operating revenues increased by $0.4 million, or 42%, to $1.3 million for the three months ended December 31, 2016 from $0.9 million for the three months ended December 31, 2015. Operating revenue increased $0.9 million, or 36%, for the nine months ended December 31, 2016 to $3.5 million from $2.6 million for the nine months ended December 31, 2015. The increases in the three and nine months ended December 31, 2016 are primarily attributable to the DispatchPlus business, which was launched in June 2015. The $0.3 and $0.7 million increase in service revenue for the three and nine months ended December 31, 2016, respectively, resulted primarily from the DispatchPlus business. Other revenue, which primarily consists of equipment sales and rentals for the DispatchPlus business, increased by approximately $0.1 million, or 68%, to $0.2 million during the three months ended December 31, 2016 compared to the three months ended December 31, 2015. For the nine months ended December 31, 2016, other revenue increased $0.2 million, or 185%, to $0.3 million from $0.1 million compared to the nine months ended December 31, 2015.

Cost of revenue. Cost of revenue for the three months ended December 31, 2016 increased by approximately $0.9 million, or 102%, to $1.8 million from $0.9 million for three months ended December 31, 2015. The increase for the three months resulted primarily from $1.0 million in costs to maintain our launched PTT networks for our DispatchPlus business. Cost of revenue for the nine months ended December 31, 2016 increased $3.3 million, or 187%, to $5.1 million from $1.8 million for the nine month period ended December 31, 2015. The increase resulted primarily from $2.9 million for costs related to maintaining our launched PTT networks and $0.2 million for increased headcount costs.

Gross profit (loss). Gross profit (loss) decreased by $0.5 million for the three months ended December 31, 2016 to ($0.5 million). For the nine months ended December 31, 2016, gross profit decreased by $2.4 million to ($1.6 million) from $0.8 million for the nine months ended December 31, 2015. The primary driver for the decline were the costs incurred to support our DispatchPlus business.

General and administrative expenses. General and administrative expenses for the three months ended December 31, 2016 increased by $1.0 million, or 26%, to $4.8 million from $3.8 million for three months ended December 31, 2015. For the nine months ended December 31, 2016, general and administrative expenses increased by $5.9 million, or 49%, to $18.1 million from $12.2 million for the nine months ended December 31, 2015. The increase in general and administrative expenses for the three months ended December 31, 2016 resulted primarily from $0.4 million increased headcount costs and $0.5 million for consulting services related to our spectrum initiatives. The increase for the nine months ended December 31, 2016 was driven by $5.1 million for consulting services related to our spectrum initiatives, including principally the FirstNet bid opportunity. Additionally, the increase resulted from $0.8 million for increased headcount costs.

Sales and support expenses. Sales and support expenses increased by $0.3 million, or 27%, to $1.4 million for three months ended December 31, 2016 from $1.1 million for the three months ended December 31, 2015. For the nine months ended December 31, 2016, sales and support expenses increased by $1.0 million, or 37%, to $3.8 million from $2.8 million for the nine months ended December 31, 2015. For the three and nine months ended December 31, 2016, the increases were due primarily to a $0.2 million and $0.5 million, respectively, for headcount and related costs and $0.1 million and $0.4 million, respectively, for indirect commissions provided to our third-party sales representatives to support our DispatchPlus business.

Product development expenses. Product development expenses increased by $0.2 million, or 58%, to $0.5 million for the three months ended December 31, 2016 from $0.3 million for the three months ended December 31, 2015. For the nine months ended December 31, 2016, product development expense increased by $0.7 million, or 77%, to $1.7 million from $1.0 million for the nine months ended December 31, 2015. The increases for both periods resulted primarily from an increase in headcount and the related costs.

Interest expense. Interest expense incurred for the three and nine months ended December 31, 2016 relates to our promissory note issued in October 2015 in connection with the acquisition of wireless licenses.

Liquidity and Capital Resources

At December 31, 2016, we had cash and cash equivalents of $131.0 million.

Our accounts receivable are heavily concentrated in two of our Tier 1 domestic carrier partners. As of December 31, 2016, our accounts receivable balance was approximately $869,000 of which approximately $517,000 was due from one third-party Tier 1 carrier and approximately $109,000 was due from another third-party Tier 1 carrier, or approximately 59% and 13%, respectively, of our outstanding accounts receivable balance.

Net cash used by operating activities. Net cash used in operating activities was $20.6 million for the nine months ended December 31, 2016, as compared to $14.7 million for the nine months ended December 31, 2015. The majority of net cash used by operating activities during the nine months ended December 31, 2016 resulted from the net loss of $25.2 million, which includes the costs incurred to support our DispatchPlus business, offset by stock-based compensation of $3.6 million and depreciation and amortization expense of $1.6 million. The net cash used in operating activities during the nine months ended December 31, 2015 was attributable to the net loss of $15.1 million, which included the costs incurred to support our DispatchPlus business, and a $3.0 million decrease in accounts payable and accrued expenses, partially offset by stock-based compensation of $3.6 million.

Net cash used by investing activities. Net cash used in investing activities was approximately $2.2 million for the nine months ended December 31, 2016, as compared to $9.3 million used for the nine months ended December 31, 2015. The net cash used during the nine months ended December 31, 2016 resulted from $0.5 million in wireless license acquisitions and $1.7 million for the continuing equipment purchases and construction costs related to the buildout of our network for our DispatchPlus business. The net cash used in investing activities used during the nine months ended December 31, 2015 resulted from $1.3 million in wireless license acquisitions and $7.9 million for the equipment and construction costs related to the buildout of our PTT networks for our DispatchPlus business.

Net cash from financing activities. For the nine months ended December 31, 2016, there was no cash provided by financing activities. The $64.8 million net cash provided from financing activities in the nine months ended December 31, 2015 resulted primarily from the net proceeds from our follow-on public offering in May 2015.

During the year ended March 31, 2016, we commenced service in seven major metropolitan market areas within the United States, including Houston, Dallas, Atlanta, Philadelphia, Chicago, the greater New York area and Baltimore/Washington.

We estimate that the initial capital cost to deploy our PTT networks in major metropolitan areas will range from $1.5 million to $2.0 million per market, which amount includes the cost of equipment, design and buildout of our PTT networks.

We intend to continue to focus our efforts on the initial seven markets where we have commenced service until we determine which sales and marketing approaches produce the best results. We have continued, however, to prepare for the rollout of our DispatchPlus service in more than thirteen additional markets by completing initial network designs and in some markets pursuing site development efforts, including site selection and lease negotiation. We believe this approach will allow us to more quickly and effectively proceed with new market deployments when we determine it is best to do so. We also believe this approach will provide us with additional time and financial flexibility to refine our longer-term strategies including those related to our Joint Petition for Rulemaking with the FCC.

Our future capital requirements will depend on many factors, including: the timing and amount of the revenues we generate from our DispatchPlus services and other product offerings; the timing and extent of expenditures to support the rollout of our PTT dispatch networks; the development of new service offerings; sales and marketing activities; the FCC regulatory process we are pursuing to realign a portion of the 900 MHz spectrum from narrowband to broadband and the other spectrum initiatives we elect to pursue. We incurred costs in pursuing the FirstNet bid opportunity and we believe all costs are accounted for within the nine months ended December 31, 2016. We believe our cash and cash equivalents on hand will be sufficient to satisfy our financial obligations through at least the next 12 months.

On November 3, 2016, we filed a shelf registration statement (the "Shelf Registration Statement") on Form S-3 with the SEC, which was declared effective by the SEC on November 16, 2016. The Shelf Registration Statement permits us to offer up to $100,000,000 of common stock, preferred stock, debt securities and warrants in one or more offerings and in any combination, including in units from time to time. Our Shelf Registration Statement is intended to provide us with additional flexibility to access capital markets for general corporate purposes, which may include working capital, capital expenditures, other corporate expenses and acquisitions of complementary products, technologies or businesses.

We cannot predict with certainty when, if ever, we will require additional capital to further fund our current business plan. Presently, we intend to cover our future operating expenses through cash on hand and from revenue derived primarily from our planned sales of our DispatchPlus services and product offerings. With the recent commercial launch of seven markets (as noted above), revenues from our DispatchPlus business have only recently begun to be realized, and we have not recognized significant amounts of revenue from this business through December 31, 2016. Nevertheless, we may experience greater than expected cash usage to support our operating activities and business plan and/or our revenues may be lower than, or take more time to develop, than we anticipate. See "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2016, filed with the SEC on June 13, 2016 for risks and uncertainties that could cause our operating costs to be more than we currently anticipate and/or our revenue and operating results to be lower than we currently anticipate. As a result, we cannot provide assurance that we will not require additional funding in the future to support our operations, including through the sale of securities pursuant to our Shelf Registration Statement. In addition, we continuously evaluate and may elect to acquire businesses, technologies or spectrum or license technologies, from third parties for or in connection with our spectrum initiatives. We may decide to pursue raising additional capital through debt or equity financing to the extent we believe this is necessary to successfully complete these acquisitions or license these technologies or pursue spectrum opportunities. However, we cannot be sure that additional financing will be available if and when needed, or that, if available, we can obtain financing on terms favorable to us and our stockholders. Any failure to obtain financing when required would have a material adverse effect on our business, operating results, financial condition and liquidity.

Off-balance sheet arrangements

As of December 31, 2016 and March 31, 2016, we did not have and do not have any relationships with unconsolidated entities or financial partnerships that were established for the purpose of facilitating off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our financial instruments consist of cash, cash equivalents, trade accounts receivable and accounts payable. We consider investments in highly liquid instruments purchased with original maturities of 90 days or less to be cash equivalents. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S.

interest rates. However, because of the short-term nature of the highly liquid instruments in our portfolio, a 10% change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operations.

Our operations are based in the United States and, accordingly, all of our transactions are denominated in U.S. dollars. We are currently not exposed to market risk from changes in foreign currency.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of the end of such period.

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any material legal proceedings.

Item 1A. Risk Factors.

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q as well as the risk factors disclosed in our Annual Report on Form 10-K for the year ended March 31, 2016, filed with the Securities and Exchange Commission on June 13, 2016. There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K. Any of the risks discussed in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

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

Use of Proceeds

On May 18, 2015, we completed a public offering of our common stock in which we raised net proceeds of approximately $64.8 million. We registered the shares of common stock issued in the offering on a Registration Statement on Form S-1 (File No. 333-203681), which the SEC declared effective on May 12, 2015. Through December 31, 2016, we have used approximately $12.5 million of the net proceeds from this offering. We did not complete any transaction in which we paid any of these proceeds, directly or indirectly, to our directors or officers, to any person owning 10% or more of any class of our equity securities, to any associate of any of the foregoing, or to any of our affiliates. There has been no material change in the expected uses of the net proceeds from the offering as described in our Registration Statement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

See Exhibit Index.

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 hereunto duly authorized.

pdvWireless, INC.

Date: February 7, 2017

/s/ John C. Pescatore
John C. Pescatore
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Timothy A. Gray
Timothy A. Gray
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1(1)	Amended and Restated Certificate of Incorporation of pdvWireless, Inc. (the “Company”).
3.2(2)	Certificate of Amendment No. 1 to Amended and Restated Certificate of Incorporation of the Company.
3.3(1)	Amended and Restated Bylaws of the Company.
4.1(1)	Form of Common Stock Certificate of the Company.
4.2(1)	Registration Rights Agreement, dated June 10, 2014, by and among the Company, certain of the Company’s executive officers named therein, and FBR Capital Markets & Co., on behalf of the investors participating in the June 2014 private placement.
4.3(1)	Amended and Restated Investor Rights Agreement, dated October 2010, by and among the Company and investors named therein.
4.4(1)	Amendment and Waiver of Rights under Amended and Restated Investor Rights Agreement, approved May 30, 2014, by and among the Company and the investors named therein.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15-d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15-d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 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

(1) Incorporated by reference to the Registrant’s Registration Statement on Form S-1 (File No. 333-201156), filed with the SEC on December 19, 2014.

(2) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File No. 001-36827), filed with the SEC on November 5, 2015.

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, John C. Pescatore, certify that:

1. I have reviewed this quarterly report on Form 10-Q of pdvWireless, Inc.;

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 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)) for the registrant and we 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 an annual 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 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 function):

   e) 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

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

Date: February 7, 2017

By: /s/ John C. Pescatore
John C. Pescatore

President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Timothy A. Gray, certify that:

1. I have reviewed this quarterly report on Form 10-Q of pdvWireless, Inc.;

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 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)) for the registrant and we 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;

   a) 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;

   b) 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

   c) 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 an annual 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 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 function):

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

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

Date: February 7, 2017

By: /s/ Timothy A. Gray
Timothy A. Gray

Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of pdvWireless, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John C. Pescatore, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2017

By: /s/ John C. Pescatore
John C. Pescatore

President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to pdvWireless, Inc. and will be retained by pdvWireless, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification that accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of pdvWireless, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of pdvWireless, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Timothy A. Gray, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2017

By: /s/ Timothy A. Gray
Timothy A. Gray

Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to pdvWireless, Inc. and will be retained by pdvWireless, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification that accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of pdvWireless, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.