TRILOGY INTERNATIONAL PARTNERS INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

GRANT THORNTON LLP
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Trilogy International Partners Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Trilogy International Partners Inc. (incorporated in British Columbia) and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive (loss) income, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in accounting principle

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for leases in 2020 due to the adoption of FASB Accounting Standards Codification (Topic 842), Leases.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Grant Thornton

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2007.

Seattle, Washington
March 24, 2021

TRILOGY INTERNATIONAL PARTNERS INC.
Consolidated Balance Sheets
(US dollars in thousands, except share amounts)

	Years Ended December 31, 2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 71,212	$ 76,729
Restricted cash	31,313	1,733
Short-term investments	9,987	-
Accounts receivable, net	55,445	60,881
Equipment Installment Plan (“EIP”) receivables, net	43,538	31,750
Inventory	14,612	19,477
Prepaid expenses and other current assets	28,833	24,210
Total current assets	254,940	214,780
Property and equipment, net	362,919	378,861
Operating lease right-of-use assets, net	155,996	-
License costs and other intangible assets, net	85,493	95,792
Goodwill	10,223	9,046
Long-term EIP receivables	37,252	35,760
Deferred income taxes	37,573	73,216
Other assets	44,635	31,172
Total assets	$ 989,031	$ 838,627
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 19,906	$ 28,500
Construction accounts payable	16,483	28,753
Current portion of debt and financing lease liabilities	21,001	32,428
Customer deposits and unearned revenue	27,386	20,237
Short-term operating lease liabilities	17,900	-
Other current liabilities and accrued expenses	116,433	123,612
Total current liabilities	219,109	233,530
Long-term debt and financing lease liabilities	630,755	528,738
Deferred gain	-	49,114
Deferred income taxes	7,966	9,737
Non-current operating lease liabilities	138,478	-
Other non-current liabilities	31,612	25,300
Total liabilities	1,027,920	846,419
Commitments and contingencies		
Shareholders' deficit:		
Common shares and additional paid-in capital; no par value, unlimited authorized, 59,126,613 and 58,451,931 shares issued and outstanding	5,978	3,439
Accumulated deficit	(97,369)	(71,134)
Accumulated other comprehensive income	9,936	4,415
Total Trilogy International Partners Inc. shareholders' deficit	(81,455)	(63,280)
Noncontrolling interests	42,566	55,488
Total shareholders' deficit	(38,889)	(7,792)
Total liabilities and shareholders' deficit	$ 989,031	$ 838,627

On behalf of the Board:

/s/ Alan Horn	/s/ Mark Kroloff	/s/ Nadir Mohamed
Alan Horn Director	Mark Kroloff Director	Nadir Mohamed Director

The accompanying notes are an integral part of these Consolidated Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
Consolidated Statements of Operations and Comprehensive (Loss) Income
(US dollars in thousands, except share and per share amounts)

	Years Ended December 31,		
	2020	**2019**	**2018**
Revenues			
Wireless service revenues	$ 411,450	$ 457,192	$ 500,327
Wireline service revenues	83,545	69,317	61,804
Equipment sales	106,259	157,506	221,610
Non-subscriber international long distance and other revenues	9,045	9,912	14,434
Total revenues	610,299	693,927	798,175
Operating expenses			
Cost of service, exclusive of depreciation, amortization and accretion shown separately	202,886	197,216	202,341
Cost of equipment sales	115,804	164,543	233,781
Sales and marketing	80,301	83,142	100,623
General and administrative	112,280	121,692	126,610
Depreciation, amortization and accretion	106,971	109,845	111,889
(Gain) loss on disposal of assets and sale-leaseback transaction	(2,525)	(11,169)	1,346
Total operating expenses	615,717	665,269	776,590
Operating (loss) income	(5,418)	28,658	21,585
Other (expenses) income			
Interest expense	(46,517)	(45,988)	(45,913)
Change in fair value of warrant liability	(49)	1	6,361
Debt modification and extinguishment costs	-	-	(4,192)
Other, net	(4,611)	555	(4,682)
Total other expenses, net	(51,177)	(45,432)	(48,426)
Loss before income taxes	(56,595)	(16,774)	(26,841)
Income tax (expense) benefit	(23,092)	40,796	(4,889)
Net (loss) income	(79,687)	24,022	(31,730)
Less: Net loss (income) attributable to noncontrolling interests	31,900	(21,144)	11,525
Net (loss) income attributable to Trilogy International Partners Inc.	$ (47,787)	$ 2,878	$ (20,205)
Comprehensive (loss) income			
Net (loss) income	$ (79,687)	$ 24,022	$ (31,730)
Other comprehensive income (loss):			
Foreign currency translation adjustments	10,787	1,954	(6,335)
Net gain (loss) on short-term investments	2	1	(3)
Other comprehensive income (loss)	10,789	1,955	(6,338)
Comprehensive (loss) income	(68,898)	25,977	(38,068)
Comprehensive loss (income) attributable to noncontrolling interests	26,626	(22,112)	14,957
Comprehensive (loss) income attributable to Trilogy International Partners Inc.	$ (42,272)	$ 3,865	$ (23,111)
Net (loss) income attributable to Trilogy International Partners Inc. per share:			
Basic (see Note 14 - Earnings per Share)	$ (0.83)	$ 0.05	$ (0.38)
Diluted (see Note 14 - Earnings per Share)	$ (0.83)	$ 0.05	$ (0.39)
Weighted average common shares:			
Basic	57,671,818	56,629,405	53,678,914
Diluted	57,671,818	56,787,345	82,193,501

The accompanying notes are an integral part of these Consolidated Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
Consolidated Statement of Shareholders' Equity (Deficit)
(US dollars in thousands, except shares)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total shareholders' equity (deficit)
	Shares	Amount					
Balance, December 31, 2017	53,815,631	$ -	$ -	$ (53,259)	$ 6,059	$ 53,390	$ 6,190
Dividends declared and paid	34,734	-	115	(851)	-	(6,837)	(7,573)
Equity-based compensation	-	-	3,350	-	-	2,635	5,985
Net loss	-	-	-	(20,205)	-	(11,525)	(31,730)
Other comprehensive loss	-	-	-	-	(2,906)	(3,432)	(6,338)
Redemption of Class C Units, issuance of shares related to RSUs and other	3,863,471	-	(3,179)	(994)	275	3,748	(150)
Balance, December 31, 2018	57,713,836	-	286	(75,309)	3,428	37,979	(33,616)
Cumulative effect of accounting changes	-	-	-	2,158	-	2,227	4,385
Dividends declared and paid	72,557	-	109	(861)	-	(7,685)	(8,437)
Equity-based compensation	-	-	3,475	-	-	567	4,042
Net income	-	-	-	2,878	-	21,144	24,022
Other comprehensive income	-	-	-	-	987	968	1,955
Issuance of shares related to RSUs, redemption of Class C Units and other	665,538	-	(431)	-	-	288	(143)
Balance, December 31, 2019	58,451,931	-	3,439	(71,134)	4,415	55,488	(7,792)
Cumulative effect of accounting changes	-	-	-	21,552	-	23,897	45,449
Dividends declared and paid	-	-	-	-	-	(11,680)	(11,680)
Equity-based compensation	-	-	3,337	-	-	2,300	5,637
Net loss	-	-	-	(47,787)	-	(31,900)	(79,687)
Other comprehensive income	-	-	-	-	5,515	5,274	10,789
Issuance of shares related to RSUs and other	674,682	-	(798)	-	6	(813)	(1,605)
Balance, December 31, 2020	59,126,613	$ -	$ 5,978	$ (97,369)	$ 9,936	$ 42,566	$ (38,889)

TRILOGY INTERNATIONAL PARTNERS INC.
Consolidated Statements of Cash Flows
(US dollars in thousands)

	Years Ended December 31,		
	2020	2019	2018
Operating activities:			
Net (loss) income	$ (79,687)	$ 24,022	$ (31,730)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Provision for doubtful accounts	13,895	11,811	12,790
Depreciation, amortization and accretion	106,971	109,845	111,889
Equity-based compensation	5,637	4,041	5,856
(Gain) loss on disposal of assets and sale-leaseback transaction	(2,525)	(11,169)	1,346
Non-cash right-of-use asset lease expense	18,699	-	-
Non-cash interest expense, net	4,189	2,877	3,257
Settlement of cash flow hedges	(1,582)	(1,064)	(1,371)
Change in fair value of warrant liability	49	(1)	(6,361)
Debt modification and extinguishment costs	-	-	4,192
Non-cash loss from change in fair value on cash flow hedges	2,531	1,538	1,362
Unrealized loss on foreign exchange transactions	359	1,223	1,404
Deferred income taxes	15,293	(64,652)	(2,612)
Changes in operating assets and liabilities:			
Accounts receivable	(4,716)	1,262	(10,292)
EIP receivables	(10,489)	(24,797)	(14,687)
Inventory	5,524	26,909	(25,783)
Prepaid expenses and other current assets	(4,776)	(5,268)	2,400
Other assets	(2,011)	(4,529)	(4,339)
Accounts payable	(8,942)	(8,133)	3,857
Operating lease liabilities	(16,784)	-	-
Other current liabilities and accrued expenses	(5,829)	(19,468)	26,564
Customer deposits and unearned revenue	5,070	1,224	(3,140)
Net cash provided by operating activities	40,876	45,671	74,602
Investing activities:			
Purchase of property and equipment	(77,331)	(85,212)	(82,924)
Purchase of short-term investments	(9,986)	-	(10,935)
Proceeds from sale-leaseback transaction	5,814	70,586	-
Purchase of spectrum licenses and other additions to license costs	-	(30,693)	(714)
Maturities and sales of short-term investments	-	1,987	33,157
Other, net	(4,870)	(2,934)	(290)
Net cash used in investing activities	(86,373)	(46,266)	(61,706)
Financing activities:			
Proceeds from debt	346,656	214,471	343,723
Payments of debt, including sale-leaseback and EIP receivables financing obligations	(275,075)	(201,480)	(338,769)
Proceeds from sale-leaseback financing obligation	-	18,945	-
Proceeds from EIP receivables financing obligation	12,558	17,452	-
Dividends to shareholders and noncontrolling interests	(11,680)	(8,437)	(7,573)
Payments of financed license obligation	-	(6,390)	(6,233)
Debt issuance, modification and extinguishment costs	(4,429)	(447)	(6,892)
Other, net	(220)	(143)	(150)
Net cash provided by (used in) financing activities	67,810	33,971	(15,894)
Net increase (decrease) in cash, cash equivalents and restricted cash	22,313	33,376	(2,998)
Cash, cash equivalents and restricted cash, beginning of period	78,462	44,456	47,778
Effect of exchange rate changes	1,750	630	(324)
Cash, cash equivalents and restricted cash, end of period	$ 102,525	$ 78,462	$ 44,456

The accompanying notes are an integral part of these Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

On February 7, 2017, Trilogy International Partners LLC ("Trilogy LLC"), a Washington limited liability company, and Alignvest Acquisition Corporation completed a court approved plan of arrangement (the "Arrangement") pursuant to an arrangement agreement dated November 1, 2016 (as amended December 20, 2016, the "Arrangement Agreement"). As a result of the Arrangement, Trilogy International Partners Inc. ("TIP Inc." and together with its consolidated subsidiaries, the "Company"), through a wholly owned subsidiary, obtained a controlling interest in and thus consolidates Trilogy LLC.

The Company has two reportable segments, New Zealand and Bolivia. Through subsidiaries, Trilogy LLC provides wireless voice and data communications in these two countries including local, international long distance ("ILD") and roaming services, for both customers and international visitors roaming on its networks. These services are provided under Global System for Mobile Communications ("GSM" or "2G") (in Bolivia only), Universal Mobile Telecommunication Service, a GSM-based third generation mobile service for mobile communications networks ("3G"), and Long Term Evolution ("LTE"), a widely deployed fourth generation service ("4G"), technologies. Trilogy LLC's New Zealand subsidiary also provides fixed broadband communications to residential and enterprise customers. Unallocated corporate operating expenses, which pertain primarily to corporate administrative functions that support the segments, but are not specifically attributable to or managed by any segment, are presented as a reconciling item between total segment results and consolidated financial results. Additional details on our reportable segments are included in Note 18 – Segment Information. Below is a brief summary of each of the Company's operations:

New Zealand:
Two Degrees Mobile Limited ("2degrees") was formed under the laws of New Zealand on February 15, 2001. 2degrees holds spectrum licenses to provide nationwide wireless communication services. 2degrees launched commercial operations in 2009 as the third operator in New Zealand. 2degrees provides voice, data and long distance services to its customers over 3G and 4G networks. 2degrees maintains inbound visitor roaming and international outbound roaming agreements with various international carriers. 2degrees offers its mobile communications services through both prepaid and postpaid payment plans. Commencing in 2015, 2degrees also began offering fixed broadband communications services to residential and enterprise customers.

As of December 31, 2020, through its consolidated subsidiaries, Trilogy LLC's ownership interest in 2degrees was 73.2%.

Bolivia:
Empresa de Telecomunicaciones NuevaTel (PCS de Bolivia), S.A. ("NuevaTel") was formed under the laws of Bolivia in November, 1999 to engage in Personal Communication Systems ("PCS") operations. NuevaTel was awarded its first PCS license in 1999 and commenced commercial service in November 2000 under the brand name Viva. NuevaTel operates a GSM network along with 3G and 4G networks. These networks provide voice and data services, including high-speed Internet, messaging services and application and content downloads. NuevaTel offers its services through both prepaid and postpaid payment plans, although the majority of NuevaTel's subscribers pay on a prepaid basis. In addition to mobile voice and data services, NuevaTel offers fixed LTE wireless services and public telephony services. NuevaTel's public telephony service utilizes wireless pay telephones located in stores and call centers that are owned and managed by NuevaTel resellers.

As of December 31, 2020, through its consolidated subsidiaries, Trilogy LLC's ownership interest in NuevaTel was 71.5%.

Impact of COVID-19 on our Business:
In December 2019, a strain of coronavirus, now known as COVID-19, surfaced in China, spreading rapidly throughout the world in the following months. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. Shortly following this declaration and after observing COVID-19 infections in their countries, the governments of New Zealand and Bolivia imposed quarantine policies with isolation requirements and movement restrictions.

During 2020 and through the filing date of these Consolidated Financial Statements, the business and operations of both 2degrees and NuevaTel have been affected by the pandemic. The impact to date has varied with differing effects on financial and business results for our operating subsidiaries in New Zealand and Bolivia. Given the ongoing and changing developments related to the pandemic, the full extent of future effects on the Company's businesses and financial results cannot be reasonably estimated.

In New Zealand, the government's swift and significant response in March and April 2020 had an immediate impact on customer acquisition and revenues. In an effort to mitigate the economic impact of the pandemic, 2degrees announced in April 2020 that it would undertake several cost reduction measures. These measures included deferrals of non-critical expenditures as well as a reduction in 2degrees' workforce. As movement restrictions within New Zealand were lifted, financial results, including revenues and Segment Adjusted EBITDA (as defined in Note 18 – Segment Information), began to improve sequentially in the latter part of the second quarter and continued to improve through the remainder of 2020 as compared to the first months of the pandemic. In August, however, new community transmission cases of COVID-19 were identified and the country reinstated certain restrictions, with more stringent levels applied to the city of Auckland, where these cases were identified. The restrictions lasted, to varying degrees across the country, through mid-October. Although the financial impact related to these restrictions was not significant, subscriber acquisition was adversely affected. There continues to be uncertainty for 2degrees regarding the future effect of COVID-19 on the New Zealand economy and related responses by the government, regulators and customers. More specifically, 2degrees faces a risk of increased bad debt expense and continued suppression of roaming revenues as international travel is restricted although to date we have not yet observed a significant increase in bad debt expense in New Zealand.

In Bolivia, the consequences of COVID-19 and related societal restrictions have been more pronounced, and the impact of the pandemic on the financial results of NuevaTel has been more significant than in New Zealand to date. Over the course of 2020 as compared to the periods before the pandemic, NuevaTel experienced a reduction in key financial metrics including revenues, Segment Adjusted EBITDA and subscribers as a result of societal and movement restrictions which significantly affected customer behavior. In April 2020, the Bolivian government imposed service requirements and collections restrictions on local telecommunications companies which effectively provided a payment holiday for certain of NuevaTel's customers. In June 2020, the Bolivian government permitted providers to migrate delinquent customers to a free plan (referred to as the "Lifeline plan") with only very basic services. Customers were not invoiced for services provided under the Lifeline plan, and revenue was not recognized during this period of service. The migration of delinquent customers to Lifeline plans resulted in an improvement in collections, as many of these customers paid past due amounts in order to reestablish their previous level of service. The government has also clarified that providers may not offer service to new subscribers who have outstanding bills with other providers. Effective September 1, 2020, the Bolivian government lifted certain restrictions and mandates, including discontinuing the Lifeline plan.

Throughout 2020 and continuing into early 2021, societal and movement restrictions in Bolivia have resulted in economic uncertainty and it is unclear when customer behavior in Bolivia will return to historic norms, creating a risk of a continuing adverse impact on the timing and amount of cash collections, bad debt expense and revenue trends. Due to the wide-ranging economic effect of COVID-19 in Bolivia, NuevaTel generated substantial net losses through the year ended December 31, 2020. These net losses impacted our near-term expectation regarding the ability to generate taxable income in Bolivia and thereby utilize NuevaTel's deferred tax assets, certain of which have a relatively short duration of use. Consequently, during the third quarter of 2020, management changed its assessment with respect to the ability to realize NuevaTel's net deferred tax assets, concluding that they are no longer more likely than not to be realized. On the basis of this evaluation, management recorded a full valuation allowance against NuevaTel's beginning of year net deferred tax asset balance of $11.4 million. Additionally, management did not record the benefit associated with NuevaTel's net deferred tax assets of $8.4 million that originated during the year ended December 31, 2020. Management will continue to assess the need for a valuation allowance in future periods.

As it relates to NuevaTel's long-lived assets, including property and equipment and license costs and other intangible assets, the impact of the pandemic to date has been relatively brief as compared to the related asset lives and thus has not resulted in events or changes in circumstances that indicate asset carrying values may not be recoverable as of December 31, 2020. The recoverability of these long-lived assets is based on expected cash flows over the life of the assets as opposed to the ability to generate net income or taxable income in the near term. However, an ongoing or sustained impact on NuevaTel's financial performance could cause management to change its expectation with respect to NuevaTel's ability to generate long-term cash flows and thus trigger a review of long-lived assets for impairment. Specifically, if NuevaTel's business does not experience an improvement in key financial metrics, including revenue growth, subscriber stability and increased Segment Adjusted EBITDA during fiscal year 2021, the expectation of recoverability of long-lived assets could change. Further, we note that while financial metrics have been significantly impacted by the pandemic, demand for telecommunication services and the importance of connectivity for the communities we serve have never been more critical. Management will continue to monitor financial and operational metrics and evaluate whether facts and circumstances have changed and testing of assets for impairment is required. The balances of NuevaTel's long-lived assets subject to recoverability consideration are material.

NuevaTel has been able to maintain sufficient liquidity in part due to cash management efforts throughout the year, resulting in $33.9 million of cash at NuevaTel as of December 31, 2020. As an additional measure to preserve liquidity and support the ability to generate future cash flows, NuevaTel implemented workforce reductions in October and November 2020. Separation costs associated with the reduction in workforce were not material. Should the impact of the pandemic be sustained or longer term in nature, the Company may need to implement additional initiatives to ensure sufficient liquidity at NuevaTel.

(US dollars in thousands unless otherwise noted)

Basis of Presentation and Principles of Consolidation

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company consolidates majority-owned subsidiaries over which it exercises control, as well as variable interest entities ("VIEs") where it is deemed to be the primary beneficiary and thus VIEs are required to be consolidated in our financial statements. All significant intercompany transactions and accounts have been eliminated in consolidation for all periods presented.

Certain amounts in the prior period Consolidated Balance Sheet and Consolidated Statements of Cash Flows related to restricted cash have been reclassified to conform to the current presentation.

Significant Accounting Policies

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the amounts of revenues and expenses reported for the periods presented. Certain estimates require difficult, subjective or complex judgments about matters that are inherently uncertain. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for doubtful accounts, the useful lives of property and equipment, amortization periods for intangible assets, fair value of financial instruments and equity-based compensation, imputed discount on equipment installment receivables, cost estimates for asset retirement obligations, realizability of deferred income taxes, fair value measurements related to goodwill, spectrum licenses and intangibles, projections used in impairment analysis, evaluation of minimum operating lease terms and the period for recognizing prepaid and postpaid revenues based on breakage.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less at the acquisition date or with a variable rate which can be liquidated on demand. The balance of cash and cash equivalents held by our consolidated subsidiaries was $64.5 million and $67.8 million as of December 31, 2020 and 2019, respectively. Of these balances, $30.2 million and $16.4 million was held by 2degrees and $33.9 million and $51.3 million was held by NuevaTel, as of December 31, 2020 and 2019, respectively.

The Company classifies cash as restricted when the cash is unavailable for use in general operations. The Company had $31.3 million and $1.7 million of restricted cash as of December 31, 2020 and 2019, respectively. The restricted cash balances held by the Company consisted primarily of cash balances restricted under the terms of debt agreements, restricted to offset current installments of debt or restricted as collateral for performance obligations under certain contracts with suppliers.

Balance sheet information related to cash, cash equivalents and restricted cash as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Cash and cash equivalents	$ 71,212	$ 76,729
Restricted cash	31,313	1,733
Total cash, cash equivalents and restricted cash	$ 102,525	$ 78,462

Short-term Investments:

The Company's short-term investments, consisting primarily of U.S. Treasury securities and commercial paper with original maturities of more than three months from the date of purchase, are considered available-for-sale ("AFS") and reported at fair value. The net unrealized gains and losses on AFS investments are reported as a component of Other comprehensive income or loss. Realized gains and losses on AFS investments are determined using the specific identification method and included in

Other, net. Gross unrealized holding gains (losses) were insignificant for the years ended December 31, 2020 and 2018. There were no short-term investments in the year ended December 31, 2019.

Accounts Receivable, net:

Accounts receivable consist primarily of amounts billed and due from customers, other wireless service providers, and dealers and are generally unsecured. Local interconnection and telecom cooperative receivables due from other wireless service providers represented $10.7 million and $17.4 million of Accounts receivable, net at December 31, 2020 and 2019, respectively. Interconnection receivables and payables are reported on a gross basis in the Consolidated Balance Sheets and in the Consolidated Statements of Cash Flows as there is no legal right to offset these amounts, consistent with the presentation of related interconnection revenues and expenses in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Management makes estimates of the uncollectability of its accounts receivable. In determining the adequacy of the allowance for doubtful accounts, management analyzes historical experience and current collection trends, known troubled accounts, receivable aging and current economic trends. The Company writes off account balances against the allowance for doubtful billed accounts when collection efforts are unsuccessful. Provisions for uncollectible receivables are included in General and administrative expenses. The allowance for doubtful accounts was $8.8 million and $5.3 million as of December 31, 2020 and 2019, respectively.

EIP Receivables:

In New Zealand, 2degrees offers certain wireless customers the option to pay for their handsets in installments over a period of up to 36 months using an EIP. In Bolivia, in 2018, NuevaTel began offering, to certain wireless subscribers, the option to pay for their handsets in installments over a period of 18 months using an EIP. The amounts recorded as EIP receivables at the end of each period represent EIP receivables for which invoices were not yet generated for the customer ("unbilled"). Invoiced EIP receivables are recorded in the Accounts receivable, net balance, consistent with other outstanding customer trade receivables. In New Zealand, 2degrees initially assesses the credit quality of each EIP applicant. Based on subscribers' credit quality, subscribers may be denied an EIP option or be required to participate in a risk mitigation program which includes paying a deposit and allowing for automatic payments. In Bolivia, NuevaTel offers installment plans only to subscribers with a low expected delinquency risk based on the Company's credit analysis and the customer's income level. All of the Company's EIP customers are required to make a down payment for a handset. The current portion of EIP receivables is included in Equipment installment plan receivables, net and the long-term portion of EIP receivables is included in Long-term equipment installment plan receivables in our Consolidated Balance Sheets.

At the time of sale of handsets under installment plans, we impute risk adjusted interest on certain receivables associated with EIPs. We record any deferral of this imputed discount as a reduction in EIP receivables, net in our Consolidated Balance Sheets and amortize the deferred amount over the financed device payment term in Non-subscriber international long distance and other revenues in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

The Company establishes an allowance for EIP receivables to cover probable and reasonably estimated losses. The estimate of allowance for doubtful accounts considers a number of factors, including collection experience, receivable aging, customer credit quality and other qualitative factors including macro-economic factors. The Company monitors the EIP receivable balances and writes off account balances if collection efforts are unsuccessful and future collection is unlikely. See Note 4 – EIP Receivables for additional information as it relates to the allowance for doubtful accounts specifically attributable to EIP receivables.

In August 2019, 2degrees entered into an EIP receivables secured borrowing arrangement with an intermediary purchasing entity (the "Purchaser") and financial institutions that lend capital to the Purchaser. The transfer of receivables through this arrangement does not qualify as a sale of financial assets under GAAP and as such is recorded as a secured borrowing. Upon transfer to the Purchaser, the Company does not derecognize the receivables or related allowance for doubtful accounts and unamortized imputed discount. The above summary of EIP receivables accounting policy remains applicable for unbilled EIP receivables sold through this arrangement. For further information, see Note 4 – EIP Receivables.

Inventories:

Inventory consists primarily of wireless devices and accessories. Cost is determined by the first-in, first-out ("FIFO") method and the weighted average cost method, which has historically approximated the FIFO method. Subsequent measurement of inventory is determined using the cost and net realizable value test. Net realizable value is determined using the estimated selling price in the ordinary course of business. The Company records inventory write-downs to net realizable value for obsolete and slow-moving items based on inventory turnover trends and historical experience.

Handset costs in excess of the revenues generated from handset sales, or handset subsidies, are expensed at the time of sale. The Company does not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is made at the point of sale and/or because the Company expects to recover the handset subsidies through service revenues.

For certain inventories held by a third-party distribution and logistics company located in New Zealand, the Company records inventories in our Consolidated Balance Sheets, with a corresponding increase to Other current liabilities and accrued expenses. The third-party distribution and logistics company purchases the inventory from various equipment manufacturers on behalf of and at the direction of 2degrees, with 2degrees specifying the purchase price, timing of purchase, and type and quantity of handsets. Therefore, the Company records the inventory once risk of loss is assumed in connection with the transfer from the manufacturers to the third-party distribution and logistics company.

Property and Equipment:

Property and equipment is recorded at cost or fair value for assets acquired as part of business combinations, and depreciation is calculated on a straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally as follows: (i) buildings 40 years; (ii) wireless communications systems range from 2 to 20 years; and (iii) furniture, equipment, vehicles and software range from 2 to 17 years. Leasehold improvements are recorded at cost and depreciated over the lesser of the term of the lease or the estimated useful life. Costs of additions and major replacements and improvements are capitalized. Repair and maintenance expenditures which do not enhance the asset's functionality or extend the asset's useful life are charged to operating expenses as incurred. Construction costs, labor and overhead incurred in the expansion or enhancement of the Company's networks are capitalized. Capitalization commences with pre-construction period administrative and technical activities, which may include obtaining leases, zoning approvals and building permits, and ceases when the asset is ready for its intended use and placed in service. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the balance sheet accounts and any gain or loss is recognized. Assets under construction are not depreciated until placed in service.

Interest expense incurred during the construction phase of the Company's wireless networks is capitalized as part of property and equipment until assets are placed into service. Capitalized interest costs are amortized over the estimated useful lives of the related assets. Capitalized interest for the years ended December 31, 2020, 2019 and 2018 was \$0.8 million, \$1.1 million and \$1.2 million, respectively.

The Company capitalizes certain costs incurred in connection with developing or acquiring internal use software. Capitalization of software costs commences once selection of a specific software project has been made and the Company approves and commits to funding the project. Capitalized costs include direct development costs associated with internal use software, including internal direct labor costs and external costs of materials and services. Capitalized software costs are included in Property and equipment, net and amortized on a straight-line basis over the estimated useful life of the asset. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

The Company records an asset retirement obligation ("ARO") for the fair value of obligations associated with the retirement of tangible long-lived assets and records a corresponding increase in the carrying amount of the related asset in the period in which the obligation is incurred. These obligations primarily pertain to the Company's obligations related to network infrastructure, principally tower and related assets, and include obligations to remediate leased land on which the Company's network infrastructure assets are located. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, any difference between the recorded ARO liability and the actual retirement costs incurred is recognized as an operating gain or loss in the Consolidated Statement of Operations and Comprehensive (Loss) Income.

The significant assumptions used in estimating the ARO include the following: a probability that the Company's leases with ARO will be remediated at the lessor's directive; expected settlement dates that coincide with lease expiration dates plus estimated lease extensions; remediation costs that are indicative of what third-party vendors would charge the Company to remediate the sites; expected inflation rates that are consistent with historical inflation rates; and credit-adjusted risk-free interest rates which approximate the Company's incremental borrowing rates.

License Costs and Other Intangible Assets:

Intangible assets consist primarily of wireless spectrum licenses in foreign markets, tradenames and subscriber relationships. License costs primarily represent costs incurred to acquire wireless spectrum licenses in foreign markets, which are recorded at cost, and the value attributed to wireless spectrum licenses acquired in business combinations. Amortization begins with the commencement of service to customers. The license costs are amortized using the straight-line method over 7 to 20 years, corresponding to the expiration dates of the licenses as issued by the regulators. Licenses, subject to certain conditions, are usually renewable and are generally non-exclusive. However, management generally does not consider renewal periods when determining the useful life of a license since there is no certainty that a license will be renewed without significant cost (or at no cost).

Subscriber relationships were acquired as part of the acquisition in New Zealand of our fixed broadband communications services provider, Snap Limited, in 2015 and relate to established relationships with residential and enterprise customers through contracts for fixed broadband services. Subscriber relationships are amortized over the estimated useful life of 7 years using an accelerated method, which management believes best reflects the estimated pattern in which the economic benefits of the assets will be consumed.

Impairment of Long-Lived Assets:

The Company evaluates its long-lived assets, including intangible assets subject to amortization, 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 fully 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. We determine fair value by using a combination of comparable market values, estimated future discounted cash flows and appraisals, as appropriate. There were no events or changes in circumstances that indicated impairment would be recorded for long-lived assets for the fiscal years ended December 31, 2020, 2019 and 2018. For further information, see "Impact of COVID-19 on our Business" above.

Goodwill:

Goodwill is the excess of the cost of an acquisition of businesses over the fair value of the net identifiable assets acquired as of the acquisition date. The Company reviews goodwill for potential impairment annually as of November 30 and also during interim periods if events or changes in circumstances indicate the occurrence of a triggering event.

When assessing goodwill for impairment, we may elect to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. If we do not perform this qualitative assessment, or if the qualitative assessment indicates it is more likely than not that the fair value of the single reporting unit is less than its carrying amount, we will test goodwill for impairment. If the Company determines the fair value of the reporting unit is less than its carrying amount, a goodwill impairment loss is recognized for the difference. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Generally fair value is determined by a multiple of earnings based on the guideline publicly traded business method or on discounting projected future cash flows based on management's expectations of the current and future operating environment. There were no goodwill impairment charges required for any periods presented.

Derivative Instruments and Hedging Activities:

We employ risk management strategies, which may include the use of interest rate swaps, cross-currency swaps and forward exchange contracts. We do not hold or enter into derivative instruments for trading or speculative purposes.

Derivatives are recognized in the Consolidated Balance Sheets at fair value. Changes in the fair values of derivative instruments designated as "cash flow" hedges, to the extent the hedges are highly effective, are recorded in Other comprehensive (loss) income. Derivative instruments not qualifying for hedge accounting or ineffective portions of cash flow hedges, if any, are recognized in current period earnings. The Company assesses, both at inception of the hedge and on an ongoing basis, whether derivatives used as hedging instruments are highly effective in offsetting the changes in the fair value or cash flow of the hedged items. If it is determined that a derivative is not highly effective as a hedge or ceases to be highly effective, the Company discontinues hedge accounting prospectively. As of December 31, 2020 and 2019, no derivative instruments were designated for hedge accounting.

Fair Value Measurements:

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

Warrant Liability:

TIP Inc.'s outstanding warrants are recorded as a liability, as the warrants are written options that are not indexed to common shares of TIP Inc. (the "Common Shares"). The warrant liability is recorded in Other current liabilities and accrued expenses in the Company's Consolidated Balance Sheets. The offsetting impact is reflected in Accumulated deficit as a result of the reduction of Additional paid in capital to zero with the allocation of opening equity due to the Arrangement. The amount of the warrant liability was $0.2 million and $0.1 million as of December 31, 2020 and 2019, respectively. Any change in fair value of these warrants due to a change in their price during the reporting period is recorded as Change in fair value of warrant liability in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. The fair value of the warrant liability is determined each period by utilizing the number of warrants outstanding and the closing trading value of the warrants as of the reporting date. The change in fair value of the warrant liability was insignificant for the years ended December 31, 2020 and 2019, respectively, and a non-cash gain of $6.4 million was recorded for the year ended December 31, 2018. Additionally, there were immaterial changes in the warrant liability during the periods due to changes in the exchange rate between the Canadian dollar (the currency in which the warrants are denominated) and United States dollar.

Required Distributions:

Trilogy LLC is required to make quarterly distributions to its members on a pro rata basis in accordance with each member's ownership interest in amounts sufficient to permit members to pay the tax liabilities resulting from allocations of income tax items from Trilogy LLC. Trilogy LLC was in a net taxable loss position for the years ended December 31, 2020, 2019 and 2018; therefore, no tax distributions were made to its members related to these tax years.

Revenue Recognition (effective January 1, 2019):

The Company derives its revenues primarily from wireless services, wireline services and equipment sales. Revenues are recognized when control of the services and equipment is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The Company's revenue recognition policy follows guidance from Revenue from Contracts with Customers ("Topic 606").

The Company determines revenue recognition through the following five-step framework:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in each contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in each contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Significant Judgments
The most significant judgments affecting the amount and timing of revenue from contracts with our customers include the following items:

- The assessment of legally enforceable rights and obligations involves judgment and impacts our determination of contractual term, transaction price and related disclosures;
- Our products are generally sold with a right of return, which is accounted for as variable consideration when estimating the amount of revenue to recognize. Expected device returns are estimated based on historical experience;
- Identifying distinct performance obligations within our service plans may require significant judgment;
- For contracts that involve more than one product or service (or multiple performance obligations), determining the standalone selling price for each product or service (or performance obligation) may require significant judgment;
- Determining costs that we incur to obtain or fulfill a contract may require significant judgment; and

- For capitalized contract costs, determining the amortization period as well as assessing the indicators of impairment may require significant judgment.

Wireless Services and Related Equipment
The Company enters into contracts with consumer and business customers for postpaid wireless services, prepaid wireless services and wireless equipment. Customers may elect to purchase wireless services or equipment separately or together. For wireless service and wireless equipment contracts entered into within a short period of time, we follow the contract combination guidance and assess the contracts as a single arrangement. The Company generates wireless services revenues from providing access to, and usage of, our wireless communications network. Performance obligations included in a typical wireless service contract with a customer include data, voice and text message services. We recognize revenue using an output method, either as the services are used or as time elapses if doing so reflects the pattern by which we satisfy our performance obligation through the transfer of the service to the customer. Wireless monthly service contracts are billed monthly either in advance or arrears based on a fixed fee.

Prepaid wireless services sold to customers are recorded as deferred revenue prior to the services being provided to the customer or expiration of the obligation to provide the services. When prepaid service credits are not subject to expiration or have not yet expired, the Company estimates breakage (cash consideration received for prepaid services but never expected to be redeemed by customers) based upon historical usage trends. The Company's policy is to recognize revenue for estimated breakage in proportion to the patterns exercised by the customer.

Postpaid monthly wireless services sold to customers are billed monthly in arrears. Postpaid wireless customer contracts are generally either month-to-month and cancellable at any time (i.e., open term) or contain terms greater than one month (under a fixed-term plan). Service contracts that exceed one month are generally two years or less. The transaction prices allocated to service performance obligations that are not satisfied or are partially satisfied as of the end of the reporting period are generally related to our fixed-term plans. For postpaid plans where monthly usage exceeds the allowance, the overage usage represents an option held by the customer for incremental services and the usage-based fee is recognized when the customer exercises the option (typically on a month-to-month basis).

We also generate revenues from the sale of wireless equipment to consumer and business subscribers. Performance obligations associated with a typical wireless equipment contract with a customer include handset and accessory equipment. We recognize revenue at a point in time when the device or accessory is delivered to the customer.

We offer certain postpaid customers the option to pay for devices and accessories in installments using an EIP. We assessed this payment structure and concluded that there is a financing component related to the EIP. However, we have determined that the financing component for certain direct channel customer classes in the postpaid wireless plans is not significant and therefore we have not recorded interest income over the repayment period for these customer transactions.

Wireline Services and Related Equipment
We enter into wireline or fixed LTE wireless arrangements with consumer and business subscribers. Wireline service performance obligations include broadband internet services and voice services. We recognize revenue using an output method, as time elapses, because it reflects the pattern by which we satisfy our performance obligation through the transfer of service to the customer. Broadband arrangements are billed monthly. Performance obligations included in a typical wireline broadband contract, as defined by Topic 606, include modem equipment, when sold, and telephone equipment. For these sales, we recognize revenue when the device or accessory is delivered to the customer. We also entered into agreements with subscribers in which we own customer premises equipment, including modems, and lease such equipment to subscribers. For these agreements, the modem equipment is not considered a performance obligation subject to Topic 606 guidance, rather it is a lease component of the contract and is accounted for under the applicable leasing guidance. The lease revenues associated with these agreements are included in Wireline service revenues in the Consolidated Statements of Operations and Comprehensive (Loss) Income and were not significant for the periods presented.

We enter into managed service arrangements with large enterprises and governments. Wireline service performance obligations associated with managed service arrangements include managed network services, internet services and voice services. We recognize revenue using an output method, as time elapses, because it reflects the pattern by which we satisfy our performance obligation through the transfer of service to the customer. Wireline service contracts are billed monthly. In the context of our managed service arrangements, we provide customers with the use of modem and networking equipment to facilitate the internet and networking services. We have determined that as part of managed service arrangements for our New Zealand business, equipment is provided to the customer only to enable the customer to consume the service. At the end of the contract term the customer is required to return the equipment as it may be used by other customers.

Wireline customer contracts are generally either month-to-month and cancellable at any time (i.e., open term) or contain terms greater than one month (typically under a fixed-term plan or within managed services arrangements). Service contracts that exceed one month are generally three years or less. The transaction prices allocated to service performance obligations that are not satisfied or are partially satisfied as of the end of the reporting period are generally related to our fixed-term plans.

Equipment
In addition to selling equipment in connection with wireless and wireline service contracts, as discussed above, we also sell equipment on a standalone basis to dealers and resellers for a fixed fee. The performance obligations include handset and accessory equipment. We recognize revenue when the handset or accessory is delivered to the dealer or reseller as the dealer and reseller is our customer. At the time of delivery, the customer acquires legal title, as physical possession and risks and rewards of ownership have been transferred to the customer with no additional conditions to customer acceptance.

Interconnection
Interconnection revenues are generated when calls from other operators terminate in the Company's networks and are recognized in the period the termination occurs.

Transaction Price and Allocations
We have elected to utilize a practical expedient and account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations. We establish provisions for estimated device returns based on historical experience.

We assess whether the amounts due under our contracts are probable of collection. For those not probable of collection, we do not recognize revenue until the contract is completed and cash is received. Collectability is re-assessed when there is a significant change in facts or circumstances.

Consideration payable to a customer is treated as a reduction of the total transaction price, unless the payment is in exchange for a distinct good or service, such as certain commissions paid to dealers. As an accounting policy election, we exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer (for example, sales, use, value added and some excise taxes).

We may offer a right of return on our products for a short time period after a sale. These rights are accounted for as variable consideration when determining the transaction price and, accordingly, we recognize revenue based on the estimated amount to which we expect to be entitled net of expected returns. Returns and credits are estimated at contract inception based on historical experience with similar classes of customers and updated at the end of each reporting period as additional information becomes available.

Transaction price is allocated to each performance obligation based on its relative standalone selling price ("SSP"). SSP is the price for which we would sell the good or service on a standalone basis without a promotional discount. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions, costs plus a margin and other observable inputs.

Warranties and Indemnifications
The Company's equipment is typically provided with an assurance-type warranty that it will perform in accordance with the Company's on-line documentation under normal use and circumstances. The Company includes a service level commitment to its customers, typically regarding certain levels of uptime reliability and performance and if the Company fails to meet those levels, customers can receive credits and in some cases terminate their relationship with the Company. To date, the Company has not had a material amount of credits issued or customers terminate as a result of such commitments.

Contract Modifications
Our service contracts allow customers to modify their contracts without incurring penalties in many cases. Each time a contract is modified we evaluate the change in scope or price of the contract to determine if the modification should be treated as a separate contract, if there is a termination of the existing contract and creation of a new contract, or if the modification should be considered a change associated with the existing contract. We typically do not have significant impacts from contract modifications.

Advertising Costs:

The Company expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2020, 2019 and 2018 were $16.8 million, $18.6 million and $20.9 million, respectively.

Defined Contribution Plan:

The Company has a defined contribution plan whereby participants may contribute a portion of their eligible pay to the plan through payroll withholdings. The Company provides matching contributions based on the amount of eligible compensation contributed by the employees. Total contributions by the Company were $0.1 million for each of the years ended December 31, 2020, 2019 and 2018.

Equity-Based Compensation:

The Company measures compensation costs for all equity-based payment awards made to employees based on the estimated fair values at the either the grant date for equity classified awards or quarterly for liability classified awards. Such compensation costs are recognized as an expense over the requisite service period, which is generally the vesting period of the award, net of forfeitures when they occur.

Net (Loss) Earnings Per Share ("EPS"):

EPS is calculated using the two-class method, which is an earnings allocation method that determines earnings per share for Common Shares and participating securities. The Company has one class of common stock; however, Trilogy LLC Class C Units (the "Class C Units") held by Trilogy LLC members (a noncontrolling interest in Trilogy LLC) are treated as participating securities for purposes of calculating EPS and a two-class method security due to their pro-rata rights to dividends and earnings.

Basic (loss)/income per share ("Basic EPS") is computed by dividing net (loss)/income, less net (loss)/income available to participating securities, by the basic weighted average Common Shares outstanding.

Diluted (loss)/income per share ("Diluted EPS") is calculated by dividing attributable net income/(loss) by the weighted average number of Common Shares plus the effect of potential dilutive Common Shares outstanding during the period. Diluted EPS excludes all potentially dilutive units if the effect of their inclusion is anti-dilutive, the attributable service condition was not met, or if the underlying potentially dilutive units are out-of-the-money.

Foreign Currency Remeasurement and Translation:

The functional currency for our Bolivian operation is the U.S. dollar and for our New Zealand operation is the New Zealand dollar, since the majority of the revenues and expenses in those operations are denominated in those currencies. However, portions of the revenues earned and expenses incurred by our subsidiaries are denominated in currencies other than their functional currency. Transactions that involve such other currencies are remeasured into the functional currency based on a combination of both current and historical exchange rates. All foreign currency asset and liability amounts are remeasured at end-of-period exchange rates, except for nonmonetary items, which are remeasured at historical rates. Foreign currency income and expense are remeasured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts which are remeasured at historical rates. Gains and losses from remeasurement of foreign currency transactions into the functional currency are included in Other, net in our Consolidated Statements of Operations in the period in which they occur.

Our reporting currency is the U.S. dollar. Thus, assets and liabilities from our New Zealand operation are translated from the New Zealand dollar into the U.S. dollar at the exchange rate on the balance sheet date while revenues and expenses are translated at the average exchange rate in the month they occurred. Gains and losses from the translation of our New Zealand operation's financial statements into U.S. dollars are included in Accumulated other comprehensive income in our Consolidated Balance Sheets.

Income Taxes:

For our taxable subsidiaries, we account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. A valuation allowance is recorded when it is more likely than not that some portion or all of a deferred tax asset will not be realized. When a valuation allowance has previously been recorded and we determine that we expect to be able to realize our deferred tax assets in the future in excess of their net recorded amount, we adjust the deferred tax asset valuation allowance, which reduces the provision for income taxes. During 2019, we removed the valuation allowance on our New Zealand deferred tax assets, with a corresponding income tax benefit, as the deferred tax assets are expected to be realizable. As discussed under "Impact of COVID-19 on our Business" above, during 2020 management recorded a full valuation allowance against NuevaTel's beginning of year net deferred tax assets as management concluded that NuevaTel's deferred tax assets are no longer more likely than not to be realized.

We record uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we record the largest amount of tax benefit to meet such threshold.

We recognize interest and penalties related to unrecognized tax benefits in the Other, net line in the accompanying Consolidated Statements of Operations and Comprehensive (Loss) Income. Accrued interest and penalties are included in the related tax liability line in the Consolidated Balance Sheets.

Concentrations:

The Company's revenues are attributable to our international operations. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations. For key financial information of our subsidiaries in New Zealand and Bolivia, see Note 18 – Segment Information.

Accounting Pronouncements Adopted During the Current Year:

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, the Company may defer adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company intends to use the extended transition period. As a result, the Company's financial statements may not be comparable to the financial statements of issuers who have adopted these new or revised accounting standards that are applicable to public companies.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02 related to leases ("Topic 842") and has since modified the standard with several ASUs (collectively, the "new lease standard"). This new lease standard requires organizations that lease assets to recognize on the balance sheet the right-of-use ("ROU") assets and lease liabilities for the rights and obligations created by those leases. The new lease standard requires both classifications of leases, operating and finance leases, to be recognized on the balance sheet. The new guidance also results in a change in naming convention for leases historically classified as capital leases. Under the new lease standard, these leases are now referred to as finance leases. Consistent with previous GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on its classification. The new lease standard also requires enhanced disclosure to enable investors and others to understand better the amount, timing and uncertainty of cash flows arising from leases. As an "emerging growth company", we adopted the new lease standard effective January 1, 2020, using the modified retrospective approach, by recognizing and measuring leases at such initial adoption date with the cumulative-effect adjustment recognized on such date to opening retained earnings/accumulated deficit and as a result we did not restate the prior periods presented in the consolidated financial statements. We adopted certain practical expedients permitted under the transition guidance and did not reassess (1) whether an expired or existing contract is a lease or contains a lease, (2) lease classification of an expired or existing lease, (3) initial direct costs for an existing or expired lease or (4) whether an existing or expired land easement is or contains a lease if it has not historically been accounted for as a lease. We also elected the practical expedient not to separate lease and non-lease components for all of our leases. Additionally, we elected the short-term lease recognition exemption, which allows for the exclusion of leases with a term of 12 months or less from recognition on the balance sheet as ROU assets and lease liabilities.

The adoption of the new lease standard resulted in the recognition of an operating lease ROU asset of $162.9 million and an operating lease liability of $161.1 million as of the adoption date of January 1, 2020. These ROU assets and operating lease liabilities give rise to deferred tax assets and liabilities that are offsetting and related to the same tax jurisdictions, thus net impacts were negligible to the Consolidated Balance Sheet as of the adoption date. Included in the measurement of the new operating lease ROU asset is the reclassification of certain balances, including those historically recorded as prepaid rent and deferred rent. The adoption also resulted in a cumulative effect transitional adjustment of $55.0 million ($37.6 million net of tax) to Accumulated deficit and Noncontrolling interests related to the elimination of deferred gains on sale-leaseback transactions which would have been recognized to income over an average period of approximately 10 years. Additionally, at the transition date, we were required to reassess any previously unrecognized sale-leaseback transactions to determine if a sale has occurred and qualification for leaseback accounting existed under the new lease standard. Under the new lease standard, a sale is assessed using the transfer of control criteria in Topic 606. This assessment of transfer of control and reevaluation of sale-leaseback transactions under the new lease standard is an area of judgment. The reassessment resulted in certain tower sale transactions qualifying for sale-leaseback accounting that were not previously recognized as sale-leaseback transactions and were historically recorded as financing obligations. The recognition of these qualifying sale-leaseback transactions resulted in a cumulative effect transitional adjustment of $11.5 million ($7.9 million net of tax) to Accumulated deficit and Noncontrolling interests. At the transition date, we derecognized the tower-related assets and financing obligations for these site lease locations and measured the related ROU assets and lease liabilities in accordance with the transition guidance. The qualification for sale-leaseback accounting for these tower sites results in the recognition of lease costs in 2020, which was previously reported as depreciation expense and interest expense in prior periods. Additionally, the qualification for sale-leaseback accounting results in presentation of certain payments from financing outflows to operating outflows in the Consolidated Statement of Cash Flows as compared to prior presentation prior to qualification for sale-leaseback accounting. Except for the impact described herein, the adoption of the new lease standard did not have a material impact in the Consolidated Statements of Operations and Comprehensive (Loss) Income or the Consolidated Statement of Cash Flows. See Note 15 – Leases for additional information related to leases, including required disclosures under Topic 842.

Cloud Computing Arrangements
In August 2018, the FASB issued ASU 2018-15 related to implementation costs incurred in a cloud computing arrangement that is a service contract. The standard aligns the requirement for a customer to capitalize implementation costs incurred in a hosting arrangement that is a service contract with the requirement to capitalize implementation costs incurred to develop or obtain internal-use software. The standard also requires the presentation of the amortization of the capitalized implementation costs in the same line item in the Consolidated Statements of Comprehensive Income as the fees associated with the hosting arrangement. The standard took effect for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, the standard will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for all entities. As an “emerging growth company”, the effective date for the standard is the date it becomes applicable to private companies. We began implementation efforts for certain cloud computing arrangements in 2020 and these efforts increased during the fourth quarter of 2020 and are expected to continue throughout 2021. We early adopted this standard in the fourth quarter of 2020 in connection with these implementation efforts and capitalized certain implementation costs relating to the cloud based arrangements. These costs will be recognized within Cost of service over the term of the cloud computing arrangement. We adopted the standard on a prospective basis applying it to implementation costs incurred subsequent to adoption and as a result did not restate the prior periods presented in the consolidated financial statements. The adoption of the standard did not have a material impact on our consolidated financial statements for the year ended December 31, 2020.

Recently Issued Accounting Standards:

In June 2016, the FASB issued ASU 2016-13 related to the measurement of credit losses on financial instruments and has since modified the standard with several ASUs (collectively, the “credit loss standard”). The credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The credit loss standard will take effect for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As amended in ASU 2019-10, for companies that file under private company guidelines, the credit loss standard will take effect for fiscal years beginning after December 15, 2022, and for interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018. As an “emerging growth company", we intend to adopt this standard on the date it becomes applicable to private companies. The adoption of this ASU will require a cumulative-effect adjustment to Accumulated deficit as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). We are currently evaluating the impact this ASU will have on our consolidated financial statements.

(US dollars in thousands unless otherwise noted)

NOTE 2 – PROPERTY AND EQUIPMENT

	As of December 31, 2020	As of December 31, 2019
Land, buildings and improvements	$ 10,022	$ 9,391
Wireless communication systems	879,209	811,344
Furniture, equipment, vehicles and software	221,943	196,215
Construction in progress	40,602	51,814
	1,151,776	1,068,764
Less: accumulated depreciation	(788,857)	(689,903)
Property and equipment, net	$ 362,919	$ 378,861

Depreciation expense was $93.6 million, $92.6 million and $93.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Advances to equipment vendors are included in Other assets and totaled $5.7 million and $4.0 million as of December 31, 2020 and 2019, respectively.

In February 2019, NuevaTel entered into an agreement, which has been subsequently amended, to sell and leaseback up to 651 network towers. Three closings for a total of 574 towers were completed in 2019 for aggregate cash consideration of $89.5 million. In July 2020, NuevaTel completed the fourth and final closing of 34 towers for additional cash consideration of $5.8 million. In total, 608 towers were sold for total cash consideration of $95.3 million. The $5.8 million of proceeds received during the year ended December 31, 2020 were recognized in the Consolidated Statement of Cash Flows as Proceeds from sale-leaseback transaction within investing activities. In addition, a gain of $5.6 million was recognized in (Gain) loss on disposal of assets and sale-leaseback transaction for the year ended December 31, 2020. Of the proceeds received during the year ended December 31, 2019, $70.6 million were recognized in the Consolidated Statement of Cash Flows as Proceeds from sale-leaseback transaction in investing activities and $18.9 million were recognized as Proceeds from sale-leaseback financing obligation in financing activities. The Company had $4.5 million and $16.8 million of financing obligations outstanding as of December 31, 2020 and December 31, 2019, respectively, resulting from all closings for towers that did not meet the criteria for sale-leaseback accounting due to continuing involvement by NuevaTel. In connection with the adoption of the new lease standard, these unrecognized sale-leaseback transactions were reassessed, and certain towers qualified for sale-leaseback accounting under the new lease standard. The amounts related to the towers that qualified for sale-leaseback accounting were removed from the tower financing obligations and recognized as a sale-leaseback as of January 1, 2020. See Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies for further information on the impact of the adoption of the new lease standard and Note 7 – Debt for further information on the tower sale-leaseback transaction.

As of December 31, 2019, the Company had an outstanding balance of deferred gain of $55.1 million for the towers that qualified as a sale-leaseback, of which $1.0 million were capital leases and the remaining were operating leases based on a lease-by-lease accounting evaluation. At the time of the first three closings, $10.1 million of gain was immediately recognized in Gain on disposal of assets and sale-leaseback transaction in the Consolidated Statement of Operations and Comprehensive (Loss) Income for the year ended December 31, 2019. During the year ended December 31, 2019, $3.9 million of the deferred gain was recognized. The current portion of the deferred gain was $5.9 million as of December 31, 2019 and is included in Other current liabilities and accrued expenses in the Consolidated Balance Sheet. In connection with the adoption of the new lease standard, the deferred gain was recognized to Accumulated deficit and Noncontrolling interests as of January 1, 2020. See Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies for further information on the impact of the adoption of the new lease standard.

Bank fees of $1.3 million were incurred in connection with the tower sale transaction in the first quarter of 2019 and were included in General and administrative expenses in the Consolidated Statement of Operations and Comprehensive Loss for the year ended December 31, 2019 and in Net cash provided by operating activities in the Consolidated Statement of Cash Flows for the year ended December 31, 2019. There were no bank fees incurred in connection with the fourth closing of the tower sale transaction during the year ended December 31, 2020.

(US dollars in thousands unless otherwise noted)

The tower sites have an initial lease term of 10 years with up to three five-year renewal terms at NuevaTel's option. NuevaTel's initial gross annual tower operating and capital lease rent obligation is \$10.4 million and \$0.3 million, respectively, for the towers that qualify as a sale-leaseback under the new lease standard and its gross annual tower financing obligation for the sites that do not qualify as a sale-leaseback under the new lease standard is \$0.9 million, all of which are subject to certain 3% annual rent increases. For those towers that qualified as a sale-leaseback, NuevaTel incurred \$11.6 million and \$6.0 million in gross rent expense during the years ended December 31, 2020 and 2019, respectively.

The 2019 closings of the tower sale-leaseback transaction generated a taxable gain which resulted in \$18.2 million of Bolivian income tax that will be paid in monthly installments over a three-year period. This taxable gain gave rise to a deferred tax asset and taxes payable which are included in Deferred income taxes and Other current liabilities and accrued expenses, respectively, in the Consolidated Balance Sheet as of December 31, 2019. The deferred tax asset was derecognized from Deferred income taxes as of January 1, 2020 in connection with the adoption of the new lease standard. See Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies for further information. The fourth closing of the tower sale-leaseback transaction generated a taxable gain of \$5.1 million during the third quarter of 2020 which was offset by net losses generated during the period and therefore did not give rise to income tax expense or liability. In addition to the Bolivian income tax, the sale-leaseback also resulted in payment of \$3.0 million of transaction taxes included within General and administrative expenses in the Consolidated Statement of Operations and Comprehensive Loss during the year ended December 31, 2019.

AROs are primarily recorded for the Company's legal obligations to remediate leased property on which the Company's network infrastructure and related assets are located. The AROs are recorded in Other non-current liabilities with a corresponding amount in Property and equipment, net. No obligation is expected to be settled within 12 months as of December 31, 2020. The activity in the AROs was as follows:

	Years Ended December 31,	
	2020	2019
Beginning balance	$ 20,971	$ 21,689
Revisions in estimated cash flows	-	17
Additional accruals	371	1,026
Foreign currency translation	1,344	119
Accretion	1,525	1,420
Disposals	(618)	(3,300)
Ending balance	$ 23,593	$ 20,971

The Company performs a review of its ARO liability annually, which may result in revisions in estimated cash flows. During the year ended December 31, 2020, there were no revisions in estimated cash flows. During the year ended December 31, 2019, the revisions in estimated cash flows were not significant.

The corresponding assets, net of accumulated depreciation, related to AROs were \$5.8 million and \$6.0 million as of December 31, 2020 and 2019, respectively.

Supplemental Cash Flow Disclosure:

The Company acquired \$1.8 million, \$2.8 million and \$1.6 million of property and equipment through current and long-term debt during the years ended December 31, 2020, 2019 and 2018, respectively.

The Company also acquires property and equipment through current and long-term construction accounts payable. The net change in current and long-term construction accounts payable resulted in additions or (adjustments) to Purchase of property and equipment in the Consolidated Statements of Cash Flows of \$10.4 million, \$4.8 million and (\$1.4) million for the years ended December 31, 2020, 2019 and 2018, respectively.

(US dollars in thousands unless otherwise noted)

NOTE 3 – GOODWILL, LICENSE COSTS AND OTHER INTANGIBLE ASSETS

The following table summarizes the changes in the Company's goodwill balance:

	December 31, 2020	December 31, 2019
Beginning balance	$ 9,046	$ 9,014
Foreign currency adjustment	1,177	32
Balance at the end of the year	$ 10,223	$ 9,046

All of the goodwill is attributable to the acquisition of Snap Limited in 2015 by our New Zealand segment. There are no accumulated goodwill impairments for the years ended December 31, 2020 and 2019.

The Company's license costs and other intangible assets consisted of the following:

		As of December 31, 2020			As of December 31, 2019		
	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
License costs	7 - 20 years	$ 225,835	$ (140,849)	$ 84,986	$ 218,473	$ (124,105)	$ 94,368
Subscriber relationships	7 years	13,485	(12,978)	507	12,589	(11,165)	1,424
Other	6 -14 years	3,640	(3,640)	-	3,542	(3,542)	-
Total		$ 242,960	$ (157,467)	$ 85,493	$ 234,604	$ (138,812)	$ 95,792

Fully amortized license costs continue to be presented in the table above when renewals have occurred for the same spectrum bands. Amortization expense of license costs and other intangible assets was $11.8 million, $15.8 million and $17.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. Estimated future amortization expense associated with the net carrying amount of license costs and other intangible assets, based on the exchange rate as of December 31, 2020, is as follows:

Years Ending December 31,	
2021	$ 9,429
2022	8,389
2023	7,900
2024	7,898
2025	7,898
Thereafter	43,979
Total	$ 85,493

New Zealand:
On October 29, 2013, Trilogy International Radio Spectrum LLC, a Delaware limited liability company and indirect wholly owned subsidiary of TIP Inc. ("TIRS"), entered into an agreement with the government of New Zealand for the acquisition of a 10 MHz paired license of 700 MHz spectrum (the "700 MHz License") for $44.0 million New Zealand dollars ("NZD") ($31.7 million based on the exchange rate at December 31, 2020). The 700 MHz License expires in 2031. TIRS made the management rights to this spectrum available to 2degrees, and 2degrees uses such spectrum in connection with its provision of 4G services.

The acquisition of the 700 MHz License was funded through a long-term payable from TIRS to the government of New Zealand. TIRS was obligated to make annual installment payments along with accrued interest. Interest on the unpaid purchase price accrued at the rate of 5.8% per annum. During the year ended December 31, 2019, 2degrees paid the final installment on behalf of TIRS in the total amount of $10.3 million NZD to the government of New Zealand ($6.8 million based on the average exchange rate in the month of payment of which $0.4 million was accrued interest). During the year ended December 31, 2018, the Company paid an installment on behalf of TIRS in the total amount of $10.3 million NZD to the government of New Zealand ($7.0 million based on the average exchange rate in the months of payment of which $0.7 million was accrued interest).

(US dollars in thousands unless otherwise noted)

In March 2020, the management rights to this spectrum were transferred to 2degrees.

Bolivia:
In November 2019, NuevaTel renewed the license for its 30 MHz of 1900 MHz spectrum holdings for $30.2 million. The payment in November 2019 was funded by reinvesting a portion of proceeds from the sale-leaseback of NuevaTel's towers. The license expires November 2034.

NOTE 4 – EIP RECEIVABLES

In New Zealand, 2degrees offers certain wireless subscribers the option to pay for their handsets in installments over a period of up to 36 months using an EIP. In Bolivia, in 2018, NuevaTel began offering certain wireless subscribers the option to pay for their handsets in installments over a period of 18 months using an EIP.

The following table summarizes the unbilled EIP receivables:

	As of December 31, 2020	As of December 31, 2019
EIP receivables, gross	$ 92,081	$ 76,697
Unamortized imputed discount	(4,588)	(4,335)
EIP receivables, net of unamortized imputed discount	$ 87,493	$ 72,362
Allowance for doubtful accounts	(6,703)	(4,852)
EIP receivables, net	$ 80,790	$ 67,510

Classified on the balance sheet as:	As of December 31, 2020	As of December 31, 2019
EIP receivables, net	$ 43,538	$ 31,750
Long-term EIP receivables	37,252	35,760
EIP receivables, net	$ 80,790	$ 67,510

Of the $92.1 million EIP receivables gross amount as of December 31, 2020, $4.1 million related to NuevaTel and the remaining related to 2degrees. Of the $76.7 million EIP receivables gross amount as of December 31, 2019, $4.2 million related to NuevaTel and the remaining related to 2degrees.

2degrees categorizes unbilled EIP receivables as prime or subprime based on subscriber credit profiles. Upon initiation of a subscriber's installment plan, 2degrees uses a proprietary scoring system that measures the credit quality of EIP receivables using several factors, such as credit bureau information, subscriber credit risk scores, and EIP characteristics. 2degrees periodically assesses the proprietary scoring system. Prime subscribers are those with lower risk of delinquency and whose receivables are eligible for sale to a third party. Subprime subscribers are those with higher delinquency risk. Based on subscribers' credit quality, subscribers may be denied an EIP option or be required to participate in a risk mitigation program which includes paying a deposit and allowing for automatic payments. NuevaTel offers installment plans only to subscribers with a low delinquency risk based on NuevaTel's credit analysis and the subscriber's income level. As of the periods presented, all of NuevaTel's unbilled EIP receivables were categorized as prime.

The balances of EIP receivables on a gross basis by credit category as of the periods presented were as follows:

	As of December 31, 2020	As of December 31, 2019
Prime	$ 72,283	$ 55,764
Subprime	19,798	20,933
Total EIP receivables, gross	$ 92,081	$ 76,697

(US dollars in thousands unless otherwise noted)

The EIP receivables had weighted average imputed discount rates of 7.15% and 7.44% as of December 31, 2020 and December 31, 2019, respectively.

The following table shows changes in the aggregate net carrying amount of the unbilled EIP receivables:

	December 31, 2020	December 31, 2019
Beginning balance of EIP receivables, net	$ 67,510	$ 43,381
Additions	78,554	99,394
Billings and payments	(60,194)	(50,579)
Sales of EIP receivables	(7,827)	(23,276)
Foreign currency translation	4,851	1,086
Change in allowance for doubtful accounts and imputed discount	(2,104)	(2,496)
Total EIP receivables, net	$ 80,790	$ 67,510

Sales of EIP Receivables:
2degrees has a mobile handset receivables sales agreement (the "EIP Sale Agreement") with a third party New Zealand financial institution (the "EIP Buyer"). The EIP Sale Agreement provides an arrangement for 2degrees to accelerate realization of receivables from wireless subscribers who purchase mobile phones from 2degrees on installment plans. Under the EIP Sale Agreement and on a monthly basis, 2degrees may offer to sell specified receivables to the EIP Buyer and the EIP Buyer may propose a price at which to purchase the receivables. Neither party is obligated to conclude a purchase, except on mutually agreeable terms. The EIP Sale Agreement specifies certain criteria for mobile phone receivables to be eligible for purchase by the EIP Buyer. The Company evaluated the structure and terms of the arrangement and determined 2degrees has no variable interest with the EIP Buyer and thus we are not required to consolidate the entity in our financial statements.

The Company determined that the sales of receivables through the arrangement should be treated as sales of financial assets. As such, upon sale, the Company derecognizes the receivables, as well as any related allowance for doubtful accounts, and the loss on sale is recognized in General and administrative expenses. The Company also reverses unamortized imputed discount related to sold receivables included in EIP receivables, net, in the Consolidated Balance Sheets and recognizes the reversed unamortized imputed discount as Equipment sales. Net cash proceeds are recognized in Net cash provided by operating activities.

2degrees has continuing involvement with the EIP receivables sold to the EIP Buyer through a servicing agreement. However, the servicing rights do not provide 2degrees with any direct economic benefit, or means of effective control. Further, the EIP Buyer assumes all risks associated with the purchased receivables and has no recourse against 2degrees except in the case of fraud or misrepresentation.

The following table summarizes the impact of the sales of EIP receivables in the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
EIP receivables derecognized	$ 7,827	$ 23,276
Cash proceeds	(7,011)	(20,313)
Reversal of unamortized imputed discount	(339)	(1,773)
Reversal of allowance for doubtful accounts	(470)	(1,397)
Pre-tax loss (gain) on sales of EIP receivables	$ 7	$ (207)

EIP Receivables Financing:
In August 2019, 2degrees entered into an EIP receivables secured borrowing arrangement with the Purchaser and financial institutions that lend capital to the Purchaser. Under the arrangement, 2degrees may sell EIP receivables to the Purchaser at a price reflecting interest rates and fees established in the arrangement.

The Company evaluated the structure and terms of the arrangement and determined that the Purchaser is a VIE because it lacks sufficient equity to finance its activities and its equity holder, which is one of the financial lending institutions, lacks the attributes of a controlling financial interest. The Company's interest in the EIP receivables transferred to the Purchaser is a variable interest as 2degrees will in substance absorb all potential losses associated with the transferred EIP receivables. In addition, 2degrees has the control to direct the Purchaser's most significant activities, which are the collection and management of EIP receivables that have been purchased. As such, 2degrees is the primary beneficiary of the Purchaser and thus the Purchaser is required to be consolidated in our financial statements.

(US dollars in thousands unless otherwise noted)

2degrees has continuing involvement with the EIP receivables transferred to the Purchaser through a servicing agreement and maintains effective control by having the right to repurchase the EIP receivables or acquire the shares of the Purchaser at any time. The transfer of receivables through this arrangement does not qualify as a sale of financial assets under GAAP and as such is recorded as a secured borrowing. Upon transfer to the Purchaser, the Company does not derecognize the receivables or related allowance for doubtful accounts and unamortized imputed discount.

The outstanding balance of the current and long-term portion of unbilled EIP receivables pledged through this arrangement was $13.4 million and $6.9 million, respectively, as of December 31, 2020. The outstanding balance of the current and long-term portion of unbilled EIP receivables pledged through this arrangement was $10.7 million and $11.0 million, respectively, as of December 31, 2019. The current portion of these EIP receivables were included in EIP receivables, net and the long-term portion in Long-term EIP receivables in the Consolidated Balance Sheets. These EIP receivables serve as collateral for the outstanding financing obligation of $15.1 million and $16.4 million as of December 31, 2020 and 2019, respectively, related to this secured borrowing arrangement with the Purchaser in Current portion of long-term debt in the Consolidated Balance Sheets. In July 2020, certain contractual terms of this arrangement were amended. For further information, see Note 7 – Debt.

NOTE 5 – OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES

	As of December 31, 2020	As of December 31, 2019
Payroll and employee benefits	$ 19,817	$ 17,538
Value-added tax and other business taxes	13,638	12,452
Dealer commissions and subsidies	12,462	11,484
Income and withholding taxes	12,060	17,169
Handset purchases	11,398	16,746
Other	47,058	48,223
Other current liabilities and accrued expenses	$ 116,433	$ 123,612

NOTE 6 – FAIR VALUE MEASUREMENTS

The accounting guidance for fair value establishes a framework for measuring fair value that uses a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

(US dollars in thousands unless otherwise noted)

The following table presents assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

	Fair Value Measurement as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 9,987	$ -	$ 9,987	$ -
Total assets	$ 9,987	$ -	$ 9,987	$ -
Liabilities:				
Forward exchange contracts	$ 793	$ -	$ 793	$ -
Warrant liability	160	160	-	-
Interest rate swaps	3,796	-	3,796	-
Options instruments classified as liability	2,682	-	-	2,682
Total liabilities	$ 7,431	$ 160	$ 4,589	$ 2,682

The following table presents liabilities measured at fair value on a recurring basis as of December 31, 2019. There were no assets measured at fair value on a recurring basis as of December 31, 2019.

	Fair Value Measurement as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Forward exchange contracts	$ 336	$ -	$ 336	$ -
Warrant liability	107	107	-	-
Interest rate swaps	2,296	-	2,296	-
Total liabilities	$ 2,739	$ 107	$ 2,632	$ -

The fair value of the short-term investments is based on historical trading prices, or model-driven valuations which are observable in the market or can be derived principally from or corroborated by observable market data. The fair value of forward exchange contracts is based on the differential between the contract price and the foreign currency exchange rate as of the balance sheet date. The fair value of the warrant liability is based on the public market price of the warrants as of the balance sheet date. The fair value of interest rate swaps is measured using quotes obtained from a financial institution for similar financial instruments. The fair value of options is measured using the Black-Scholes valuation model under a consistent methodology used to measure the awards of all 2degrees service-based share options. See Note 9 – Equity-Based Compensation for further information regarding the options.

There were no transfers between levels within the fair value hierarchy during the years ended December 31, 2020 and 2019.

Cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued expenses are carried at cost, which approximates fair value given their short-term nature. The carrying values of EIP receivables approximate fair value as the receivables are recorded at their present value, net of unamortized imputed discount and allowance for doubtful accounts.

The estimated fair value of the Company's debt, including current maturities, was based on Level 2 inputs, being market quotes or values for similar instruments, such as the interest rates currently available to the Company for the issuance of debt with similar terms and remaining maturities, used to discount the remaining principal payments. The carrying amounts and estimated fair values of our total debt as of December 31, 2020 and 2019 were as follows:

	As of December 31, 2020	As of December 31, 2019
Carrying amount, excluding unamortized discount and deferred financing costs	$ 661,708	$ 568,419
Fair value	$ 646,689	$ 546,301

For fiscal year 2020 and 2019, we did not record any material other-than-temporary impairments on financial assets required to be measured at fair value on a nonrecurring basis.

(US dollars in thousands unless otherwise noted)

NOTE 7 – DEBT

The Company's long-term and other debt as of December 31, 2020 and 2019 consisted of the following:

	As of December 31, 2020	As of December 31, 2019
Trilogy LLC 2022 Notes	$ 350,000	$ 350,000
New Zealand 2023 Senior Facilities Agreement	205,561	-
Trilogy International South Pacific LLC 2022 Notes	50,000	-
Bolivian Bond Debt	20,114	-
New Zealand EIP Receivables Financing Obligation	15,053	16,372
Bolivian 2023 Bank Loan	6,224	7,112
Bolivian 2022 Bank Loan	4,373	5,249
Bolivian Tower Transaction Financing Obligation	4,546	16,757
New Zealand 2021 Senior Facilities Agreement	-	154,887
Bolivian 2021 Syndicated Loan	-	10,015
Other	5,837	8,027
	661,708	568,419
Less: deferred financing costs	(6,668)	(5,189)
Less: unamortized discount	(3,284)	(2,064)
Total debt and financing lease liabilities	651,756	561,166
Less: current portion of debt and financing lease liabilities	(21,001)	(32,428)
Total long-term debt and financing lease liabilities	$ 630,755	$ 528,738

As of December 31, 2020, the future maturities of long-term and other debt, excluding deferred financing costs and unamortized debt discounts, consisted of the following:

Years Ending December 31,	
2021	$ 21,001
2022	404,777
2023	209,938
2024	6,275
2025	6,137
Thereafter	13,580
Total	$ 661,708

Trilogy LLC 2022 Notes:
On May 2, 2017, Trilogy LLC closed a private offering of $350 million aggregate principal amount of its senior secured notes due 2022 (the "Trilogy LLC 2022 Notes"). The Trilogy LLC 2022 Notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

Trilogy LLC applied the proceeds of this offering together with cash on hand to redeem and discharge all of its then outstanding $450 million senior secured notes due 2019 (the "Trilogy LLC 2019 Notes") and pay fees and expenses of $9.1 million related to the offering. The refinancing of the Trilogy LLC 2019 Notes was analyzed and accounted for on a lender-by-lender basis under the syndicated debt model in accordance with the applicable accounting guidance for evaluating modifications, extinguishments and new issuances of debt. Accordingly, of the $9.1 million in fees and expenses related to the Trilogy LLC 2022 Notes offering, $4.8 million was recorded as a deferred financing cost and is included as a reduction in Long-term debt in the Consolidated Balance Sheets. The unamortized balance of the deferred financing costs associated with the Trilogy LLC 2022 Notes is amortized to Interest expense using the effective interest method over the term of the Trilogy LLC 2022 Notes.

The Trilogy LLC 2022 Notes bear interest at a rate of 8.875% per annum and were issued at 99.506%. Interest on the Trilogy LLC 2022 Notes is payable semi-annually in arrears on May 1 and November 1. No principal payments are due until maturity on May 1, 2022.

Trilogy LLC has the option of redeeming the Trilogy LLC 2022 Notes, in whole or in part, upon not less than 30 days' and not more than 60 days' prior notice as follows:

- On or after May 1, 2020 but prior to May 1, 2021, at 102.219%
- On or after May 1, 2021, at 100%

The Trilogy LLC 2022 Notes are subject to an indenture which includes restrictive covenants, including a covenant by Trilogy LLC not to incur additional indebtedness, subject to certain exceptions, such as exceptions that permit NuevaTel and 2degrees to incur certain additional indebtedness. The Trilogy LLC 2022 Notes are guaranteed by certain of Trilogy LLC's domestic subsidiaries and are secured by a first-priority lien on the equity interests of such guarantors and a pledge of any intercompany indebtedness owed to Trilogy LLC or any such guarantor by 2degrees or any of 2degrees' subsidiaries and certain third-party indebtedness owed to Trilogy LLC by any minority shareholder in 2degrees. As of the issue date of the Trilogy LLC 2022 Notes, and as of December 31, 2020, there was no such indebtedness outstanding.

In October 2020, the indenture governing the Trilogy LLC 2022 Notes was amended in connection with the issuance by Trilogy International South Pacific LLC ("TISP") of $50 million of senior secured notes (the "TISP 2022 Notes"). The amendments to the indenture for the Trilogy LLC 2022 Notes included, among other things, certain changes to the indenture to permit: the issuance of the TISP 2022 Notes, the making of certain intercompany loans by TISP to Trilogy LLC, the entering by Trilogy LLC and Trilogy International South Pacific Holdings ("TISPH") of guarantees of the TISP 2022 Notes, and the grant of a security interest in the collateral securing the TISP 2022 Notes. Further, under the amendments, TISP is permitted to make an offer to purchase the TISP 2022 Notes with any excess sale proceeds received by Trilogy LLC, TISPH, TISP or any of TISP's subsidiaries in connection with an asset sale by Trilogy LLC, TISPH, TISP or any of TISP's subsidiaries (including 2degrees) prior to Trilogy LLC being required to make an offer to purchase the Trilogy LLC 2022 Notes with any excess sale proceeds remaining thereafter. The indenture to the Trilogy LLC 2022 Notes was also amended to permit the sale of NuevaTel for non-cash consideration provided that any non-cash consideration received in a sale can be converted to cash or cash equivalents within 12 months after the closing of such sale and that any cash proceeds be used promptly to redeem the Trilogy LLC 2022 Notes.

New Zealand 2023 Senior Facilities Agreement:
In February 2020, 2degrees completed a bank loan syndication in which ING Bank N.V. acted as the lead arranger. This debt facility (the "New Zealand 2023 Senior Facilities Agreement") has a total available commitment of $285 million NZD ($205.6 million based on the exchange rate at December 31, 2020).

Separate facilities are provided under this agreement to (i) repay the then outstanding balance of the prior $250 million NZD senior facilities agreement (the "New Zealand 2021 Senior Facilities Agreement") and pay fees and expenses associated with the refinancing ($235 million NZD), (ii) provide funds for further investments in 2degrees' business ($30 million NZD), and (iii) fund 2degrees' working capital requirements ($20 million NZD). As of December 31, 2020, the $235 million NZD facility ($169.5 million based on the exchange rate at December 31, 2020), the $30 million NZD facility ($21.6 million based on the exchange rate at December 31, 2020), and the $20 million NZD facility ($14.4 million based on the exchange rate at December 31, 2020) were fully drawn. Since there is no requirement to repay the $20 million NZD facility until maturity of the New Zealand 2023 Senior Facilities Agreement, the outstanding balance of $20 million NZD as of December 31, 2020 was recorded in Long-term debt and financing lease liabilities in the Consolidated Balance Sheet. The borrowings and repayments under these facilities, including any recurring activity relating to working capital, are included separately as Proceeds from debt and Payments of debt within Net cash provided by financing activities in the Consolidated Statements of Cash Flows.

The New Zealand 2023 Senior Facilities Agreement also provides for an uncommitted $35 million NZD accordion facility which, after commitments are obtained, can be utilized in the future for further investments in 2degrees' business. The New Zealand 2023 Senior Facilities Agreement matures February 7, 2023.

The outstanding debt drawn under the New Zealand 2023 Senior Facilities Agreement accrues interest quarterly at the New Zealand Bank Bill Reference Rate ("BKBM") plus a margin ranging from 2.40% to 3.80% (the "Margin") depending upon 2degrees' net leverage ratio at that time. The weighted average interest rate on the outstanding balance was 2.88% as of December 31, 2020.

Additionally, a commitment fee at the rate of 40% of the applicable Margin is payable quarterly on all undrawn and available commitments. As of December 31, 2020, the commitment fee rate was 0.96%.

Distributions from 2degrees to its shareholders, including Trilogy LLC, are subject to free cash flow tests under the New Zealand 2023 Senior Facilities Agreement, calculated at half year and full year intervals. There is no requirement to make prepayments of principal from 2degrees' free cash flow. The outstanding debt may be prepaid without penalty at any time.

The New Zealand 2023 Senior Facilities Agreement contains certain financial covenants requiring 2degrees to:

- maintain a total interest coverage ratio (as defined in the New Zealand 2023 Senior Facilities Agreement) of not less than 3.0;

- maintain a net leverage ratio (as defined in the New Zealand 2023 Senior Facilities Agreement) of not greater than 2.75 from January 1, 2021 to December 31, 2021; and 2.50 thereafter; and

- ensure capital expenditures do not exceed the aggregate of 110% of the agreed to annual capital expenditures (as defined in the New Zealand 2023 Senior Facilities Agreement) plus any capital expenditure funded by the issuance of new equity in any financial year.

The New Zealand 2023 Senior Facilities Agreement also contains other customary representations, warranties, covenants and events of default and is secured (in favor of an independent security trustee) by substantially all of the assets of 2degrees.

The refinancing of the New Zealand 2021 Senior Facilities Agreement was analyzed and accounted for on a lender-by-lender basis under the syndicated debt model in accordance with the applicable accounting guidance for evaluating modifications, extinguishments and new issuances of debt. Accordingly, $2.2 million NZD ($1.4 million based on the average exchange rate in the month of payment) in fees and expenses related to the New Zealand 2023 Senior Facilities Agreement was recorded as a deferred financing cost and is included as a reduction within Long-term debt on the Consolidated Balance Sheet as of December 31, 2020. The remaining fees paid to lenders and third parties in connection with the refinancing were not significant and were expensed. The unamortized balance of the deferred financing costs associated with the New Zealand 2023 Senior Facilities Agreement is amortized to Interest expense using the effective interest method over the term of the New Zealand 2023 Senior Facilities Agreement.

Additionally, as a result of the refinancing, the $1.6 million NZD ($1.0 million based on the average exchange rate in the month of refinancing) of unamortized deferred financing costs associated with the New Zealand 2021 Senior Facilities Agreement will be amortized to Interest expense using the effective interest method over the term of the New Zealand 2023 Senior Facilities Agreement.

Trilogy International South Pacific LLC 2022 Notes:
In October 2020, TISP issued $50 million of senior secured notes. TISP is the wholly owned subsidiary of TISPH, which in turn is wholly owned by Trilogy LLC. TISP owns, through a subsidiary, TIP Inc.'s equity interest in 2degrees. The TISP 2022 Notes were issued pursuant to an agreement (the "Note Purchase Agreement") whose terms and conditions are based on those of the Trilogy LLC 2022 Notes. The TISP 2022 Notes mature on May 1, 2022, bear an interest rate of 10.0% per annum and were issued at a 95.375% discount. Interest on the TISP 2022 Notes is payable semi-annually in arrears on May 1 and November 1. No principal payments are due until maturity on May 1, 2022.

Cash proceeds from the issuance of the TISP 2022 Notes were $46.0 million, net of issuance discount and consent fees paid with respect to certain amendments to the Trilogy LLC 2022 Notes that holders of those notes approved in order to permit the issuance of the TISP 2022 Notes. TISP is permitted to use proceeds of the TISP 2022 Notes to make intercompany loans to Trilogy LLC for the payment of interest due under the Trilogy LLC 2022 Notes and to pay interest due on the TISP 2022 Notes. The proceeds are otherwise restricted from use in general operations and the related cash balance is included in Restricted cash in the Consolidated Balance Sheet as of December 31, 2020.

The TISP 2022 Notes are guaranteed by Trilogy LLC and TISPH. The TISP 2022 Notes are also secured on a first priority basis by (a) TISPH's pledge of (i) 100% of TISPH's right, title and interest in the equity interests of TISP, and (ii) 100% of TISP's right, title and interest in any intercompany loan made to Trilogy LLC, and (b) a lien on 100% of TISP's right, title and interest in a cash collateral account in which the proceeds of the TISP 2022 Notes is being held until such time that such proceeds are used as permitted under the terms of the Note Purchase Agreement.

TISP has the option of redeeming the TISP 2022 Notes, in whole or in part, as follows:

- On or prior to May 1, 2021, at 102.5%
- After May 1, 2021, at 100%

The terms applicable to the TISP 2022 Notes are based on the terms set forth in the indenture for the Trilogy LLC 2022 Notes, and the restrictive covenants contained in the Note Purchase Agreement are materially consistent with those of the Trilogy LLC 2022 Notes. Additionally, the Note Purchase Agreement requires that $15.0 million in cash and cash equivalents be maintained free and clear of liens, other than specifically permitted liens, by Trilogy LLC and by TISPH and its subsidiaries, with the requirement that, for this purpose, cash and cash equivalents at 2degrees are measured based on TISP's indirect equity interest in 2degrees.

The Note Purchase Agreement also includes a covenant requiring TISP to make an offer to purchase the TISP 2022 Notes with any excess sale proceeds received by Trilogy LLC, TISPH, TISP or any of TISP's subsidiaries in connection with an asset sale by Trilogy LLC, TISPH, TISP or any of TISP's subsidiaries (including 2degrees). TISP is not required to make an offer to purchase the TISP 2022 Notes in connection with a sale of NuevaTel.

Finally, the Note Purchase Agreement provides that Trilogy LLC is not permitted to directly or indirectly consummate a sale of NuevaTel unless the consideration payable in such sale exceeds $75 million.

Bolivian Bond Debt:
In August 2020, NuevaTel commenced a debt issuance process in Bolivia seeking to raise up to $24.2 million during an initial 90-day open subscription process with certain Bolivian banks including BNB Valores S.A. and other financial institutions (the "Bolivian Bond Debt"). As of December 31, 2020, NuevaTel had raised $20.1 million through this issuance process. The bond offering was extended beyond the initial 90-day period and concluded with no additional proceeds raised subsequent to December 31, 2020.

The bond includes two series of indebtedness. Series A ("Series A") was fully subscribed, has a principal balance at December 31, 2020 of $9.7 million and bears interest at the rate of 5.8% per annum. Monthly principal repayments begin in February 2024 and Series A matures in August 2025. Series B ("Series B") will have a principal balance of up to approximately $14.5 million and bears interest at the rate of 6.5% per annum. As of December 31, 2020, Series B had an outstanding principal balance of $10.4 million. Monthly principal repayments begin in September 2025 and Series B matures in August 2028. Interest on Series A and Series B is payable monthly.

A portion of the proceeds from the bond issuance were used to repay the Bolivian 2021 Bank Loan (as defined below) which had an outstanding balance of $8.3 million along with a separate bank loan which had an outstanding balance of $3.4 million. The remaining proceeds will be used to fund future capital expenditures.

The bonds are subject to certain financial covenants, including a debt to equity ratio and debt service ratio. The debt to equity ratio is applicable upon issuance of the bonds and the debt service ratio will be applicable commencing with the first quarter of 2022. None of TIP Inc. or its subsidiaries (other than NuevaTel) has any obligations under the bonds. The bonds are secured by certain sources of NuevaTel cash flows.

New Zealand EIP Receivables Financing Obligation:
In August 2019, 2degrees entered into the EIP receivables secured borrowing arrangement that enables 2degrees to sell specified EIP receivables to the Purchaser. The Company evaluated the structure and terms of this arrangement and determined we are required to consolidate the Purchaser in our financial statements. See Note 4 – EIP Receivables for further information. In July 2020, the arrangement was amended as described below.

While 2degrees can, in part, determine the amount of cash it will receive from each sale of EIP receivables under the arrangement, the amount of cash available to 2degrees varies based on a number of factors and is limited to a predetermined portion of the total amount of the eligible EIP receivables sold to the Purchaser.

Under the amended arrangement, the Purchaser has access to funding of $45.5 million NZD ($32.8 million based on the exchange rate at December 31, 2020), which the Purchaser can use to acquire EIP receivables from 2degrees. The amount outstanding under this arrangement was $20.9 million NZD ($15.1 million based on the exchange rate at December 31, 2020) and $24.3 million NZD ($16.4 million based on the exchange rate at December 31, 2019) as of December 31, 2020 and 2019, respectively. All proceeds received and repayments under this arrangement are included separately as Proceeds from EIP receivables financing obligation and Payments of debt, including sale-leaseback and EIP receivables financing obligations in financing activities in the Consolidated Statements of Cash Flows.

In 2019, this transaction was analyzed and accounted for in accordance with the applicable accounting guidance for consolidations and transfers and servicing arrangements. Accordingly, the $0.7 million NZD ($0.4 million based on the exchange rate in the month of payment) of incremental fees and expenses directly related to entering into the EIP receivables financing obligation was recorded as a deferred financing cost and is included as a reduction in debt in the Consolidated Balance Sheets. The unamortized balance of the deferred financing costs associated with the EIP receivables financing obligation is amortized ratably to Interest expense over the term of the EIP receivables financing obligation.

The Company determined the Purchaser's obligation to its lenders under the EIP receivables financing arrangement to have characteristics similar to a revolving secured borrowing debt arrangement, and the Company has classified the total amount of the outstanding obligation between the Purchaser and its lenders as current in the Consolidated Balance Sheets. The obligation of the Purchaser is presented as a component of debt due to the accounting consolidation of the Purchaser with the Company; however, the obligation does not constitute indebtedness under the indenture for the Trilogy LLC 2022 Notes because the Purchaser is a separate entity whose equity is not held by the Company or its subsidiaries. The Purchaser pays principal and interest to its lenders on a monthly basis from proceeds that it receives from 2degrees, which collects EIP repayments from the 2degrees subscribers whose EIP receivables were sold to the Purchaser and remits such amounts to the Purchaser. The EIP receivables financing obligation matures in June 2023 under the amended arrangement. The outstanding obligation drawn under this amended arrangement accrues interest monthly at the BKBM plus a margin of 3.55%. The interest rate on the outstanding balance of the drawn facility was approximately 3.87% as of December 31, 2020. Additionally, a line fee of 0.70% is payable by the Purchaser annually on the total available commitment under the amended arrangement, which the Purchaser likewise pays from proceeds that it receives from 2degrees.

The EIP receivables financing obligation contains no financial covenants. The EIP receivables financing obligation contains customary representations, warranties, and events of default for an arrangement of this nature.

Bolivian 2023 Bank Loan:
In December 2018, NuevaTel entered into an $8.0 million debt facility (the "Bolivian 2023 Bank Loan") with Banco Nacional de Bolivia S.A., a Bolivian bank and a lender in the Bolivian 2021 Syndicated Loan (as defined below), to fund capital expenditures. NuevaTel drew down the Bolivian 2023 Bank Loan in two $4.0 million advances that occurred in December 2018 and January 2019. The Bolivian 2023 Bank Loan is required to be repaid in quarterly installments which commenced in September 2019 through 2023, with 11% of the principal amount to be repaid during the first year and 22.25% of the principal amount to be repaid during each of the final four years. Interest on the Bolivian 2023 Bank Loan accrued at a fixed rate of 7.0% for the first 24 months and thereafter at a variable rate of 5.0% plus Tasa de Referencia and is payable quarterly. The outstanding balance of the current and long-term portion of the Bolivian 2023 Bank Loan was $1.8 million and $4.4 million, respectively, as of December 31, 2020. The outstanding balance of the current and long-term portion of the Bolivian 2023 Bank Loan was $1.8 million and $5.3 million, respectively, as of December 31, 2019.

The Bolivian 2023 Bank Loan agreement contains no financial covenants and is unsecured.

Bolivian 2022 Bank Loan:
In December 2017, NuevaTel entered into a $7.0 million debt facility (the "Bolivian 2022 Bank Loan") with Banco BISA S.A., a Bolivian bank and a lender in the Bolivian 2021 Syndicated Loan, to fund capital expenditures. The Bolivian 2022 Bank Loan is required to be repaid in quarterly installments which commenced in 2019 through 2022, with 25% of the principal amount to be repaid each year. Interest on the Bolivian 2022 Bank Loan accrues at a fixed rate of 6.0% and is payable quarterly. The outstanding balance of the current and long-term portion of the Bolivian 2022 Bank Loan was $1.7 million and $2.6 million, respectively, as of December 31, 2020. The outstanding balance of the current and long-term portion of the Bolivian 2022 Bank Loan was $1.8 million and $3.5 million, respectively, as of December 31, 2019.

The Bolivian 2022 Bank Loan agreement contains no financial covenants and is unsecured.

Bolivian Tower Transaction Financing Obligation:
In February 2019, NuevaTel entered into an agreement, which has been subsequently amended, to sell and leaseback up to 651 network towers. As of December 31, 2019, NuevaTel had completed the sale of 574 towers. In July 2020, NuevaTel completed the fourth and final closing of 34 network towers under this agreement. For further information, see Note 2 – Property and Equipment.

(US dollars in thousands unless otherwise noted)

Upon adoption of the new lease standard, we were required to reassess any previously unrecognized sale-leaseback transactions to determine if a sale has occurred and qualification for leaseback accounting existed under the new lease standard. The reassessment resulted in certain individual tower sale transactions qualifying for sale-leaseback accounting that were not previously recognized as sale-leaseback transactions and were historically recorded as financing obligations. At the adoption date for the new lease standard, we derecognized tower-related financing obligations of $12.1 million for these site lease locations and measured the related ROU assets and lease liabilities in accordance with the transition guidance. For further information, see Note 1 – Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies.

As of December 31, 2020, the outstanding balance of the current and long-term portion of the financing obligation under the Bolivian sale-leaseback transaction was $0.2 million and $4.4 million, respectively, all of which is considered indebtedness under the indenture for the Trilogy LLC 2022 Notes.

New Zealand 2021 Senior Facilities Agreement:
In July 2018, 2degrees entered into the New Zealand 2021 Senior Facilities Agreement, a bank loan syndication in which ING Bank N.V. acted as the lead arranger and underwriter, that had a total available commitment of $250 million NZD ($180.3 million based on the exchange rate at December 31, 2020). The debt under the New Zealand 2021 Senior Facilities Agreement bore interest quarterly at the BKBM plus a margin ranging from 2.40% to 3.80% depending upon 2degrees' net leverage ratio at that time. Additionally, a commitment fee at the rate of 40% of the applicable margin was payable quarterly on all undrawn and available commitments. The New Zealand 2021 Senior Facilities Agreement's original maturity date was July 31, 2021.

In February 2020, 2degrees entered into the New Zealand 2023 Senior Facilities Agreement and used a portion of the proceeds of that facility to repay the outstanding balance of the New Zealand 2021 Senior Facilities Agreement.

Bolivian 2021 Syndicated Loan:
In April 2016, NuevaTel entered into a $25 million debt facility with a consortium of Bolivian banks (the "Bolivian 2021 Syndicated Loan"). The net proceeds were used to fully repay the then outstanding balance of a previously outstanding loan agreement and the remaining proceeds were used for capital expenditures. The Bolivian 2021 Syndicated Loan was required to be repaid in quarterly installments which commenced in 2016, with 10% of the principal amount repaid during each of the first two years and 26.67% of the principal amount to be repaid during each of the final three years.

In February 2020, the outstanding balance of the Bolivian 2021 Syndicated Loan was repaid primarily with proceeds from the Bolivian 2021 Bank Loan.

Bolivian 2021 Bank Loan:
In February 2020, NuevaTel entered into an $8.3 million debt facility (the "Bolivian 2021 Bank Loan") with Banco Nacional de Bolivia S.A. to repay the then outstanding balance under the Bolivian 2021 Syndicated Loan. The Bolivian 2021 Bank Loan was repaid in August 2020 with a portion of the proceeds of the Bolivian Bond Debt.

Interest Cost Incurred:
Consolidated interest cost incurred and expensed, prior to capitalization of interest, was $47.3 million, $47.1 million and $47.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Supplemental Cash Flow Disclosure:

	Years Ended December 31,		
	2020	2019	2018
Interest paid, net of capitalized interest	$ 40,315	$ 42,623	$ 43,650

Deferred Financing Costs:
Deferred financing costs represent incremental direct costs of debt financing and are included in Long-term debt. As of December 31, 2020 and 2019, the balances were $6.7 million and $5.2 million, respectively. These costs are amortized using the effective interest method over the term of the related credit facilities. Amortization of deferred financing costs is included in interest expense and totaled $3.1 million, $2.1 million and $2.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Covenants:
As of December 31, 2020, the Company was in compliance with all of its debt covenants.

(US dollars in thousands unless otherwise noted)

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps:
2degrees has entered into various interest rate swap agreements to fix its future interest payments under the New Zealand 2023 Senior Facilities Agreement. Under these agreements, 2degrees principally receives a variable amount based on the BKBM and pays a fixed amount based on fixed rates ranging from 0.385% to 3.450%. Settlement in cash occurs quarterly until termination and the variable interest rate is reset on the first day of each calendar quarter. These derivative instruments have not been designated for hedge accounting; thus changes in the fair value are recognized in earnings in the period incurred. The fair value of these contracts, included in Other non-current liabilities, was $3.8 million and $2.3 million as of December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020, the total notional amount of these agreements was $252.5 million NZD ($182.1 million based on the exchange rate as of December 31, 2020). The agreements have effective dates from June 30, 2017 through September 30, 2022 and termination dates from June 30, 2021 through March 31, 2025. During the year ended December 31, 2020, interest rate swap agreements with a total notional amount of $60.0 million NZD ($43.3 million based on the exchange rate as of December 31, 2020) matured.

Summarized financial information for all of the aforementioned derivative financial instruments is shown below:

	Years Ended December 31,		
	2020	2019	2018
Non-cash loss from change in fair value recorded in Other, net	$ 2,531	$ 1,538	$ 1,362
Net cash settlement	$ 1,582	$ 1,054	$ 1,371

Under the terms of the interest rate swaps, we are exposed to credit risk in the event of non-performance by the other parties; however, we do not anticipate the non-performance of any of our counterparties. For instruments in a liability position, we are also required to consider our own risk of non-performance; the impact of such risk is not material. Further, our interest rate swaps do not contain credit rating triggers that could affect our liquidity.

Forward Exchange Contracts:
At December 31, 2020, 2degrees had short-term forward exchange contracts to sell an aggregate of $18.4 million NZD and buy an aggregate of $12.5 million USD to manage exposure to fluctuations in foreign currency exchange rates. During the year ended December 31, 2020, short-term forward exchange contracts to sell an aggregate of $63.8 million NZD and buy an aggregate of $40.2 million USD matured. These derivative instruments are not designated for hedge accounting, thus changes in the fair value are recognized in earnings in the period incurred. A foreign exchange (loss) or gain of ($0.4) million, ($1.0) million and $0.8 million was recognized in Other, net during the years ended December 31, 2020, 2019 and 2018, respectively. The estimated settlements under these forward exchange contracts were not material as of December 31, 2020 and 2019.

NOTE 9 – EQUITY-BASED COMPENSATION

TIP Inc. Restricted Share Units:
The Company awards restricted share units (“RSUs” or “Awards”) to certain officers and employees under TIP Inc.’s restricted share unit plan (“RSU Plan”) pursuant to which vesting is subject to meeting certain performance or time-based criteria. RSUs entitle the grantee to receive Common Shares.

Time-based RSUs granted to officers and employees vest annually on a straight-line basis generally over a four-year service period, subject to continued service through the applicable vesting dates.

Portions of the RSU grants to certain officers consist of Awards that combine time-based elements with performance-based elements, which entitle the recipient to receive a number of Common Shares that varies based on the Company’s performance against revenue or EBITDA performance goals for the fiscal year in which they were granted. The estimated equity-based compensation expense attributable to the performance-based RSUs is updated quarterly. The total number of RSUs granted includes these performance-based Awards and assumes that the performance goals will be achieved. The number of RSUs is updated upon the completion of each applicable fiscal year, when a final determination is made as to whether the performance goals have been achieved. These performance-based RSUs vest on a straight-line basis over a four-year period, subject to continued service through the applicable vesting dates.

(US dollars in thousands unless otherwise noted)

The maximum number of Common Shares that may be issued under the RSU Plan as of December 31, 2020 was 6,416,460 shares, which is equal to 7.5% of the aggregate number of issued and outstanding Common Shares and Class C Units. The RSU Plan limits the number of Common Shares that may be issued to insiders under the plan and any other Security Based Compensation Arrangement (as defined in the RSU Plan) to 10% of the aggregate number of issued and outstanding Common Shares and Class C Units. As of December 31, 2020, 10% of the aggregate number of issued and outstanding Common Shares and Class C Units amounted to 8,555,280 shares and the number of Common Shares issued to insiders under the RSU Plan was 981,552.

The following table provides the outstanding RSUs as of December 31, 2020 and the changes in the period:

	RSUs
Outstanding at December 31, 2019	2,490,277
Granted	1,700,000
Vested	(834,660)
Forfeited/Cancelled	(16,581)
Outstanding at December 31, 2020	3,339,036

The Awards had a grant date fair value of $1.4 million, $2.4 million and $4.2 million based on a price per Common Share of $0.84, $1.57 and $4.20 on the dates of the grants in 2020, 2019 and 2018, respectively.

On January 1, 2020 and June 30, 2020, 460,484 and 274,995 time-based RSU awards vested, respectively, and in January 2020 and July 2020, 348,404 and 242,499 shares, net of the monetary equivalent of shares necessary for the payment of related taxes, respectively, were issued in settlement of such vested RSUs. On March 24, 2020, 99,181 performance-based RSU awards vested, and in March 2020, 83,779 shares, net of the monetary equivalent of shares necessary for the payment of related taxes were issued in settlement of such vested RSUs.

On January 1, 2019 and June 30, 2019, 171,727 and 275,001 time-based RSU awards vested, respectively, and in January 2019 and July 2019, 133,021 and 241,645 shares, net of the monetary equivalent of shares necessary for the payment of related taxes, respectively, were issued in settlement of such vested RSUs.

On June 30, 2018, 403,118 time-based RSU awards vested and in July 2018, 357,684 shares, net of the monetary equivalent of shares necessary for the payment of related taxes, were issued in settlement of such vested RSUs.

As of December 31, 2020, 3,339,036 RSUs were unvested, and unrecognized compensation expense relating to RSUs was approximately $3.4 million, including $1.1 million relating to grants made in 2020. These amounts reflect time-based vesting. The Company expects to recognize the cost for unvested RSUs over a weighted-average period of 1.9 years. Equity-based compensation expense is generally recognized on a straight-line basis over the requisite service period; however, exceptions include awards with an accelerated vesting schedule and updated estimates of achievement against performance goals for performance-based awards.

During 2020, 2019 and 2018, the Company recorded $3.1 million, $3.2 million and $3.4 million in compensation expense related to RSUs in General and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss), respectively.

Restricted Class C Units:
At December 31, 2016, the Company granted the equivalent of 192,130 Class C Units to an employee of the Company (the "Restricted Class C Units"), of which 48,033 were outstanding and unvested as of December 31, 2020. The value of the Restricted Class C Units was estimated to be $1.5 million based on the fair value on the grant date. The Restricted Class C Units vest over 4 years, with one-fourth of the award vesting on the day following each anniversary date of the award based on the employee's continued service. There are no voting rights or rights to receive distributions prior to vesting for unvested Restricted Class C Units.

(US dollars in thousands unless otherwise noted)

During each of 2020, 2019 and 2018, the Company recorded $0.4 million in compensation expense related to the Restricted Class C Units recognized in General and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss). As of December 31, 2020, the Company had recognized all of the compensation costs related to this award.

2degrees Option Plans:
2degrees awards service-based share options (the "Options") to employees under various Option plans whose vesting is subject to meeting a required service period of up to three years. Approximately 25.7 million Options were outstanding as of December 31, 2020, of which 23.5 million Options were equity-classified awards and 2.2 million Options were liability-classified awards. The Options enable the holders to acquire non-voting ordinary shares of 2degrees common stock once exercised.

The following table summarizes the range of assumptions used in the Black-Scholes model for Options granted in the years ended December 31, 2019 and 2018. There were no Options granted in the year ended December 31, 2020.

	2019	2018
Expected volatility	27.5%	25.0%
Expected term (in years)	4.80	2.75 - 3.94
Risk free interest rate	1.03%	1.99% - 2.09%
Expected dividend yield	0%	0%

The expected term of the Options was determined based upon the historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future Option holder behavior. The risk-free interest rates used were based on the implied yield currently available in New Zealand Government bonds, adjusted for semi-annual coupons and converted to continuously compounded rates, with a term equivalent to the remaining life of the Options as of the date of the valuation. Expected volatility was based on average volatilities of publicly traded peer companies over the expected term.

In June 2020, 2degrees modified approximately 20.1 million of its outstanding Options that were held by employees and former employees by extending the expiration date of those Options to May 31, 2023. The Options previously had expiration dates ranging from 2020 to 2023. No other terms of the Options were modified and all of the options were fully vested at the modification date. As a result of this modification, 2degrees recognized approximately $1.7 million of additional equity-based compensation expense, included within General and administrative expenses in the Consolidated Statement of Operations, in accordance with the guidance for modifications of equity awards within Accounting Standards Codification 718 "Stock Compensation" ("ASC 718").

Additionally, as a result of the modification, 2.2 million of the total modified Options that were held by former employees were deemed to represent a liability for accounting purposes because the exercise prices are not denominated in the functional currency of the Option issuer. At the modification date, the Company remeasured this portion of the awards at fair value and reclassified amounts previously classified as equity to liability in the amount of $1.4 million and recognized incremental expense of $0.4 million recorded to Other, net in the Consolidated Statement of Operations. These Options will continue to be remeasured to reflect the fair value at the end of each reporting period until the Options are exercised or expire. Accordingly, subsequent to the modification date, $0.7 million related to the change in fair value of the 2.2 million Options was recorded to Other, net in the Consolidated Statement of Operations in 2020. These 2.2 million Options continue to be presented in the table below. The fair value of these Options, included in Other current liabilities and accrued expenses, was $2.7 million as of December 31, 2020.

In 2018, 2degrees modified approximately 9.8 million of its outstanding Options by extending the expiration date of those Options to May 31, 2021. The Options previously had expiration dates ranging from 2018 to 2020. No other terms of the Options were modified. As a result of this modification, 2degrees recognized approximately $0.7 million of additional equity-based compensation expense, included in General and administrative expenses in the Consolidated Statement of Operations, in accordance with the guidance for modifications of equity awards within ASC 718.

(US dollars in thousands unless otherwise noted)

The following table provides the outstanding Options as of December 31, 2020 and the changes in the period:

	Options	Weighted-Average Exercise Price per Unit	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	26,575,000	$ 1.46		
Forfeited(1)	(200,000)	1.56		
Redeemed(1)	(650,000)	1.24		
Outstanding at December 31, 2020	25,725,000	1.47	2.7	$ 27,077
Exercisable at December 31, 2020	24,425,000	$ 1.46	2.5	$ 26,261

(1)Exercise price of certain Options redeemed and forfeited are denominated in NZD and were translated into USD at the exchange rate on the grant date of the related Options.

There were no Options granted during the year ended December 31, 2020. The weighted-average grant date fair value of Options granted during the years 2019 and 2018 was $0.42 and $0.24, respectively. The total intrinsic value of Options redeemed or exercised during the years ended December 31, 2020, 2019 and 2018 was $0.4 million, $0.5 million and $0.2 million, respectively.

Total equity-based compensation expenses under the 2degrees Option plans, net of forfeitures, of $1.9 million, $0.2 million and $2.1 million were recognized in General and administrative expenses in the Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, the Company had total unrecognized compensation costs related to the 2degrees Option plans of $0.3 million. The Company expects to recognize this cost over a period of 1.4 years.

NOTE 10 – EQUITY

TIP Inc. Capital Structure

TIP Inc.'s authorized share structure consists of two classes of shares, namely Common Shares and one special voting share (the "Special Voting Share") as follows:

TIP Inc. Common Shares:
TIP Inc. is authorized to issue an unlimited number of Common Shares with no par value. As of December 31, 2020, TIP Inc. had 59,126,613 Common Shares outstanding, reflecting an increase of 674,682 Common Shares issued during the year ended December 31, 2020 as a result of the issuances of Common Shares in January, March and July 2020 for vested RSUs. Holders of Common Shares are entitled to one vote for each share held on matters submitted to a vote of shareholders. Holders of Common Shares and the Special Voting Share, described below, vote together as a single class, except as provided in the *Business Corporation Act* (British Columbia), by law or by stock exchange rules.

Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of TIP Inc. In 2020, the board of directors determined that it was in the best interests of TIP Inc. not to pay a dividend in 2020. In the event of the dissolution, liquidation or winding-up of TIP Inc., whether voluntary or involuntary, or any other distribution of the assets of TIP Inc. among its shareholders for the purpose of winding up its affairs, the holders of Common Shares shall be entitled to receive the remaining property and assets of TIP Inc. after satisfaction of all liabilities and obligations to creditors of TIP Inc. and after $1.00 Canadian dollar ("C$") is distributed to the holder of the Special Voting Share.

As of December 31, 2020, TIP Inc. holds a 69.1% economic ownership interest in Trilogy LLC through its wholly owned subsidiary, Trilogy International Partners Intermediate Holdings Inc. ("Trilogy Intermediate Holdings"). The 0.2% increase in TIP Inc.'s economic ownership interest in Trilogy LLC during the year ended December 31, 2020 is primarily attributable to the issuance of Common Shares in January, March and July 2020 for vested RSUs.

Forfeitable Founders Shares:
At December 31, 2020, the Company had 1,675,336 Common Shares ("Forfeitable Founders Shares") issued and outstanding that are subject to forfeiture on February 7, 2022, unless the closing price of Common Shares exceeds C$13.00 (as adjusted for stock splits or combinations, stock dividends, reorganizations, or recapitalizations) for any 20 trading days within a 30 trading-day period.

Special Voting Share of TIP Inc.:
TIP Inc. has one issued and outstanding Special Voting Share held by a trustee. Holders of Class C Units, as described below, are entitled to exercise voting rights in TIP Inc. through the Special Voting Share on a basis of one vote per Class C Unit held. At such time as there are no Class C Units outstanding, the Special Voting Share shall be redeemed and cancelled for C$1.00 to be paid to the holder thereof.

The holder of the Special Voting Share is not entitled to receive dividends. In the event of the dissolution, liquidation or winding-up of TIP Inc., whether voluntary or involuntary, the holder of the Special Voting Share is entitled to receive C$1.00 after satisfaction of all liabilities and obligations to creditors of TIP Inc. but before the distribution of the remaining property and assets of TIP Inc. to the holders of Common Shares.

Warrants:
At December 31, 2020, TIP Inc. had 13,402,685 warrants outstanding. Each warrant entitles the holder to purchase one Common Share at an exercise price of C$11.50, subject to normal anti-dilution adjustments. The warrants expire on February 7, 2022.

As of February 7, 2017, the date of consummation of the Arrangement, TIP Inc.'s issued and outstanding warrants were reclassified from equity to liability, as the warrants are written options that are not indexed to Common Shares. The fair value of the warrants is based on the number of warrants and the closing quoted public market prices of the warrants. The offsetting impact is reflected in Accumulated deficit as a result of the reduction of Additional paid in capital to zero with the allocation of opening equity due to the Arrangement. The warrant liability is recorded in Other current liabilities and accrued expenses in the Consolidated Balance Sheets. The amount of the warrant liability was $0.2 million and $0.1 million as of December 31, 2020 and 2019, respectively. The warrant liability is marked-to-market each reporting period with the changes in fair value recorded as a gain or loss in the Consolidated Statements of Operations and Comprehensive Income (Loss). The Company will continue to classify the fair value of the warrants as a liability until the warrants are exercised or expire.

Dividend Paid:
No dividends were paid in 2020. In 2019 and 2018, TIP Inc. paid dividends of C$0.02 per Common Share. The dividend paid in May 2019 was declared on April 2, 2019 and paid to holders of Common Shares of record as of April 16, 2019. The dividend paid in 2018 was declared on April 2, 2018 and paid to common shareholders of record as of April 16, 2018. Eligible Canadian holders of Common Shares who participated in the Company's dividend reinvestment plan had the right to acquire additional Common Shares at 95% of the volume-weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding the dividend payment date, by reinvesting their cash dividends, net of applicable taxes. As a result of shareholder participation in the dividend reinvestment plan, 72,557 and 34,734 Common Shares were issued in 2019 and 2018, respectively. A total cash dividend of $0.8 million and $0.7 million was paid to shareholders that did not participate in the dividend reinvestment plan in 2019 and 2018, respectively, and the cash payment was recorded as financing activities in the Consolidated Statements of Cash Flows for the year ended December 31, 2019 and 2018, respectively.

Concurrently with the issuance of the TIP Inc. dividend, in accordance with the Trilogy LLC amended and restated Limited Liability Company Agreement (the "Trilogy LLC Agreement"), a dividend in the form of 259,760 and 137,256 additional Class C Units was issued on equitably equivalent terms to the holders of the Class C Units in 2019 and 2018, respectively.

<u>Trilogy LLC Capital Structure</u>
The equity interests in Trilogy LLC consist of three classes of units as follows:

Class A Units:
The Class A Units of Trilogy LLC ("Class A Units") possess all the voting rights under the Trilogy LLC Agreement, but have only nominal economic value and no right to participate in the appreciation of the economic value of Trilogy LLC. All of the Class A Units are indirectly held by TIP Inc., through a wholly owned subsidiary, Trilogy International Partners Holdings (US) Inc. ("Trilogy Holdings"). Trilogy Holdings, the managing member of Trilogy LLC, acting through its TIP Inc. appointed directors, has full and complete authority, power and discretion to manage and control the business, affairs and properties of

(US dollars in thousands unless otherwise noted)

Trilogy LLC, subject to applicable law and restrictions per the Trilogy LLC Agreement. As of December 31, 2020, there were 157,682,319 Class A Units outstanding.

Class B Units:
TIP Inc. indirectly holds the Class B Units of Trilogy LLC (the "Class B Units") through Trilogy Intermediate Holdings. The Class B Units represent TIP Inc.'s indirect economic interest in Trilogy LLC under the Trilogy LLC Agreement and are required at all times to be equal to the number of outstanding Common Shares. As of December 31, 2020 and December 31, 2019, there were 59,126,613 and 58,451,931 Class B Units outstanding, respectively, reflecting an increase of 674,682 and 738,095 Class B Units issued during the year ended December 31, 2020 and December 31, 2019, respectively. The increase in 2020 was primarily attributable to vested RSUs, and the increase in 2019 was as a result of Class C Unit redemptions for Common Shares, the issuance of Common Shares for vested RSUs and issuances pursuant to TIP Inc.'s dividend reinvestment plan. The economic interests of the Class B Units are pro rata with the Class C Units.

Class C Units:
The Class C Units are held by persons who were members of Trilogy LLC immediately prior to consummation of the Arrangement. The economic interests of the Class C Units are pro rata with the Class B Units. Holders of Class C Units have the right to require Trilogy LLC to redeem any or all Class C Units held by such holder for either Common Shares or a cash amount equal to the fair market value of such Common Shares, the form of consideration to be determined by Trilogy LLC. As of December 31, 2020, redemptions have been settled primarily in the form of Common Shares. Class C Units have voting rights in TIP Inc. through the Special Voting Share on a basis of one vote per Class C Unit held. As of December 31, 2020 and December 31, 2019, there were 26,426,191 and 26,381,206 Class C Units outstanding, respectively, reflecting an increase of 44,985 and 37,298 Class C Units outstanding in 2020 and 2019, respectively. The increase in 2020 was primarily attributable to vested Restricted Class C Units, and the increase in 2019 was primarily attributable to the issuance of Class C Units in May 2019 pursuant to a dividend declared and paid to holders of Class C Units, partially offset by redemptions of Class C Units. Additionally, there were 48,033 and 96,065 remaining unvested Restricted Class C Units as of December 31, 2020 and December 31, 2019, respectively, which were originally granted to an employee on December 31, 2016. These Restricted Class C Units vest over a four-year period, with one-fourth of the award vesting on the day following each anniversary date of the award based on the employee's continued service. There are no voting rights or right to receive distributions prior to vesting for these unvested Class C Units.

NOTE 11 – ACCUMULATED OTHER COMPREHENSIVE INCOME

A summary of the components of Accumulated other comprehensive income is presented below:

	Total	Cumulative Foreign Currency Translation Adjustment	Unrealized Gains and Losses on Derivatives and Short-term Investments
December 31, 2018	**$ 3,428**	**$ 3,429**	**$ (1)**
Other comprehensive income	986	986	-
Unrealized net gain related to short-term investments	1	-	1
Net current period other comprehensive income	987	986	1
December 31, 2019	**$ 4,415**	**$ 4,415**	**$ -**
Other comprehensive income	5,520	5,520	-
Unrealized net gain related to short-term investments	1	-	1
Net current period other comprehensive income	5,521	5,520	1
December 31, 2020	**$ 9,936**	**$ 9,935**	**$ 1**

(US dollars in thousands unless otherwise noted)

NOTE 12 – NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES

Noncontrolling interests represent the equity ownership interests in consolidated subsidiaries not owned by the Company. Noncontrolling interests are adjusted for contributions, distributions, and income and loss attributable to the noncontrolling interest partners of the consolidated entities. Income and losses are allocated to the noncontrolling interests based on the respective governing documents.

There are noncontrolling interests in certain of the Company's consolidated subsidiaries. The noncontrolling interests are summarized as follows:

	As of December 31, 2020	As of December 31, 2019
2degrees	$ 39,903	$ 39,223
NuevaTel	39,744	45,122
Trilogy International Partners LLC	(36,288)	(28,159)
Salamanca Solutions International LLC	(793)	(698)
Noncontrolling interests	$ 42,566	$ 55,488

Supplemental Cash Flow Disclosure:

During the years ended December 31, 2020, 2019 and 2018, NuevaTel declared and paid dividends to a noncontrolling interest of $5.1 million, $7.7 million and $6.8 million, respectively. During the year ended December 31, 2020, 2degrees declared and paid dividends to noncontrolling interests of $6.6 million. There were no dividends declared by 2degrees during the years ended December 31, 2019 and 2018. The dividends were recorded as a financing activity in the Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018.

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue:
We operate and manage our business in two reportable segments based on geographic region: New Zealand and Bolivia. We disaggregate revenue into categories to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, including the type of product offering provided, the type of customer and the expected timing of payment for goods and services. See Note 18 – Segment Information for additional information on revenue by segment.

The following table presents the disaggregated reported revenue by category:

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	New Zealand	Bolivia	Other	Total	New Zealand	Bolivia	Other	Total
Postpaid wireless service revenues	$ 174,000	$ 69,835	$ -	$ 243,835	$ 170,371	$ 81,383	$ -	$ 251,754
Prepaid wireless service revenues	91,528	66,644	-	158,172	88,771	102,830	-	191,601
Wireline service revenues	83,545	-	-	83,545	69,317	-	-	69,317
Equipment sales	101,860	4,399	-	106,259	149,103	8,403	-	157,506
Other wireless service and other revenues	7,925	10,123	440	18,488	8,818	14,188	743	23,749
Total revenues	$ 458,858	$ 151,001	$ 440	$ 610,299	$ 486,380	$ 206,804	$ 743	$ 693,927

Contract Balances:
The timing of revenue recognition may differ from the time of billing to our customers. Receivables presented in our Consolidated Balance Sheets represent an unconditional right to consideration. Contract balances represent amounts from an arrangement when either the Company has performed, by providing goods or services to the customer in advance of receiving all or partial consideration for such goods and services from the customer, or the customer has made payment to us in advance of obtaining control of the goods and/or services promised to the customer in the contract.

(US dollars in thousands unless otherwise noted)

Contract assets primarily relate to our rights to consideration for goods or services provided to the customers but for which we do not have an unconditional right at the reporting date. Under a fixed-term plan, the total contract revenue is allocated between wireless services and equipment revenues. In conjunction with these arrangements, a contract asset may be created, which represents the difference between the amount of equipment revenue recognized upon sale and the amount of consideration received from the customer. The contract asset is reclassified as an account receivable as wireless services are provided and amounts are billed to the customer. We have the right to bill the customer as service is provided over time, which results in our right to the payment being unconditional. Contract asset balances are presented in our Consolidated Balance Sheets as Prepaid expenses and other current assets and Other assets. We assess our contract assets for impairment on a quarterly basis and will recognize an impairment charge to the extent their carrying amount is not recoverable. For the years ended December 31, 2020 and 2019, the impairment charges related to contract assets were insignificant.

The following table represents changes in the contract assets balance:

	Contract Assets	
	2020	2019
Balance at January 1	$ 3,044	$ 5,231
Increase resulting from new contracts	1,790	3,957
Contract assets reclassified to a receivable or collected in cash	(3,397)	(6,145)
Foreign currency translation	57	1
Balance at December 31	$ 1,494	$ 3,044

Deferred revenue arises when we bill our customers and receive consideration in advance of providing the goods or services promised in the contract. For prepaid wireless services and wireline services, we typically receive consideration in advance of providing the services, which is the most significant component of the contract liability deferred revenue balance. Deferred revenue is recognized as revenue when services are provided to the customer.

The following table represents changes in the contract liabilities deferred revenue balance:

	Deferred Revenue	
	2020	2019
Balance at January 1	$ 20,237	$ 18,966
Net increase in deferred revenue	24,101	19,489
Revenue recognized related to the balance existing at January 1	(18,554)	(18,100)
Foreign currency translation	1,602	(118)
Balance at December 31	$ 27,386	$ 20,237

Remaining Performance Obligations:
As of December 31, 2020, the aggregate amount of transaction price allocated to remaining performance obligations was approximately $7.1 million, which is primarily composed of expected revenues allocated to service performance obligations related to our fixed-term wireless plans. We expect to recognize approximately 79% of the revenue related to these remaining performance obligations over the next 12 months and the remainder thereafter. We have elected to apply the practical expedient option available under Topic 606 that permits us to exclude the expected revenues arising from unsatisfied performance obligations related to contracts that have an original expected duration of one year or less.

Contract Costs:
Topic 606 requires the recognition of an asset for incremental costs to obtain a customer contract. These costs are then amortized to expense over the respective periods of expected benefit. We recognize an asset for direct and incremental commission expenses paid to external and certain internal sales personnel and agents in conjunction with obtaining customer contracts. These costs are amortized and recorded ratably as commission expense over the expected period of benefit, which typically ranges from 1 to 3 years. Further, we have elected to apply the practical expedient available under Topic 606 that permits us to expense incremental costs immediately for costs with an estimated amortization period of less than one year. Contract costs balances are presented in the Consolidated Balance Sheets as Prepaid expenses and other current assets and Other assets.

Capitalized contract costs are assessed for impairment on a periodic basis. For the year ended December 31, 2020, we recognized $1.0 million of impairment charges related to contract costs in connection with disconnections of postpaid and prepaid subscribers in Bolivia. There were no impairment losses recognized on capitalized contract costs for the year ended December 31, 2019.

The following table represents changes in the contract costs balance:

	Contract Costs	
	2020	2019
Balance at January 1	$ 15,798	$ 3,050
Incremental costs of obtaining and contract fulfilment costs	15,969	19,519
Amortization and impairment included in operating costs	(13,372)	(6,930)
Foreign currency translation	1,191	159
Balance at December 31	$ 19,586	$ 15,798

NOTE 14 – EARNINGS PER SHARE

Basic and diluted earnings per share are computed using the two-class method, which is an earnings allocation method that determines earnings per share for Common Shares and participating securities. The undistributed earnings are allocated between Common Shares and participating securities as if all earnings had been distributed during the period. Participating securities and Common Shares have equal rights to undistributed earnings. Basic earnings per share is calculated by dividing net earnings, less earnings available to participating securities, by the basic weighted average Common Shares outstanding. Diluted earnings per share is calculated by dividing attributable net earnings by the weighted average number of Common Shares plus the effect of potential dilutive Common Shares outstanding during the period using the treasury stock method.

In calculating diluted net (loss) income per share, the numerator and denominator are adjusted, if dilutive, for the change in fair value of the warrant liability and the number of potentially dilutive Common Shares assumed to be outstanding during the period using the treasury stock method. No adjustments are made when the warrants are out of the money.

For the years ended December 31, 2020, 2019 and 2018, the warrants were out of the money and no adjustment was made to exclude the (loss) gain recognized by TIP Inc. for the change in fair value of the warrant liability. There was an insignificant impact of the change in the warrant liability for the years ended December 31, 2020 and 2019, and a gain of $6.4 million resulted from the change in fair value of the warrant liability for the year ended December 31, 2018. For the years ended December 31, 2020 and 2019, the Class C Units were anti-dilutive. For the year ended December 31, 2018, the gain resulting from the change in fair value of the warrant liability reduced the net loss attributable to TIP Inc. along with the resulting basic loss per share and, therefore, resulted in the Class C Units being dilutive when included as if redeemed.

The components of basic and diluted earnings per share were as follows:

	Years Ended December 31,		
(in thousands, except per share amounts)	2020	2019	2018
Basic EPS:			
Numerator:			
Net (loss) income attributable to TIP Inc.	$ (47,787)	$ 2,878	$ (20,205)
Denominator:			
Basic weighted average Common Shares outstanding	57,671,818	56,629,405	53,678,914
Net (loss) income per share:			
Basic	$ (0.83)	$ 0.05	$ (0.38)

(US dollars in thousands unless otherwise noted)

Diluted EPS:			
Numerator:			
Net (loss) income attributable to TIP Inc.	$ (47,787)	$ 2,878	$ (20,205)
Add back: Net loss attributable to Class C Units – Redeemable for Common Shares	-	-	(11,996)
Net (loss) income attributable to TIP Inc. and Class C Units	$ (47,787)	$ 2,878	$ (32,201)
Denominator:			
Basic weighted average Common Shares outstanding	57,671,818	56,629,405	53,678,914
Effect of dilutive securities:			
Unvested RSUs	-	157,940	-
Weighted average Class C Units – Redeemable for Common Shares	-	-	28,514,587
Diluted weighted average Common Shares outstanding	57,671,818	56,787,345	82,193,501
Net (loss) income per share:			
Diluted	$ (0.83)	$ 0.05	$ (0.39)

The following table indicates the weighted average dilutive effect of Common Shares that may be issued in the future. These Common Shares were not included in the computation of diluted earnings per share for the year ended December 31, 2020, 2019 and 2018 because the effect was either anti-dilutive or the conditions for vesting were not met:

	Years Ended December 31,		
	2020	**2019**	**2018**
Class C Units	26,429,030	26,439,817	-
Warrants	13,402,685	13,402,685	13,402,685
Forfeitable Founders Shares	1,675,336	1,675,336	1,675,336
Unvested RSUs	2,922,854	1,074,144	1,674,684
Unvested Class C Units	48,033	96,065	144,098
Common Shares excluded from calculation of diluted net (loss) income per share	44,477,938	42,688,047	16,896,803

NOTE 15 – LEASES

We lease cell sites, retail stores, offices, vehicles, equipment and other assets from third parties under operating and finance leases. We determine whether a contract is a lease or contains a lease at contract inception, and this assessment requires judgment including a consideration of factors such as whether we have obtained substantially all of the rights to the underlying assets and whether we have the ability to direct the use of the related assets. ROU assets represent our right to use an underlying asset for the lease term and the lease liability represents our obligation to make payments arising from the lease. Lease liabilities are recognized at commencement date based on the present value of the remaining lease payments over the lease term. As the rates implicit in our leases are not readily determinable, our incremental borrowing rate is used in calculating the present value of the sum of the lease payments, and determining the rate used for discounting these payments requires judgment. ROU assets are recognized at commencement date at the value of the lease liability, adjusted for any prepayments, lease incentives, or initial direct costs. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest that would be paid to borrow an amount equal to the lease payments on a collateralized basis over a similar term. We use an unsecured borrowing rate and risk adjust that rate to approximate a collateralized rate for each geographic region in which we conduct business. Our typical lease arrangement includes a non-cancellable term with renewal options for varying terms depending on the nature of the lease. We include the renewal options that are reasonably certain to be exercised as part of the lease term, and this assessment is also an area of judgment. For cell site locations, optional renewals are included in the lease term based on the date the sites were placed in service and to the extent that renewals are reasonably certain based on the age and duration of the sites. For other leases, renewal options are typically not considered to be reasonably certain to be exercised.

(US dollars in thousands unless otherwise noted)

We have certain lease arrangements with non-lease components that relate to the lease components, primarily related to maintenance and utility costs that are paid to the lessor. Non-lease components and the lease components to which they relate are accounted for together as a single lease component for all asset classes. Certain leases contain escalation clauses or payment of executory costs such as taxes, utilities and maintenance. We recognize lease payments for short-term leases as expense either straight-line over the lease term or as incurred depending on whether lease payments are fixed or variable.

The components of total lease cost, net consisted of the following:

	Classification		Year Ended December 31, 2020
Operating lease cost[1]	Cost of service, Sales and marketing, General and administrative [2]	$	36,700
Financing lease cost:			
Amortization of right-of-use assets	Depreciation, amortization and accretion		1,190
Interest on lease liabilities	Interest expense		435
Total net lease cost		$	38,325

[1]Operating lease costs include short-term lease costs of $5.9 million and variable costs which were immaterial for the period presented.

[2]The amounts of operating lease costs included in Cost of service, Sales and marketing and General and administrative during the year ended December 31, 2020 were $30.4 million, $2.6 million and $3.7 million, respectively.

Sublease income was not significant for the periods presented.

Balance sheet information related to leases as of December 31, 2020 consisted of the following:

	Classification		As of December 31, 2020
Assets			
Operating	Operating lease right-of-use assets, net	$	155,996
Financing	Property and equipment, net		4,473
Total lease assets		$	160,469
Liabilities			
Current liabilities			
Operating	Short-term operating lease liabilities	$	17,900
Financing	Current portion of debt and financing lease liabilities		1,542
Long-term liabilities			
Operating	Non-current operating lease liabilities		138,478
Financing	Long-term debt and financing lease liabilities		3,607
Total lease liabilities		$	161,527

The following table presents cash flow information for leases for the year ended December 31, 2020:

		Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$	26,848
Operating cash flows for finance leases	$	435
Financing cash flows for finance leases	$	1,349
Supplemental lease cash flow disclosures		
Operating lease right-of-use-assets obtained in exchange for new operating lease liabilities	$	10,018
Right-of-use assets obtained in exchange for new finance lease liabilities	$	1,822

(US dollars in thousands unless otherwise noted)

The weighted-average remaining lease term and the weighted-average discount rate of our leases at December 31, 2020 are as follows:

	December 31, 2020
Weighted-average remaining lease term (years)	
Operating leases	9
Finance leases	5
Weighted-average discount rate	
Operating leases	7.0%
Finance leases	9.7%

The Company's maturity analysis of operating and finance lease liabilities as of December 31, 2020 are as follows:

	Operating Leases	Finance Leases
2021	27,933	1,979
2022	25,639	1,332
2023	24,524	762
2024	23,784	585
2025	23,201	538
Thereafter	84,959	1,675
Total lease payments	210,040	6,871
Less interest	(53,662)	(1,722)
Present value of lease liabilities	156,378	5,149
Less current obligation	(17,900)	(1,542)
Long-term obligation at December 31, 2020	$ 138,478	$ 3,607

Future minimum lease payments for operating lease obligations as of December 31, 2019 under the previous lease accounting standard consisted of the following:

Years Ending December 31,	Operating Leases
2020	25,148
2021	24,245
2022	21,861
2023	20,796
2024	20,126
Thereafter	88,361
Total	$ 200,537

Future minimum lease payments for capital lease obligations as of December 31, 2019 under the previous accounting standard were not material.

Total rent expense under operating leases amounted to $25.6 million in 2019 and $22.1 million in 2018.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commitments:

New Zealand

The purchase commitments described below are presented in the remaining purchase commitments table following such descriptions.

In September 2020, 2degrees signed a three-year purchase agreement, effective as of September 1, 2020, with a handset manufacturer that requires 2degrees to purchase a minimum number of handsets per quarter for three years (beginning with the third quarter of 2020). As part of the purchase agreement, 2degrees has committed to allocate a certain portion of its advertising budget per contract year to related marketing.

In November 2019, 2degrees entered into a Radio Access Network ("RAN") sharing agreement with a certain New Zealand telecommunications provider (the "RAN Sharing Partner") under which the RAN Sharing Partner supplies 2degrees with managed capacity service for a specified number of network sites under an indefeasible right to use arrangement. This arrangement allows 2degrees to utilize the third party's network equipment to serve 2degrees customers on 2degrees' own spectrum and replaces certain roaming arrangements with the RAN Sharing Partner. The agreement expires in January 2030 and specifies a series of payments over the term of the agreement. The cost of the RAN sharing arrangement is recognized within Cost of service in the Consolidated Statement of Operations on a straight-line basis over the term of the agreement, although the payment amounts vary with more significant amounts due in the earlier years. Upon the completion and availability of a specified number of sites, additional payments will be due and will begin a series of ongoing quarterly payments to be made over the remainder of the agreement term. 2degrees will pay the ongoing quarterly payments commencing in 2022 through 2024. On or prior to August 1, 2023, 2degrees may terminate this agreement effective on February 1, 2025. In March 2020, 2degrees paid an initial amount due under this agreement upon completion of certain proof of concept activities.

In September 2019, the New Zealand Ministry of Business, Innovation and Employment (the "MBIE") offered to renew licenses for spectrum used by 2degrees in the 1800 MHz and 2100 MHz spectrum bands. The offers are for 2x20 MHz in the 1800 MHz band and 2x15 MHz in the 2100 MHz band. In October and November 2020, the New Zealand government issued formal offers for the 1800 MHz and 2100 MHz spectrum for a total of 20 years commencing April 2021. 2degrees has accepted the offers with an initial term of two years and the purchase price for each of the spectrum bands was paid in January 2021. The offers for the remaining 18-year terms are open for acceptance until November 2022 and will not be accepted until closer to that time. The cost of the spectrum for each of the 18-year terms is permitted to be paid in four annual installments beginning January 2023. Although the purchase amounts are not legally committed until final terms for each of the offers are accepted, we have included the expected amounts of all renewal installment payments (inclusive of estimated interest) in the total purchase commitments table below.

In November 2011, 2degrees accepted an offer from the New Zealand Ministry of Economic Development (now part of the MBIE) to renew its 800/900 MHz spectrum licenses effective November 25, 2022 through November 28, 2031. The price will be calculated at the time payment is due in 2022 based on changes to the New Zealand Consumer Price Index and other variables.

2degrees has outstanding commitments with Huawei Technologies (New Zealand) Company Limited ("Huawei") and Tech Mahindra through 2024 for ongoing network infrastructure support and maintenance, technical support and spare parts maintenance, software upgrades, products, professional services, information technology services, and other equipment and services. The significant majority of the commitment relates to existing network technology and includes amounts that will be reflected within both capital expenditures and operating expenses. As of September 30, 2020, a portion of the Huawei commitment contemplated that in 2020 2degrees would purchase existing software licenses from Huawei. In February 2021, effective December 2020, 2degrees and Huawei amended payment terms of the purchase of existing software licenses to provide for installment payments by 2degrees for this commitment. In December 2020, 2degrees paid an initial amount due under this agreement. Additional payments will be made quarterly commencing 2021 through 2022.

In August 2017, the New Zealand government signed an agreement with a New Zealand wireless carriers' joint venture group, consisting of 2degrees, Vodafone, and Spark New Zealand Limited, to fund a portion of the country's rural broadband infrastructure project (the "RBI2 Agreement"). 2degrees paid $5.4 million and $3.4 million for the project under the RBI2 Agreement during the years ended December 31, 2020 and 2019, respectively, and such payments were included in investing activities in the Consolidated Statements of Cash Flows. As of December 31, 2020 and 2019, the investment in this joint venture was $9.9 million and $3.6 million, respectively, included in Other assets in the Consolidated Balance Sheets. 2degrees' estimated outstanding obligation for investments under the RBI2 Agreement does not include potential operating expenses or capital expenditure upgrades associated with the RBI2 Agreement.

(US dollars in thousands unless otherwise noted)

As of December 31, 2020, 2degrees had other purchase commitments through 2025 with various vendors to acquire hardware and software related to ongoing network and Information Technology ("IT") projects, as well as for IT support services, IT development, consulting, advertising and marketing costs. None of these commitments is significant individually.

Total purchase commitments for each of the next five years for New Zealand as of December 31, 2020, based on exchange rates as of that date, are as follows:

Years Ending December 31,		
2021	$	113,592
2022		86,658
2023		28,140
2024		15,894
2025		9,582

During the first half of 2020, 2degrees began fit-out design work in accordance with a pre-lease agreement with a New Zealand real estate developer for the construction of a commercial building and future lease of space to 2degrees for its corporate headquarters. The pre-lease agreement requires 2degrees to enter into a lease upon completion of construction and allows for coordination of fit-out of the headquarters space during the construction period. Construction is expected to be completed in the third quarter of 2021 and physical access to the facility is not yet available. Upon completion of construction, 2degrees expects to execute a twelve-year lease with total expected rent payments over the lease term of approximately $56 million NZD ($40 million based on the exchange rate at December 31, 2020). Since the lease has not yet been executed, we have not included these payments in the table above.

Bolivia

In December 2016, NuevaTel signed an agreement with Telefónica Celular de Bolivia S.A. ("Telecel") pursuant to which Telecel provides NuevaTel an Indefeasible Right to Use of Telecel's existing and future capacity to transport national telecommunications data. This purchase commitment expires in 2031.

NuevaTel also has purchase commitments through 2027 with various vendors primarily to acquire telecommunications equipment, capacity to transport telecommunications data, support services and advertising costs which are not significant individually.

Total purchase commitments for each of the next five years for Bolivia as of December 31, 2020 are as follows:

Years Ending December 31,		
2021	$	18,817
2022		2,358
2023		2,110
2024		2,110
2025		2,110

The Bolivian regulatory authority, the Autoridad de Regulación y Fiscalización de Telecomunicaciones y Transportes of Bolivia ("ATT"), has conditioned the 4G license awarded to NuevaTel on meeting service deployment standards, requiring that the availability of 4G service expand over a 96-month period from urban to rural areas. NuevaTel has met its 4G launch commitments thus far and is required to build LTE sites in all of the 339 municipalities of Bolivia by May 2022. NuevaTel expects to meet this requirement.

Contingencies:
General

The financial statements reflect certain assumptions based on telecommunications laws, regulations and customary practices currently in effect in the countries in which the Company's subsidiaries operate. These laws and regulations can have a significant influence on the Company's results of operations and are subject to change by the responsible governmental agencies. The Company assesses the impact of significant changes in laws, regulations and political stability on a regular basis and updates the assumptions and estimates used to prepare its financial statements when deemed necessary. However, the Company cannot predict what future laws and regulations might be passed or what other events might occur that could have a material effect on its investments or results of operations. In particular, Bolivia has experienced, or may experience, political and social instability.

In addition to issues specifically discussed elsewhere in these Notes to our Consolidated Financial Statements, the Company is a party to various lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. Management believes that although the outcomes of these proceedings are uncertain, any liability ultimately arising from these actions should not have a material adverse impact on the Company's financial condition, results of operations or cash flows. The Company has accrued for any material contingencies where the Company's management believes the loss is probable and estimable.

Bolivian Regulatory Matters

NuevaTel's network has experienced several network outages affecting voice and 3G and 4G data services both locally and nationally over the past several years, and outages continue to occur from time to time due to a variety of causes; some of these outages relate to equipment failures or malfunctions within NuevaTel's network and some outages are the result of failures or service interruptions on communications facilities (e.g. fiber optics lines) leased by NuevaTel from other carriers. As to many of these outages, the ATT is investigating if the outages were unforeseen or were events that could have been avoided by NuevaTel, and, if avoidable, whether penalties should be imposed. The ATT investigated an August 2015 outage (in the town of San José de Chiquitos) and imposed a fine of $4.5 million against NuevaTel in 2016. Following numerous appeals, resulting in the rescission and the subsequent reinstatement of the fine by Ministry of Public Works, Services and Housing, NuevaTel accrued $4.5 million in the third quarter of 2018 in Other current liabilities and accrued expenses as presented in the Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019. NuevaTel continues to contest the matter vigorously and has appealed the reinstatement to the Supreme Tribunal of Justice ("Supreme Tribunal"). The ATT initiated a separate court proceeding against NuevaTel to collect the fine; it was recently required by the court to refile and has yet to serve its complaint on NuevaTel. When served, NuevaTel will assert that the time allowed under new regulations for the collection of the fine has expired and that, in any event, it is not obligated to pay until the Supreme Tribunal rules on its appeal. Unless the collection proceeding is dismissed, NuevaTel expects that it will be required to deposit the fine amount in a restricted account pending resolution of NuevaTel's appeal before the Supreme Tribunal.

In April 2013, the ATT notified NuevaTel that it proposed to assess a fine of $2.2 million against NuevaTel for delays in making repairs to public telephone equipment in several Bolivian cities in 2010. NuevaTel accrued the full amount of the fine plus interest of approximately $0.1 million but also filed an appeal with the Supreme Tribunal in regard to the manner in which the fine was calculated. In December 2017, the court rescinded the fine on procedural grounds but permitted the ATT to impose a new fine. If the ATT does so, NuevaTel will have the right to discharge the fine by paying half of the stated amount of the penalty on condition that NuevaTel foregoes any right of appeal. NuevaTel has not decided what action it may take in such event.

(US dollars in thousands unless otherwise noted)

NOTE 17 – INCOME TAXES

For financial reporting purposes, loss before income taxes includes the following components:

	Years Ended December 31, 2020	2019	2018
Canada	$ (514)	$ (578)	$ 5,934
United States	(45,834)	(42,578)	(42,461)
Foreign	(10,247)	26,382	9,686
Loss before income taxes	$ (56,595)	$ (16,774)	$ (26,841)

Income tax expense (benefit) includes income and withholding taxes incurred in the following jurisdictions:

	Years Ended December 31, 2020	2019	2018
Current:			
Canada	$ -	$ -	$ -
United States	275	125	350
Foreign	7,520	23,734	7,148
	7,795	23,859	7,498
Deferred:			
Canada	$ -	$ -	$ -
United States	-	-	-
Foreign	15,297	(64,655)	(2,609)
	15,297	(64,655)	(2,609)
Total income tax expense (benefit)	$ 23,092	$ (40,796)	$ 4,889

TIP Inc.'s portion of taxable income or loss is subject to corporate taxation in both the U.S. and Canada as a result of the structure of the Arrangement. The federal statutory rates applicable for the U.S. and Canada for the year ended December 31, 2020 are 21% and 25%, respectively. The Company has historically incurred taxable losses which have resulted in Net Operating Loss ("NOL") carryforwards that may be used by the Company to offset future income taxable in the U.S. and Canada. The portion of the Company's taxable income or loss attributable to the noncontrolling interests of Trilogy LLC is taxed directly to such members. Consequently, no provision for income taxes, other than minimal withholding taxes, has been included in the financial statements related to this portion of taxable income. The Company's subsidiaries file income tax returns in their respective countries. The statutory tax rates for 2degrees and NuevaTel for the year ended December 31, 2020 are 28% and 25%, respectively.

The reconciliation between income tax expense (benefit) from continuing operations and the income tax expense (benefit) that results from applying the Canadian federal statutory rate of 25% to consolidated pre-tax earnings is as follows:

(US dollars in thousands unless otherwise noted)

	Years Ended December 31, 2020	2019	2018
Income tax benefit at Canadian federal rate	$ (14,149)	$ (4,194)	$ (6,710)
Earnings attributable to non-tax paying entities	3,650	3,502	3,815
Foreign rate differential	2,032	1,878	714
Change in valuation allowance	24,336	(45,037)	19,398
Effect of intercompany asset transfer	-	-	(23,484)
Impact of tax law changes	-	-	7,237
Foreign withholding tax incurred	3,377	1,316	2,259
Withholding taxes on unrepatriated foreign earnings	(6,149)	(2,281)	(1,212)
Inflation adjustment	(1,285)	(1,824)	(2,235)
Permanent adjustments	2,959	3,322	503
Foreign exchange translation	-	30	2,668
Other - net	8,321	2,492	1,936
Total	$ 23,092	$ (40,796)	$ 4,889

The components of deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Intangible assets	$ 8,272	$ 9,457
Fixed assets	12,980	17,540
Bad debt allowance	7,601	5,332
NOL and foreign tax credit carryforwards	30,790	23,920
Accrued liabilities	11,661	9,106
Excess business interest expense	12,282	9,489
Equity-based compensation	3,484	2,678
Tower sale deferred gain	-	13,758
Tower sale financing obligation	1,155	4,198
Operating lease liability	40,444	-
Other	4,206	7,786
Subtotal	$ 132,875	$ 103,264
Less: valuation allowance	(49,706)	(25,348)
Total net deferred tax assets	$ 83,169	$ 77,916
Contract asset	$ (5,631)	$ (4,914)
Right-of-use asset	(39,964)	-
Withholding taxes on unrepatriated foreign earnings	(7,967)	(9,523)
Total deferred tax liabilities	$ (53,562)	$ (14,437)
Net deferred tax asset	$ 29,607	$ 63,479

Classified on the balance sheet as:

	December 31, 2020	December 31, 2019
Deferred tax asset	$ 37,573	$ 73,216
Deferred tax liability	$ (7,966)	$ (9,737)
	$ 29,607	$ 63,479

(US dollars in thousands unless otherwise noted)

As of December 31, 2020, the Company had NOL carryforwards related to our operations in New Zealand and Bolivia of approximately $30 million and $24 million, respectively. The New Zealand NOLs carry forward indefinitely and the Bolivia NOLs carry forward for three years. Additionally, as of December 31, 2020, TIP Inc. (and its wholly owned U.S. subsidiary) had NOL carryforwards of $55 million and $12 million in the U.S. and Canada, respectively. The U.S. NOL carryforwards generated prior to December 31, 2017 carry forward for a period of 20 years while the U.S. NOL carryforwards generated after December 31, 2017 carry forward indefinitely. The Canadian NOL carries forward for a period of 20 years. The future utilization of certain loss carryforwards is contingent upon shareholder continuity and other requirements being met. As of December 31, 2020, these NOL carryforwards continue to be retained.

Management assesses the need for a valuation allowance in each tax paying component or jurisdiction based upon the available positive and negative evidence to estimate whether sufficient taxable income will exist to permit realization of the deferred tax assets.

On the basis of this evaluation, as of December 31, 2020 our valuation allowance was $50 million. The change from December 31, 2019 to December 31, 2020 primarily related to a $20 million increase in the valuation allowance against the Company's net deferred tax assets in Bolivia as these deferred tax assets are not expected to be realizable. This expense was recorded within Income tax benefit (expense) in our Consolidated Statements of Operations and Comprehensive Income (Loss). The remaining valuation allowance relates to deferred tax assets for TIP Inc. and its U.S. corporate subsidiaries. The amount of the Company's deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carryforward periods are reduced or increased.

We are subject to taxation in Bolivia, New Zealand, the United States and Canada. As of December 31, 2020, the following are the open tax years by jurisdiction:

New Zealand	2015-2020
Bolivia	2014-2020
United States	2017-2020
Canada	2016-2020

Bolivia Tax Matter

During 2019, NuevaTel's 2017 income tax return was selected for examination by the Bolivian tax authorities. The exam team concluded aspects of their audit in the fourth quarter of 2020 and provided their initial findings in January 2021, which challenged certain tax positions, including the deductibility of certain withholding taxes. The potential income tax effect of these positions could be in the range of approximately $1.0 million for each of the years not barred by the statute of limitations (years 2014 - 2020). NuevaTel intends to contest the proposed adjustment and has engaged an external counsel to assist with the examination process and with defending its position once a formal assessment has been issued. Although the outcome of this process cannot be predicted with certainty, we believe it is more likely than not that we will be successful in defending our position based on legal and technical arguments. Accordingly, no reserve has been recorded related to this matter.

Supplemental Cash Flow Disclosure:

	Years Ended December 31,		
	2020	**2019**	**2018**
Income and withholding tax paid	$ 16,019	$ 11,874	$ 15,217

(US dollars in thousands unless otherwise noted)

NOTE 18 – SEGMENT INFORMATION

We determine our reportable segments based on the manner in which our Chief Executive Officer, considered to be the chief operating decision maker ("CODM"), regularly reviews our operations and performance. Segment information is prepared on the same basis that our CODM manages the segments, evaluates financial results, allocates resources, and makes key operating decisions.

We operate two reportable segments identified by their geographic regions:

- New Zealand – 2degrees offers wireless voice and data communication services through both prepaid and postpaid payment plans. 2degrees also provides fixed broadband communications services to business and residential customers in New Zealand.

- Bolivia – NuevaTel offers voice and data services through both prepaid cards and postpaid payment plans to its mobile customers in Bolivia. In addition, NuevaTel offers fixed LTE wireless services and public telephony services.

Our CODM evaluates and measures segment performance primarily based on revenues and Segment Adjusted EBITDA. Segment Adjusted EBITDA represents (loss) income before income taxes excluding amounts for (1) interest expense (benefit); (2) depreciation, amortization and accretion; (3) equity-based compensation (recorded as a component of General and administrative expenses); (4) (gain) loss on disposal of assets and sale-leaseback transaction; and (5) all other non-operating income and expenses. Adjusted EBITDA is a common measure of operating performance in the capital-intensive telecommunications industry. We believe Segment Adjusted EBITDA is a key measure for internal reporting; it is used by management to evaluate profitability and operating performance of our segments and to allocate resources because it allows us to evaluate performance absent non-operational factors that affect net (loss) income. Adjusted EBITDA is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies unless the definition is the same.

Revenue is attributed to regions based on where services are provided. Segment results do not include any intercompany revenues. The identifiable assets by segment disclosed in this note are those assets specifically identifiable within each segment and include cash and cash equivalents, net property and equipment, goodwill, and other intangible assets. Assets and capital expenditures not identified by reportable segment below are associated with corporate assets. Corporate assets consist primarily of cash and cash equivalents available for general corporate purposes, investments and assets of the corporate headquarters. Expense and income items excluded from segment earnings are managed at the corporate level. The accounting policies of the reportable segments are the same as those described in Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies.

No customer accounted for more than 10% of the Company's consolidated total revenues in 2020 or 2019. Historically, the Company's largest customer was a New Zealand retail reseller of wireless devices and accessories and represented approximately 12% of the Company's consolidated total revenues in 2018. The revenue from this customer was primarily from equipment sales of handsets. No other customer accounted for more than 10% of the Company's consolidated total revenues for the year ended December 31, 2018.

The table below presents financial information for our reportable segments and reconciles total Segment Adjusted EBITDA to Loss before income taxes:

	Year ended December 31,		
	2020	**2019**	**2018**
Revenues			
New Zealand	$ 458,858	$ 486,380	$ 556,410
Bolivia	151,001	206,804	240,941
Unallocated Corporate & Eliminations	440	743	824
Total revenues	$ 610,299	$ 693,927	$ 798,175

(US dollars in thousands unless otherwise noted)

Segment Adjusted EBITDA			
New Zealand	$ 111,446	$ 106,308	$ 90,396
Bolivia	6,613	42,475	65,531
Equity-based compensation	(5,637)	(4,041)	(5,856)
Acquisition and other nonrecurring costs	(2,360)	(6,946)	(4,002)
Depreciation, amortization and accretion	(106,971)	(109,845)	(111,889)
Gain (loss) on disposal of assets and sale-leaseback transaction	2,525	11,169	(1,346)
Interest expense	(46,517)	(45,988)	(45,913)
Change in fair value of warrant liability	(49)	1	6,361
Debt modification and extinguishment costs	-	-	(4,192)
Other, net	(4,611)	555	(4,682)
Unallocated Corporate & Eliminations	(11,034)	(10,462)	(11,249)
Loss before income taxes	$ (56,595)	$ (16,774)	$ (26,841)
Depreciation, amortization and accretion			
New Zealand	$ 64,635	$ 64,197	$ 66,160
Bolivia	41,907	44,944	45,107
Unallocated Corporate & Eliminations	429	704	622
Total depreciation, amortization and accretion	$ 106,971	$ 109,845	$ 111,889
Capital expenditures			
New Zealand	$ 65,060	$ 59,555	$ 53,085
Bolivia	12,251	25,636	29,659
Unallocated Corporate & Eliminations	20	21	180
Total capital expenditures	$ 77,331	$ 85,212	$ 82,924
Total assets			
New Zealand	$ 602,568	$ 496,270	
Bolivia	340,436	331,538	
Unallocated Corporate & Eliminations	46,027	10,819	
Total assets	$ 989,031	$ 838,627	

(US dollars in thousands unless otherwise noted)

The table below presents total revenues by product or service type for the years ended December 31, 2020, 2019 and 2018:

	New Zealand	Bolivia	Unallocated Corporate & Eliminations	Total
Year ended December 31, 2020				
Wireless service revenues	$ 266,630	$ 144,820	$ -	$ 411,450
Wireline service revenues	83,545	-	-	83,545
Equipment sales	101,860	4,399	-	106,259
Non-subscriber ILD and other revenues	6,823	1,782	440	9,045
Total revenues	**$ 458,858**	**$ 151,001**	**$ 440**	**$ 610,299**
Year ended December 31, 2019				
Wireless service revenues	$ 261,218	$ 195,974	$ -	$ 457,192
Wireline service revenues	69,317	-	-	69,317
Equipment sales	149,103	8,403	-	157,506
Non-subscriber ILD and other revenues	6,742	2,427	743	9,912
Total revenues	**$ 486,380**	**$ 206,804**	**$ 743**	**$ 693,927**
Year ended December 31, 2018				
Wireless service revenues	$ 265,947	$ 234,380	$ -	$ 500,327
Wireline service revenues	61,804	-	-	61,804
Equipment sales	217,015	4,595	-	221,610
Non-subscriber ILD and other revenues	11,644	1,966	824	14,434
Total revenues	**$ 556,410**	**$ 240,941**	**$ 824**	**$ 798,175**

NOTE 19 – RELATED PARTY TRANSACTIONS

The TISP 2022 Notes were purchased by certain beneficial owners of the Trilogy LLC 2022 Notes as well as SG Enterprises II, LLC, which purchased $7.0 million of TISP 2022 Notes. SG Enterprises II, LLC is a Washington limited liability company owned by John W. Stanton and Theresa E. Gillespie. John W. Stanton is the Chairman of the Board of TIP Inc. and Theresa E. Gillespie is a Director of TIP Inc.

NuevaTel engages in certain service-related transactions with its noncontrolling interest in the ordinary course of business, which are included in our consolidated financial statements. During the years ended December 31, 2020, 2019 and 2018, NuevaTel incurred interconnection and other expenses of $0.6 million, $0.6 million and $0.9 million, respectively, with its noncontrolling interest. During the years ended December 31, 2020, 2019 and 2018, NuevaTel received interconnection and other revenues of $0.4 million, $0.5 million and $0.4 million, respectively, from its noncontrolling interest. In February 2013, NuevaTel signed an agreement with its noncontrolling interest to share a portion of international data telecommunications service capacity under an agreement with a third party service provider ("Capacity Agreement"). During the years ended December 31, 2020, 2019 and 2018, NuevaTel earned $1.2 million, $1.3 million and $1.1 million, respectively, from its noncontrolling interest under the Capacity Agreement which is recorded as a reduction of cost of service. As of December 31, 2020, NuevaTel has a net receivable due from its noncontrolling interest of $0.8 million and this amount is expected to be received according to an installment plan agreement. As of December 31, 2019, the net receivable balance with NuevaTel's noncontrolling interest was insignificant.

In August 2019, 2degrees entered into an EIP receivables secured borrowing arrangement with the Purchaser and financial institutions that lend capital to the Purchaser. The Company evaluated the structure and terms of the arrangement and determined that the Purchaser is a VIE because it lacks sufficient equity to finance its activities and its equity holder, which is one of the financial lending institutions, lacks the attributes of a controlling financial interest. The Company determined that 2degrees is the primary beneficiary of the Purchaser and thus the Purchaser is required to be consolidated in our financial statements. For additional information, see Note 4 – EIP Receivables.

On July 31, 2013, Trilogy LLC entered into an agreement (the "Agreement") with Salamanca Holding Company ("SHC"), a Delaware limited liability company, and three former Trilogy LLC executives. Pursuant to the Agreement, Trilogy LLC transferred to SHC 80% of Trilogy LLC's interest in its wholly owned subsidiary, Salamanca Solutions International LLC ("SSI"), in exchange for 2,140 Class C Units held by the three individuals. Pursuant to a subsequent agreement among the owners of SHC, one of these individuals transferred his ownership interest to the other two owners of SHC.

Since 2008, SSI has licensed billing and customer relations management intellectual property that it owned, known as Omega (the "Omega IP"), and associated software support and development services, to NuevaTel. NuevaTel paid maintenance fees to SSI that covered most of the operating costs of SSI. The Company believes that SHC, as the majority owner of SSI, is seeking to identify new sources of revenue from third party customers for the software services that SSI can provide. Trilogy LLC, through a wholly owned subsidiary, holds an option to acquire the Omega IP at nominal cost if SSI ceases business operations in the future. Trilogy LLC has the right to appoint one of the members of the SSI board of directors and has certain veto rights over significant SSI business decisions. The impact on our consolidated results related to SSI was an increase to net loss of $40 thousand, an increase to net income of $49 thousand and an increase to net loss of $150 thousand for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company and its officers have used, and may continue to use, jet airplanes owned by certain of the Trilogy LLC founders. The Company reimburses the Trilogy LLC founders at fair market value and on terms no less favorable to the Company than the Company believes it could obtain in comparable transactions with a third party for the use of these airplanes. There were no such reimbursements made during the year ended December 31, 2020. For the years ended December 31, 2019 and 2018, the Company reimbursed the Trilogy LLC founders approximately $49 thousand and $23 thousand, respectively, for the use of their airplanes.

Trilogy LLC has a non-interest bearing loan outstanding to New Island Cellular, LLC ("New Island"), an entity with which one of Trilogy LLC's members and former managers is affiliated, in an aggregate principal amount of approximately $6.2 million (the "New Island Loan"), the proceeds of which were used to cover additional taxes owed by New Island as a result of Trilogy LLC's 2006 election to treat its former subsidiary, ComCEL, as a U.S. partnership for tax purposes. The New Island Loan is secured by New Island's Class C Units but is otherwise non-recourse to New Island. The New Island Loan will be repaid when and if (i) distributions (other than tax distributions) are made to the members of Trilogy LLC, with the amounts of any such distributions to New Island being allocated first to the payment of the outstanding amounts of the New Island Loan, or (ii) New Island transfers its Class C Units to any person or entity (other than an affiliate that assumes the New Island Loan). The outstanding receivable balance is offset against additional paid in capital in our Consolidated Balance Sheets.