

RIGNET, INC.

FORM 10-K (Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

or

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

For the transition period from _____ to _____

Commission file number 001-35003

RigNet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

76-0677208
(I.R.S. Employer
Identification No.)

1880 S. Dairy Ashford, Suite 300
Houston, Texas
(Address of principal executive offices)

77077-4760
(Zip Code)

Registrant's telephone number, including area code: (281) 674-0100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

As of June 30, 2015, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock, \$0.001 par value per share (the "Common Stock") held by non-affiliates of the registrant on such date was approximately \$540.9 million. For purposes of this calculation, only executives and directors are deemed to be affiliates of the registrant. At February 20, 2016, there were outstanding 17,757,945 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2016 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 2015 are incorporated herein by reference in Part III of this Annual Report.

TABLE OF CONTENTS

		<u>Page</u>
	<u>PART I</u>	
Item 1	Business	3
Item 1A	Risk Factors	15
Item 1B	Unresolved Staff Comments	34
Item 2	Properties	34
Item 3	Legal Proceedings	34
Item 4	Mine Safety Disclosures	34
	<u>PART II</u>	
Item 5	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6	Selected Financial Data	37
Item 7	Management’s Discussion and Analysis of Financial Condition and Results of Operations	42
Item 7A	Quantitative and Qualitative Disclosures about Market Risk	59
Item 8	Financial Statements and Supplementary Data	59
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	59
Item 9A	Controls and Procedures	59
Item 9B	Other Information	62
	<u>PART III</u>	
Item 10	Directors, Executive Officers and Corporate Governance	63
Item 11	Executive Compensation	63
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	63
Item 13	Certain Relationships and Related Transactions, and Director Independence	63
Item 14	Principal Accounting Fees and Services	63
	<u>PART IV</u>	
Item 15	Exhibits, Financial Statement Schedules	64

PART I

Item 1. Business

For convenience in this Annual Report on Form 10-K, “RigNet”, the “Company”, “we”, “us”, and “our” refer to RigNet, Inc. and its subsidiaries taken as a whole, unless otherwise noted.

Overview

We are a leading global provider of digital technology solutions to the oil and gas industry. Through a controlled and managed IP/MPLS (Internet Protocol/Multiprotocol Label Switching) global network, we deliver voice, data, video and other collaborative services under a multi-tenant revenue model. Our customers use our secure communications and private extranet to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unavailable or unreliable. We offer our clients what is often the sole means of communications with their remote operations, including offshore and land-based drilling rigs, offshore and onshore production facilities, maritime vessels and regional support offices. To ensure the maximum reliability demanded by our customers, we deliver our services through our IP/MPLS global network, tuned and optimized for communications with remote endpoints, that serves oil and gas customers both in the United States and in international markets. As of December 31, 2015, we were the primary provider of remote communications and collaborative services to approximately 500 customers reaching about 1,100 remote sites located in approximately 50 countries on six continents. For the year ended December 31, 2015, our revenue generated from countries outside of the U.S. represented 70.5% of total revenue.

The emergence of highly sophisticated processing and visualization systems has allowed oil and gas companies to make decisions based on reliable and secure real-time information carried by our network from anywhere in the world to their home offices. We deliver turn-key solutions and value-added services that simplify the management of multiple communications services, allowing our customers to focus their attention on their core oil and gas drilling, production and services operations. Our customer solutions enable broadband data, voice and video communications with quality, reliability, security and scalability that is superior to conventional switched transport networks. Key aspects of our services include:

- managed services solutions offered at a per site, per day subscription rate primarily through customer agreements with terms that typically range from one month to three years, with some customer agreement terms as long as five years;
- enhanced end-to-end IP/MPLS global network to ensure significantly greater network reliability, faster trouble shooting and service restoration time and quality of service for various forms of data traffic;
- enhanced end-to-end IP/MPLS global network that allows new components to be plugged into our network and be immediately available for use (plug-and-play);
- a network designed to accommodate multiple customer groups resident at a site, including rig owners (drillers), operators, service companies and pay-per-use individuals;
- value-added services, such as remote video conferencing, WAN acceleration and WiFi hotspots, benefiting the multiple customer groups resident at a site;
- proactive network monitoring and management through a network operations center that actively manages network reliability at all times and serves as an in-bound call center for trouble shooting, 24 hours per day, 365 days per year;
- engineering and design services to determine the appropriate product and service solution for each customer;
- Telecoms Systems Integration (TSI) services to design, assemble, install and commission turn-key solutions for customer telecommunications systems;
- installation of on-site equipment designed to perform in extreme and harsh environments with minimal maintenance; and
- maintenance and support through locally-deployed engineering and service support teams as well as warehoused spare equipment inventories.

[Table of Contents](#)

We believe our solutions help our customers increase their revenue and better manage their costs and resource allocations through the delivery, use and management of real-time information. We believe our commitment to our customers and the embedded nature of our solutions strengthens and extends our customer relationships.

We believe we have lower capital expenditures than other remote communications providers because we do not own or operate any satellites, own terrestrial wireless facilities and landlines, or, as a general rule, own or operate teleport facilities and data centers. In order to provide our end-to-end services, we procure bandwidth from independent commercial satellite-services operators and terrestrial wireless and landline providers to meet the needs of our customers for end-to-end IP-based communications. We generally own the network infrastructure and communications equipment we install at remote sites as well as co-located equipment in third-party teleport facilities and data centers, all of which we procure through various high quality equipment providers. By owning the network infrastructure and communications equipment on the customer premises, we are better able to ensure the high quality of our products and services and diagnostically select the optimal equipment suite and solution for each customer. Our network and communications services are designed to accommodate all customers at remote oil and gas sites including rig owners (drillers), operators, service companies and pay-per-use individuals, such as off-duty rig workers and visiting contractors, vendors and other visitors. Our remote communications services are initially offered to drillers, and the initial capital investment is scaled by up-selling communications services to other parties present on the rigs, such as operators, service companies and pay-per-use individuals, as well as through the cross-selling of value-added services.

Our Industry

The remote telecommunications industry is highly competitive with a wide variety of companies and new potential entrants from adjacent vertical markets and from within the broader value chain. Within the remote telecommunications industry, we serve oil and gas companies that operate their remote locations through global “always-connected” networks driving demand for communications services and managed services solutions that can operate reliably in increasingly remote areas under harsh environmental conditions.

The oil and gas industry depends on maximum reliability, quality and continuity of products and services. Oil and gas companies with geographically dispersed operations are particularly motivated to use secure and highly reliable communications networks due to several factors:

- oil and gas companies rely on secure real-time data collection and transfer methods for the safe and efficient coordination of remote operations;
- technological advances in drilling techniques have enabled increased exploitation of offshore deepwater reserves and development of unconventional reserves (e.g., shales and tight sands) that require real-time data access by personnel in field and head offices to optimize performance and maintain safety standards; and
- transmission of increased data volumes and real-time data management and access to key decision makers enable customers to maximize operational results, safety and financial performance.

While we experience competition in our markets, we believe that our established relationships with customers and proven performance serve as significant barriers to entry.

Operations

We are a global provider of managed remote communications, TSI (project management of turn-key engineered telecommunications solutions) and collaborative applications dedicated to the oil and gas industry, focusing on offshore and onshore drilling rigs, energy production facilities and maritime. Our business operations are divided into three reportable segments: Eastern Hemisphere, Western Hemisphere and TSI. For financial information about our reportable segments, see Note 13 – “Segment Information” in our consolidated financial statements included in this Annual Report on Form 10-K.

- **Eastern Hemisphere.** Our Eastern Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Eastern Hemisphere segment services are primarily performed out of our Norway, United Kingdom, Qatar, and Singapore based offices for customers and rig sites located on the eastern side of the Atlantic Ocean primarily off the coasts of the United Kingdom, Norway, West Africa, around the Indian Ocean in Qatar, Saudi Arabia and India, around the Pacific Ocean near Australia, and within the South China Sea.

[Table of Contents](#)

- **Western Hemisphere.** Our Western Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Western Hemisphere segment services are primarily performed out of our United States and Brazil based offices for onshore and offshore customers and rig sites located on the western side of the Atlantic Ocean primarily in the United States, Canada, Mexico and Brazil, and within the Gulf of Mexico.
- **Telecoms Systems Integration (TSI).** Our TSI segment designs, assembles, installs and commissions turn-key solutions for customer telecommunications systems. TSI segment solutions are custom designed and engineered turn-key solutions based on the customer's specifications, as well as, international industry standards and best practices. TSI projects include consultancy services, design, engineering, project management, procurement, testing, installation, and commissioning and after-sales service. Our TSI segment services are primarily performed out of our United Kingdom and United States based offices for customers globally.

As of December 31, 2015, we were serving 238 jack up, semi-submersible and drillship rigs, a decrease of 40 rigs since December 31, 2014. We calculate our market share to be based on an IHS-Petrodata RigBase Current Activity report as of December 31, 2015 excluding cold-stacked rigs, rigs under construction, rigs out of service and rigs in sanctioned countries, as we do not consider these rigs to be addressable. We approximate our addressable market share to be 32.3% as of December 31, 2015, which is down compared to 35.5% as of December 31, 2014. As of December 31, 2015, we were serving 519 strategic initiative sites, a decrease of 43 sites since December 31, 2014. Strategic initiative sites include production facilities, support vessels and international onshore rigs. As of December 31, 2015, we were also serving 373 other sites, a decrease of 303 sites since December 31, 2014. Other sites include U.S. onshore drilling rigs, completion facilities, remote support offices and supply bases. We had approximately a 13.8% market share for U.S. onshore drilling rigs based on Baker Hughes North America Rotary Rig Count for December 2015.

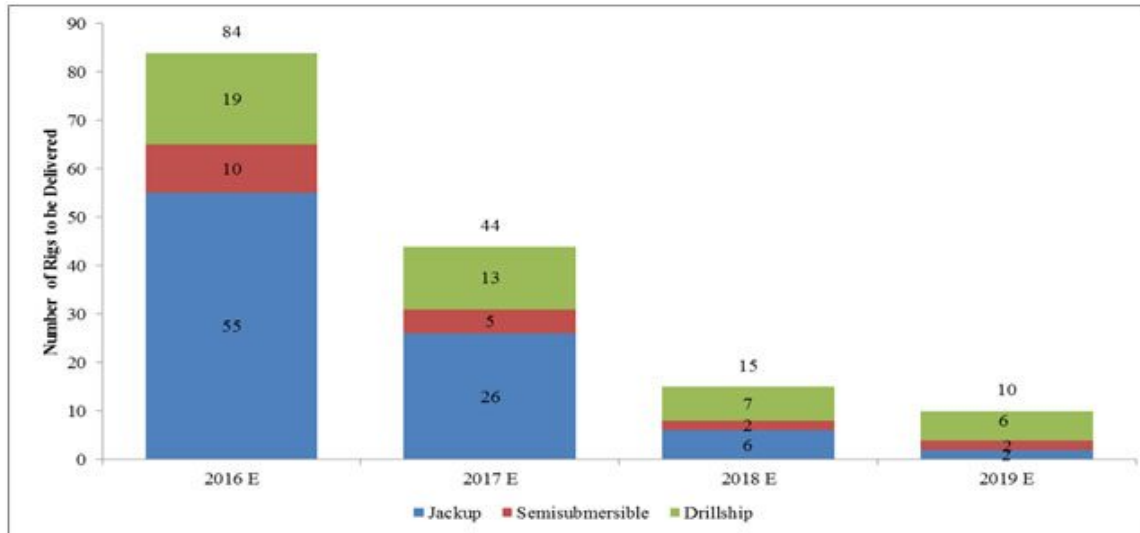
Our Strategy

To serve our customers and grow our business, we intend to pursue aggressively the following:

- expand our share of offshore and onshore drilling rigs;
- increase secondary customer penetration on our existing remote sites;
- develop and market additional value-added products and services; and
- extend our market presence into complementary remote communications segments through organic growth and strategic acquisitions.

Expand our share of offshore and onshore drilling rigs: We intend to expand our drilling rig market share by increasing our penetration of the market for newly-built rigs, capturing existing rigs from competitors because of our superior performance, landing fleet-wide opportunities with major drillers, capturing opportunities made available as a result of potential drilling rig industry consolidation and improving penetration in new and underserved geographic markets. Because of our established relationships with our customers, reliable and robust service offerings and best-in-class customer service, we believe that we are well-positioned to capture new build and reactivated stacked rigs that our customers add to their fleets as well as to organically gain market share against other providers. Although management has observed the pace of cold stacking and scrapping of offshore rigs recently increasing, management plans to aggressively pursue higher specification new build offshore rigs. The table below presents global fixed and floating rigs which, as of December 31, 2015, are scheduled to be delivered between 2016 and 2019.

Fixed and Floating Rigs Scheduled for Delivery



Source: IHS-Petrodata RigBase Current Activity data as of December 31, 2015.

We intend to expand our penetration of the U.S. and international onshore drilling rig market. Although, the Baker Hughes U.S. land rig count has declined approximately 67.0% to 637 units as of late January 2016 since its recent peak of 1,931 in late November 2014, we believe we are well-positioned to increase our penetration in this segment because of our experience in the U.S. onshore drilling rig market, our in-depth understanding of the needs of oil and gas customers, high quality of service and global data network infrastructure. The Baker Hughes U.S. land rig count has declined approximately 62.1% to 698 units in late December 2015 from 1,840 in late December 2014.

Increase secondary customer penetration: We intend to continue to scale our initial capital investment with rig owners (drillers) by using our incumbent position at remote sites to serve other users on the rigs. We will seek to increase revenue with low incremental capital costs by up-selling our services to other parties on the rigs, production platforms and support vessels, including drillers, operators, services companies and pay-per-use individuals.

Develop and market additional value-added products and services: We intend to continue to serve our customers' needs by commercializing additional products and services that complement our wide array of available remote communications services. We expect that over the next several years our customer base will require a variety of advanced products such as real-time functionality, videoconferencing, software acceleration technology, WiFi hotspots and media. These products will be further supported by our acquired TSI solutions and other services designed to meet the infrastructure needs of our customers.

Through our engineering expertise, technical sales force and operational capabilities, we will continue to position ourselves to capture new business opportunities and offer our customers a full range of remote communications services at different levels within customer organizations.

Extend our market presence into complementary remote communications segments through organic growth and strategic acquisitions: Our market presence and proven quality of service offer significant organic growth opportunities in targeted adjacent upstream energy segments where we are well positioned to deliver remote communications solutions. Targeted segments include energy and non-energy related vessels (including seismic and offshore support and supply vessels), offshore fixed and floating production facilities and international onshore drilling rigs and production facilities.

In addition, we will continue to look for and review opportunities in other remote communications market adjacencies that offer significant opportunities for growth and where we are well positioned to take advantage of these opportunities.

We are also focused on expanding our competitive market position through strategic acquisitions. As we continue to focus on expanding the target markets for our products, services and solutions, we plan to selectively acquire companies and/or technologies that would be complementary to our existing business. Strategic acquisition opportunities may be pursued to enhance our operations and further our strategic objectives.

[Table of Contents](#)

In February 2016, we completed our acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR). As a result of this acquisition, we are expanding our services to include a wide array of equipment, voice and data services, satellite coverage and bandwidth options in Mexico. These services are provided to industrial, commercial and private users in diverse activity segments from mission critical military and government applications, oil and gas operations, commercial fishing and leisure.

In 2014, with the acquisition of Inmarsat's Enterprise Energy business unit, we expanded our services to include microwave and WiMAX networks in the U.S. Gulf of Mexico serving drillers, producers and energy vessel owners, Very Small Aperture Terminal (VSAT) interests in Canada, an M2M SCADA VSAT network in the continental U.S. serving the pipeline industry, a worldwide TSI business and a global L-band MSS retail energy business.

Additionally, in 2014, we executed an agreement with Inmarsat to be a distribution partner to deliver Inmarsat's Global Xpress (GX) and L-band services to the energy sector worldwide. We expect to begin delivering GX services in mid to late 2016.

Competitive Strengths

As a leading global provider of digital technology solutions to the oil and gas industry, our competitive strengths include:

- mission-critical services delivered with a global network and operations;
- high-quality customer support with full time monitoring and regional service centers;
- operational leverage and multiple paths to growth supported by a plug-and-play IP/MPLS global platform;
- scalable telecoms systems using standardized equipment that leverage our global infrastructure;
- customized TSI solutions provided by expert telecoms systems engineers;
- flexible, provider-neutral technology platform;
- long-term relationships with leading companies in the oil and gas industry; and
- the ability to design and implement a broad range of communication solutions using a range of frequencies and modes of communication.

Mission-critical services delivered by a trusted provider with global operations: Our focus on the oil and gas industry provides us with an in-depth understanding of the mission-critical needs of our customers that enables us to tailor our services to their requirements. Our network reliability and responsive customer service, along with the high switching costs associated with changing of remote communications providers, provide us with a high rate of customer retention. Our global presence allows us to serve our clients around the world, except where U.S. government restrictions may apply. Our global terrestrial network also allows us to provide quality of service to prioritize various forms of data traffic for a more pleasing end user experience. Our ability to offer our customers such global coverage sets us apart from regional competitors at a time when our customers are expanding the geographic reach of their own businesses, exploring for oil and gas reserves in more remote locations and seeking remote communications partners that can match the breadth of their global operations and speed of deployment.

High-quality customer support with full-time monitoring and regional service centers: Our IP/MPLS global network allows us to provide high quality customer care by enabling us to monitor the network end-to-end so that we can easily and rapidly identify and resolve any network problems that our customers may experience. As of December 31, 2015, we had 42 service operations centers and warehouses to support and service our customers' remote sites. A Global Network Operations Center located in Houston, Texas is staffed 24 hours per day, 365 days per year. We provide non-stop, end-to-end monitoring and technical support for every customer. This proactive network monitoring allows us to detect problems instantly and keep our services running at optimum efficiency. Fully managed technology is a key reason why we can support solutions that deliver high performance and new technologies that improve productivity. As of December 31, 2015, our onshore services were supported through a network of 15 field service centers and equipment depots, located in major oil and gas regions in the continental United States. Our onshore footprint allows us to respond with high quality same-day service for the shorter drilling cycles inherent in onshore drilling where rapid installation, decommissioning and repair services are required. We maintain field technicians as well as adequate spare parts and equipment inventory levels in these service centers.

Operational leverage and multiple paths to growth supported by a plug-and-play IP/MPLS platform: Our scalable, standardized communications platform provides us with plug-and-play capabilities to easily expand or improve service offerings. Our IP/MPLS global platform allows us the ability to add additional services to our standard offerings or change our service offerings on a rig, production platform or energy support vessel with little incremental cost once installed onsite. We can offer these services to all users of the rig, production platform or energy support vessel, including drillers, operators, service companies and pay-per-use individuals, such as off-duty rig workers and visiting contractors, vendors and others. We expect this operating leverage to help drive an expansion in our Adjusted EBITDA as we grow, which is defined in Item 6. "Selected Financial Data" of this Annual Report on Form 10-K. Our IP/MPLS global platform gives us an important advantage by offering greater reliability, scalability, flexibility and security than conventional switched transports and accounts for what we believe to be a key reason for the market share we have today of remote installations on offshore and onshore drilling rigs with the potential that we can lift that market share over time.

Scalable systems using standardized equipment that leverages our global infrastructure: We have built our global satellite and terrestrial network with a sufficient amount of flexibility to support our growth without substantial

incremental capital investment. Our knowledge and capabilities can be applied to remote sites located anywhere in the world. We install standardized equipment at each remote site, which allows us to provide support and maintenance services for our equipment in a cost-efficient manner. Not all of the components of equipment that we install at each site are the same, but the components that vary are limited in number and tend to be the same for rigs located in the same geography. As of December 31, 2015, we leased capacity from 42 satellites, and are co-located in 26 teleports and 32 datacenters worldwide in order to provide our end-to-end solutions. By leasing rather than owning our network enablers and owning the on-site equipment at each site, we are able to both minimize the capital investment required by the base network infrastructure and maintain the flexibility to install high quality equipment at each site tailored to its locale and environmental conditions. We do own and manage the IP layer end-to-end. The standardized nature of our equipment minimizes execution risk, lowers maintenance and inventory carrying costs and enables ease of service support. In addition, we are able to remain current with technology upgrades due to our back-end flexibility.

Customized TSI solutions provided by expert telecoms systems engineers: Through the acquisition of Nessco Group Holdings Ltd (Nessco) and Inmarsat's Enterprise Energy business unit, we now provide customized TSI solutions. As the demand for additional telecommunications products and telecoms systems continues to increase with each new technological advance, the need for well-designed, efficient and reliable network infrastructures becomes increasingly vital to remote communications customers. Our TSI solutions are custom designed, built and tested by expert engineers based on the customer's specifications and requirements, as well as international industry standards and best practices. These services provide customers with improved telecoms system reliability, operational efficiency and cost savings. For those customers requiring reliable remote communications services, maintenance and support services and customized solutions for their network infrastructures, RigNet provides a one-stop-shop to satisfy these demands.

Flexible, provider-neutral technology platform: Because we procure communications connections and networks and equipment from third parties, we are able to customize the best solution for our customers' needs and reduce our required fixed capital investments. We aim to preserve the flexibility to select particular service providers and equipment so that we may access multiple providers and avoid downtime if any of our initial providers were to experience any problems. By procuring bandwidth from a variety of communications providers instead of owning our own satellites, we are able to minimize capital investment requirements and can expand our geographic coverage in response to customers' needs with much greater flexibility. Our product and service portfolio offers best-in-class technology platforms using the optimal suite communications and networking capabilities for customers.

Long-term relationships with leading companies in the oil and gas industry: We have established relationships with some of the largest companies in the global oil and gas industry. Some of our key customers are the leading contract drillers around the globe, with combined offshore fleets of hundreds of rigs, as well as leading oil and gas companies, oilfield services firms and engineering and construction companies. In most cases, these customers are investment grade rated companies with high standards of service that favor strategic providers such as RigNet and work in partnership with us to serve their remote operations.

The ability to design and implement a broad range of communication solutions using a range of frequencies and modes of communication: We have the ability to design and implement a broad range of communication solutions using a range of frequencies and modes of communication. These modes of communication include wired, wireless satellite Ku, C, L and Ka bands as well as wireless WiMAX and Line-of-Sight (LOS) microwave. This range of communications solutions allows us to offer competitive and reliable communications solutions in a broad range of remote geographic locations where our customer base of leading global drilling, exploration and production and oilfield service customers operate. This helps us meet our customers' requirements for choosing their provider(s) based on maximum reliability while factoring price.

Service Offerings

We offer a comprehensive communications package of voice, data, video, networking and real-time data management to offshore and land-based remote locations. We are a single source solutions provider that links multiple offshore or remote sites with real-time onshore decision centers and applications.

The main services we offer are high quality voice-over-Internet-protocol, or VoIP, data and high-speed Internet access. In addition, we increasingly provide other value-added services, such as video conferencing solutions, TurboNet WAN (for wide area network) acceleration solutions, real-time data management solutions, Wi-Fi hotspots and Internet kiosks, wireless intercoms and handheld radios. The price for these value-added services is generally included in the day rate and becomes incorporated into the recurring revenue from our customers.

TSI

As the demand for additional telecommunications products and telecoms systems continues to increase with each new technological advance, the need for well-designed, efficient and reliable network infrastructures becomes increasingly vital to our customers. Our TSI solutions are custom designed, engineered and built based on the customer's specifications and requirements, as well as international industry standards and best practices. Each TSI project includes consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and after-sales service. These services provide our customers with improved telecoms systems reliability, operational efficiency and cost savings.

Our TSI services are provided principally out of our custom built, 26,000 square foot facilities in Aberdeen, Scotland. This facility has been specifically designed to facilitate the end-to-end process of telecoms systems mechanical fabrication, build and assembly through to final TSI Testing (SIT) and Factory Acceptance Testing (FAT). The workshops are fully provisioned with all the tools, equipment and the skilled engineers and technicians necessary to complete all operations in house, maintaining total control of both of the engineering and quality of all the processes involved in the completion of each project.

Video Conferencing Solutions

The oil and gas industry increasingly uses video conferencing to save significant amounts of time and reduce costs. As an alternative to excessive travel and traditional meetings, video conferencing improves collaboration and expedites decision making. We provide a complete, high-performance video conferencing solution scalable for a wide range of uses. Increasingly, we are deploying videoconferencing solutions to remote sites, allowing our customers to conduct secure and reliable videoconferences between their offices and their remote sites.

We also offer high-resolution hand held wireless cameras through our Remote View service that allows experts in offices to troubleshoot equipment at remote sites, which can save customers time and money, with recent successful deployments in the Gulf of Mexico and the North Sea.

TurboNet Solutions

Our customers are increasingly pushing software application use to the edge of their networks (remote sites such as drilling rigs, production facilities and vessels). While VSAT connections are reliable, many software applications are not designed to perform optimally over highly latent satellite links. Working with Riverbed Technology, Inc. (Riverbed) we deploy infrastructure appliances to improve the performance of client-server interactions over WANs without breaking the semantics of the protocols, file systems or applications. Whether our customers are copying a file from a distant file server, getting mail from a remote exchange server, backing up remote file servers to a main datacenter or sending very large files to colleagues at headquarters, slow WANs cost time and money. The costs are borne in redundant infrastructure, over-provisioned bandwidth, and lost productivity.

Working with Riverbed's appliances, RigNet's TurboNet solution can improve the performance, or throughput, of client-server interactions over WANs by up to 100 times, giving the end user the appearance that the server is local rather than remote. That degree of apparent network speed improvement enables our customers to centralize currently distributed resources like storage, mail servers and file servers and deliver new WAN-based IT services that have not been possible before. Not only do the software applications perform more as they would in offices, but our customers may better optimize the use of expensive satellite bandwidth.

Wi-Fi Hotspot and Internet Kiosk

We offer WiFi hotspot and Internet kiosk solutions that facilitate access to the Internet by rig-based personnel. This is advantageous for rig owners (drillers) who seek to improve the quality of life for employees by providing Internet access in the living quarters, and for service companies that seek office-like connectivity for their technicians and engineers. The WiFi hotspot and Internet kiosk solutions provide ready access with a familiar user interface without requiring specialized equipment to connect to the service. These solutions are generally paid for by the business customer as a benefit to its remote employees.

SOIL (Secure Oil Information Link)

In addition to the services we provide to offshore and onshore remote sites, we also operate a proprietary extranet, known as the Secure Oil Information Link (SOIL), enabling oil companies and their counterparties, such as rig owners (drillers), service companies and application service providers, to connect and collaborate on a high-speed, secure and reliable basis. As of December 31, 2015, SOIL's value-added services were being provided to more than 200 oil and gas operators, service companies and other industry suppliers throughout the North Sea region. These customers use SOIL services to collaborate with partners and suppliers or for internal company communications.

The SOIL network is a fully managed, high-performance, members-only communications network hub that enables collaborative partners, suppliers and customers to transfer and share data quickly, reliably and securely. We believe that this one-to-many private extranet is a cost effective and easy-to-deploy alternative to building out point-to-point VPN (virtual private network) connections. The network members do not have to extend the extranet to other partners or suppliers individually. With one link to SOIL, clients are connected to all other members.

With a service level uptime commitment of 99.9%, our two SOIL nodes, which support a wide range of bandwidths from 64 Kbps to 10 Gbps, offering speed and reliability ideal for a variety of applications used in the oil and gas industry as well as value-added services we provide such as SOIL Meeting (video conferencing) and SOIL Hosting (application hosting). SOIL offers clients quality of service and a guaranteed bandwidth that may be increased or decreased according to requirements.

We charge a monthly subscription fee for access to the SOIL network depending on the desired access speed. In addition, we charge for installation of the required equipment and value-added services.

Customer Contracts

In order to streamline the addition of new projects and solidify our position in the market, we have signed agreements with most customers that define the contractual relationship with oil and gas producers, service companies and drilling companies for our offshore and land-based telecommunications services. The specific services being provided are defined under individual service orders that have a term of one to three years with renewal options, while land-based locations are generally shorter term or terminable on short notice without penalty. Service orders are executed under the customer agreements for individual remote sites or groups of sites, and generally may be terminated early on short notice without penalty in the event of force majeure, breach of the agreement or cold stacking of a drilling rig.

Customers

We have an international customer base comprising many of the largest drilling contractors, exploration and production companies and oilfield services companies. Although no single customer accounted for 10.0% or more of revenue in 2015, our top 5 customers accounted for 21.3% of our total revenue for 2015.

Suppliers

Although we have preferred suppliers of telecommunications and networking equipment, nearly all technology utilized in our solutions is available from more than one supplier. The standardized equipment may be deployed across any site in any geographic area.

In addition, we do not rely on one satellite provider for our entire satellite bandwidth needs except for certain instances in which only one satellite bandwidth provider is available in an operating location, which is typically due to licensing restrictions. This approach generally allows us flexibility to use the satellite provider that offers the best service for specific areas and to change providers if one provider experiences any problems.

Competition

The remote telecommunications industry is highly competitive. We expect competition in the markets that we serve to persist, intensify and change. We face varying degrees of competition from a wide variety of companies, including new potential entrants from providers to adjacent vertical markets and from forward integration by some of our suppliers deeper in the industry value chain, since successful service and system development is not necessarily dependent upon substantial financial resources.

Our primary global competitor in upstream oil and gas is Harris Corporation's Harris Cap Rock Communications. In addition, there are a range of regional providers serving smaller customers. Specifically in our U.S. onshore operations, we also face competition from: wireless network providers; drilling instrumentation providers; living quarters companies; and other pure-play providers like us.

Our customers generally choose their provider(s) based on the quality and reliability of the service and the ability to restore service quickly when there is an outage. Pricing and breadth of service offerings is also a factor. The oil and gas industry depends on maximum reliability, quality and continuity of products and service. Established relationships with customers and proven performance serve as significant barriers to entry.

Government Regulation

The provision of telecommunications is highly regulated. We are required to comply with the laws and regulations of, and often obtain approvals from, national and local authorities in connection with most of the services we provide. In the United States, we are subject to the regulatory authority of the United States, primarily the Federal Communications Commission (FCC). Regulation of the telecommunications industry continues to change rapidly. Our U.S. services are currently provided on a private carrier basis and are therefore subject to light regulation under the U.S. Communications Act and the rules and regulations of the FCC. If the FCC or one or more state public utility commissions determine that these services or the services of our subsidiaries or affiliates constitute common carrier offerings subject to common carrier regulations we may be subject to significant costs to ensure compliance with the applicable provisions of those laws and regulations. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if we fail to comply with those requirements.

In 2014, we completed the purchase of Inmarsat's Enterprise Energy business unit. As part of the acquisition Inmarsat transferred licenses with rights to the electromagnetic spectrum, including fixed microwave licenses, very small aperture terminal (VSAT) earth station licenses, various private and commercial mobile radio service licenses, broadband radio licenses and leases for wireless communications service licenses. Failure to maintain licenses could subject RigNet to fines imposed by the FCC. RigNet also acquired authorization to provide intrastate telecommunications services in two states: Texas and Louisiana. As a result of these additional product and service offerings and the multiple licenses acquired from Inmarsat, RigNet was subject to more expansive, and in some cases, more stringent regulation than in the past.

We are subject to export control laws and regulations, trade and economic sanction laws and regulations of the United States with respect to the export of telecommunications equipment and services. Certain aspects of our business are also subject to state and local regulation. We typically have to register to provide our telecommunications services in each country in which we do business. The laws and regulations governing these services are often complex and subject to change with little notice. At times, the rigs or vessels on which our equipment is located and to which our services are provided will need to operate in a new location on short notice and we must quickly register to provide our services in such country. Failure to comply with any of the laws and regulations to which we are subject may result in various sanctions, including fines, loss of authorizations and denial of applications for new authorizations or for renewal of existing authorizations. We are also subject to the Foreign Corrupt Practices Act, which prohibits payment of bribes or giving anything of value to foreign government officials for the purpose of obtaining or retaining business or gaining a competitive advantage.

Employees

As of December 31, 2015, we had approximately 546 full time employees consisting of 61 employees in sales and marketing, 87 employees in finance and administration, 380 employees in operations and technical support and 18 employees in management.

We have a 401(k) plan pursuant to which eligible employees may make contributions through a payroll deduction. For the years ended December 31, 2015 and 2014, we made matching cash contributions of 100% of each employee's contribution up to 2.0% of that employee's eligible compensation and 50% of each employee's contribution between 2% and 6% of such employee's eligible compensation, up to the maximum amount permitted by law. Effective January 1, 2016, we suspended our matching contributions under the 401(K) plan. Under the amended plan, we may later approve a discretionary matching contribution. We are taking this action in response to reduced oil and gas activity.

We believe our employee relations are good.

Geographic Information

See Note 13—"Segment Information," to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding geographic areas we serve.

Other Information

Corporate Structure and History

We were incorporated in Delaware on July 6, 2004. Our predecessor began operations in 2000 as RigNet Inc., a Texas corporation. In July 2004, our predecessor merged into us. The communications services we provide to the offshore drilling and production industry were established in 2001 by our predecessor, who established initial operations in the Asia Pacific region. We have since evolved into one of the leading global providers of remote communications services in the offshore drilling and production industry.

Our organic growth has also been complemented by several strategic acquisitions which have expanded our service offerings. In 2015, with the acquisition of Inmarsat's Enterprise Energy business unit, we expanded our services to include microwave and WiMAX networks in the U.S. Gulf of Mexico serving drillers, producers and energy vessel owners; VSAT interests in Canada; an M2M SCADA VSAT network in the continental U.S. serving the pipeline industry; a worldwide TSI business; and a global L-band MSS retail energy business.

Principal Executive Offices

Our principal executive offices are located at 1880 S. Dairy Ashford, Suite 300, Houston, Texas 77077. Our main telephone number is +1 (281) 674-0100.

Company Website and Available Information

The Company's internet website is www.rig.net. The information found on our website is not incorporated into this annual report. The Company makes available free of charge on its website Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. These statements may include statements about:

- new regulations, delays in drilling permits or other changes in the drilling industry;
- competition and competitive factors in the markets in which we operate;
- demand for our products and services;

[Table of Contents](#)

- the advantages of our services compared to others;
- changes in customer preferences and our ability to adapt our product and services offerings;
- our ability to develop and maintain positive relationships with our customers;
- our ability to retain and hire necessary employees and appropriately staff our marketing, sales and distribution efforts;
- our cash needs and expectations regarding cash flow from operations and capital expenditures;
- our ability to manage and grow our business and execute our business strategy, including expanding our penetration of the U.S. and international onshore and offshore drilling rigs;
- our strategy;
- our resource reallocation activities and related expenses;
- our financial performance, including our ability to expand Adjusted EBITDA through our operational leverage; and
- the costs associated with being a public company.

These forward-looking statements may be found in Item 1. “Business;” Item 1A. “Risk Factors;” Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other items within this Annual Report on Form 10-K. In some cases, forward-looking statements can be identified by terminology such as “may,” “could,” “should,” “would,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target,” “continue,” the negative of such terms or other comparable terminology that convey uncertainty of future events or outcomes. All of these types of statements, other than statements of historical fact included in this Annual Report on Form 10-K, are forward-looking statements.

The forward-looking statements contained in this Annual Report on Form 10-K are largely based on Company expectations, which reflect estimates and assumptions made by Company management. These estimates and assumptions reflect management’s best judgment based on currently known market conditions and other factors. Although the Company believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond its control. In addition, management’s assumptions may prove to be inaccurate. The Company cautions that the forward-looking statements contained in this Annual Report on Form 10-K are not guarantees of future performance, and it cannot assure any reader that such statements will be realized or the forward-looking statements or events will occur. Future results may differ materially from those anticipated or implied in forward looking statements due to factors listed in the “Risk Factors” section and elsewhere in this Annual Report on Form 10-K. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our future results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements speak only as of the date made, and other than as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

About Third-Party Information

In this report, the Company relies on and refers to information regarding industry data obtained from market research, publicly available information, industry publications, and other third parties. Although the Company believes the information is reliable, it cannot guarantee the accuracy or completeness of the information and has not independently verified it.

Item 1A. Risk Factors

Our business has many risks. Factors that could materially affect our business, financial position, operating results or liquidity and the trading price of our common stock are described below. This information should be considered carefully, together with other information in this report and other reports and materials we file with the Securities and Exchange Commission, or the SEC.

A large portion of our business is subject to the volatility of the global oil and gas industry and our business is likely to fluctuate with the level of global activity for oil and natural gas exploration, development and production.

Our business depends on the oil and natural gas industry and particularly on the level of activity for oil and natural gas exploration, development and production. Demand for our remote communication services and collaborative applications depends on our customers' willingness to make operating and capital expenditures to explore, develop and produce oil and natural gas in the regions in which we operate or may operate. Our business will suffer if these expenditures decline. Our customers' willingness to explore, develop and produce oil and natural gas depends largely upon prevailing market conditions that are influenced by numerous factors over which we have no control, including:

- the supply and demand for oil and natural gas;
- the supply and demand for drilling rigs and services;
- oil and natural gas prices and expectations about future prices;
- the expected rate of decline in production;
- the discovery rate of new oil and gas reserves;
- the ability of the Organization of Petroleum Exporting Countries, or OPEC, to influence and maintain production levels and pricing;
- the level of production in non-OPEC countries;
- the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East and other crude oil and natural gas producing regions or further acts of terrorism in the United States, or elsewhere;
- the political and legislative framework governing the activities of oil and natural gas companies, including the impact of changing regulations and environmental and safety rules and policies, changes to regulations, rules and policies, following oil spills and other pollution by the oil and gas industry, and legislative and regulatory interest to limit or further regulate drilling and hydraulic fracturing activities;
- advances in exploration, development and production technology;
- the global economic environment; and
- the price and availability of alternatives to fossil fuels.

The level of activity in the oil and natural gas exploration and production industry has historically been volatile and cyclical. A material decline in oil and natural gas exploration, development or production activity levels could harm our business, financial condition and results of operations.

The loss of key personnel or the failure to attract and retain highly qualified personnel could compromise our ability to effectively manage our business and pursue our growth strategy.

Our future performance depends on our ability to attract and retain highly qualified key technical, development, sales, services and management personnel, including personnel in all of the various regions of the world in which we operate. The loss of key employees could result in significant disruptions to our business, and the integration of replacement personnel could be costly and time consuming, could cause additional disruptions to our business, and could be unsuccessful. We cannot guarantee the continued employment of any of the members of our senior leadership team, who may depart our company for any number of reasons, such as other business opportunities, differing views on our strategic direction or other personal reasons. We do not carry key person life insurance covering any of our employees.

[Table of Contents](#)

As our stock price has declined, the retention effect from stock based long-term incentives has declined.

We recently experienced significant management turnover. In our Current Report on Form 8-K filed with the SEC on July 2, 2015, we announced that Marty Jimmerson resigned from the position of Senior Vice President & Chief Financial Officer (CFO) effective as of the transition to the new CFO in December 2015.

As announced in our Current Report on Form 8-K filed with the SEC on December 8, 2015, Charles Schneider was appointed to serve as CFO in December 2015.

As announced in our Current Report on Form 8-K filed with the SEC on January 7, 2016, Marty Jimmerson, our former CFO, was appointed Interim Chief Executive Officer (CEO) and President, to replace Mark Slaughter, our prior CEO and President effective January 7, 2016. Marty Jimmerson's appointment will continue while we search for a permanent CEO and President.

Our ability to efficiently manage our business and pursue our growth strategy depends on our ability to attract and retain a highly qualified CEO.

If oil prices experience further price declines, the market price for our stock may be adversely impacted.

Oil prices have undergone a significant and sustained decline since the recent peak in the second half of 2014. Recent volatility has seen WTI oil prices drop from a high of \$107.26 on June 20, 2014, to a low of \$26.21 on February 11, 2016. During this time, the closing price for our common stock as reported by NASDAQ declined from a high of \$57.04 on July 14, 2014 to a low of \$11.75 on February 11, 2016. This near term volatility may affect future prices in 2016 and beyond. The volatility of the energy markets makes it difficult to predict future oil and natural gas price movements with any certainty. Although we believe our customers will be dependent upon real-time voice and data communication services and systems integration solutions to optimize their oil and gas production and development in an environment with lower energy prices, a prolonged significant reduction in the price of oil and natural gas will likely affect drilling and production levels and therefore could affect demand and pricing for the communication services and systems integration solutions we provide. In addition, a prolonged significant reduction in energy prices could make it more difficult for us to collect outstanding account receivables from our customers. As such, if oil prices face continued stagnation or experience further price declines, our results of operations and the market price of our stock could be adversely impacted which could subject our stockholders to losses and us to takeover bids or lead to action by NASDAQ.

As oil and gas prices and market activity deteriorate, we may accept riskier contractual terms and conditions

As oil and gas prices and market prices deteriorate, as mentioned in the previous risk factor, we may accept riskier contractual terms and conditions. Accepting riskier contractual terms and conditions may be necessary to execute on our strategy of defending and expanding our market share in the current macro-economic environment. Examples of such terms and conditions include allowing for the customer to cancel, have reduced bandwidth or have a reduced scope of service under certain conditions. Additional examples of such terms include offering to pay a customer's cancellation fees or remaining term of a remote communications contract with a competitor in exchange for switching to us as their remote communications provider. Such terms and conditions may have an adverse impact on our contractual recourse, financial condition and results of operations.

We have contractual commitments, under certain conditions, for the purchase of GX space segment, and in the event that the GX Ka band service does not perform as expected or is not accepted by our customers, we may not be able to resell the capacity or may only be able to make sales at prices that impair our margins and financial results.

We do not own, lease or operate satellites. We acquire space segment capacity from various providers. Historically, we have purchased space segment, on a regional basis, in contract amounts up to \$5.0 million, primarily C band and Ku band. We have historically had multiple contracts with each provider. In 2014, we entered into an agreement with Inmarsat to purchase, under certain conditions, up to \$65.0 million of Ka segment on Inmarsat's GX system over five years. The GX system operates over geo-synchronous orbits rather than medium orbits. This commitment is subject to a number of commercial, technical and other requirements, which if not met, reduce the Company's obligations below \$65.0 million. Some of this capacity is already available but is expected to be fully available sometime in 2016. This Ka band capacity is expected to supplement a portion of existing Ku and C band services. In the event that the new GX service does not perform as expected, is not accepted by a portion of our customers as expected or is not sold at acceptable prices, our margins and financial results could be adversely impacted. The GX system deployment will

require capital expenditures to place new equipment with our customers, and if the GX system is not successful, we will not be able to earn the financial returns consistent with prior investments and our margins and financial results could be adversely impacted.

Our revenue and earnings are largely dependent on the award of new contracts that we do not directly control.

A substantial portion of our revenue and earnings is generated from large-scale and increasingly international project awards. The timing of when project awards will be made is unpredictable and largely outside of our control. We operate in highly competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including financing contingencies, commodity prices, overall market and economic conditions, governmental and environmental approvals. In addition, we may not win contracts that we have bid upon due to price, a client's perception of our ability to perform and/or perceived technology advantages held by others. In these highly competitive times, many of our competitors may be more inclined to take greater or unusual risks or terms and conditions in a contract that we might not deem market or acceptable. Because a significant portion of our revenue is generated from large projects, our results of operations can fluctuate from quarter to quarter and year to year depending on whether and when project awards occur and the commencement date and progress of work under any awarded contracts. As a result, we are subject to the risk of losing new awards to competitors or the risk that revenue may not be derived from awarded projects as quickly as anticipated.

Delays in the timing of the awards or potential cancellations of such prospects as a result of economic conditions, material and equipment pricing and availability or other factors could impact our long-term projected results. Since a significant portion of our revenues is generated from such projects, our results of operations and cash flows can fluctuate significantly from quarter to quarter depending on the timing of our contract awards and the commencement or progress of work under awarded contracts.

Many of our contracts with customers may be terminated by our customers on short notice without penalty, which could harm our business, financial condition and results of operations.

Customers may switch service providers without incurring significant expense relative to the annual cost of the service. Our agreements generally provide that in the event of prolonged loss of service or for other good reasons, our customers may terminate service without penalty. In addition, many of our customer agreements may be terminated by our customers for no reason and upon short notice. Terms of customer agreements typically vary with a range from short-term call out work to three years, with some customer agreement terms as long as five years. Work orders placed under such agreements may have shorter terms than the relevant customer agreement. As a result, we may not be able to retain our customers through the end of the terms specified in the customer agreements. If we are not able to retain our customers, we would not receive expected revenues and may continue to incur costs, such as costs to secure satellite bandwidth under agreements with third-party satellite communication services providers which may not be as easily or as quickly terminated without penalty, resulting in harm to our business, financial condition and results of operations. The loss of a drilling contractor customer site can also limit or eliminate our ability to provide services to other customers on the affected drilling rigs.

Most of our contracts are on a fixed price basis and if our costs increase, we may not be able to recover these cost increases.

Most of our contracts provide for a fixed price per month for our communications services and for a fixed price for our TSI projects. If our costs to provide those services increase, such as the cost to secure bandwidth or the cost to secure personnel or labor, we may not be able to offset our increased costs by increasing the rates we charge our customers until our next contract renewal, which could have a material adverse effect on our business, financial condition and results of operations.

Our ability to resolve the contractual dispute with a certain TSI customer could harm our business, financial conditions and results of operations.

As disclosed in Note 10 – “Commitments and Contingencies” in the Consolidated Financial statements included in this Annual Report on form 10-K, our TSI business has a dispute related to a contract associated with a percentage completion project. We believe these amounts, which the customer is disputing, are owed under a customer contract where we have a contractual right to payment for work related to certain change orders. The Company has initiated the dispute resolution process under the contract and is actively working with the customer to resolve the matter.

Our ability to resolve the dispute could take significant time, management attention and expense. The ultimate outcome of the dispute or actual loss from the project could harm our business, financial conditions and results of operations.

The TSI line of service brings risks that could adversely affect our business and operations.

To sustain results from our systems integration business, we must maintain a backlog or pipeline of future projects. Demand for systems integration projects is dependent on the capital expenditure budgets for systems integration projects of our customers in the global business of exploration, development and production of oil and natural gas. Reductions in our customers' capital expenditure budgets for systems integration projects can have an adverse impact on our financial results.

A large portion of our systems integration profits and revenues are accounted for under the percentage of completion accounting methodology which has unique risks described below in the risk factor "Our use of the percentage-of-completion method of accounting could result in a reduction or reversal of previously recorded revenue or profits."

A large portion of systems integration projects are pursuant to fixed price contracts. If we fail to successfully keep costs to the budgeted margin or are unable to purchase or contract for equipment, supplies and labor at budgeted costs and in a timely manner we may suffer losses.

TSI contracts are generally priced based in part on cost and scheduling estimates that are based on assumptions including the price and availability of labor, equipment and materials as well as productivity, performance and future economic conditions. If these estimates prove inaccurate, there are errors or ambiguities as to contract specifications or if circumstances change due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of equipment and materials or our suppliers' or subcontractors' inability to perform, then cost overruns may occur. We may not be able to obtain compensation for additional work performed or expenses incurred. Additionally, we may be required to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts. Our failure to accurately estimate the resources and time required for fixed-price contracts or our failure to complete our contractual obligations within the time frame and costs committed could result in reduced profits or, in certain cases, a loss for that contract. If the contract is significant, or we encounter issues that impact multiple contracts, cost overruns could have a material adverse effect on our business, financial condition and results of operations.

The uncertainty of our contract award timing can also present difficulties in matching workforce size with contract needs. In some cases, we maintain and bear the cost of a ready workforce that is larger than necessary under existing contracts in anticipation of future workforce needs for expected contract awards. If an expected contract award is delayed or not received, we may incur additional costs resulting from reductions in staff or redundancy of facilities which could have a material adverse effect on our business, financial condition and results of operations.

Our use of the percentage-of-completion method of accounting could result in a reduction or reversal of previously recorded revenue or profits.

Under our accounting policies, we measure and recognize a large portion of our TSI profits and revenue under the percentage-of-completion accounting methodology. This methodology allows us to recognize revenue and profits ratably over the life of a contract by comparing the amount of the cost incurred to date against the total amount of cost expected to be incurred. The effect of revisions to revenue and estimated cost is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and could result in a material reduction or reversal of previously recorded revenue or profits.

Our resource reallocation and restructuring activities may negatively impact our operations.

In 2015, we instituted a series of measures designed to reduce costs and improve our competitive position. As part of these measures, we incurred pre-tax expense of approximately \$7.4 million in 2015, consisting primarily of employee separation costs and costs associated with closing certain company locations.

Reductions in personnel may adversely affect or delay various sales, marketing and product development programs and operational activities and could have negative effects on our internal control over financial reporting. These resource reallocation activities could be disruptive to our business and have a material adverse effect on our financial results.

Additionally, the Company may have additional future cost saving activities, which could be disruptive to our business and have a material adverse effect on our financial results.

Our ability to retain customers depends on many factors, including:

- our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;
- Our ability to fund necessary capital expenditures as required by our customers
- our ability to successfully obtain additional financing for the continued operation and build-out of our systems and networks;
- actual or perceived quality and coverage of our networks;
- public perception about our brands;
- our ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential customers;
- our ability to access additional bandwidth at competitive rates;
- our ability to attract, hire and maintain qualified personnel to meet customers' needs;
- our ability to maintain and develop new sites for the placement of our equipment to provide our services; and
- our ability to anticipate and respond to various competitive factors affecting the industry, including new technologies, products and services that may be introduced by our competitors, changes in consumer preferences, demographic trends, economic conditions, and discount pricing and other strategies that may be implemented by our competitors.

Our failure to retain customers could have a material adverse effect on our business financial condition and results of operations.

Our industry is highly competitive and if we do not compete successfully, our business, financial condition and results of operations will be harmed.

The telecommunications industry is highly competitive. We expect both product and pricing competition to persist and intensify. Increased competition could cause reduced revenue, price reductions, reduced profits and loss of market share. Our industry is characterized by competitive pressures to provide enhanced functionality for the same or lower price with each new generation of technology. As the prices of our services decrease, we will need to sell more services and/or reduce the per-site costs to improve or maintain our results of operations. Historically, our primary global competitor has been Harris Corporation's Harris CapRock Communications. Recently ITC Global, backed by a private equity investment firm, as well as Speedcast and Tampnet have begun to expand their presence as active providers of satellite communications services to the oil and gas, mining and maritime markets. We also compete with regional competitors in the countries in which we operate. Some of our competitors have longer operating histories and substantially greater financial resources. Their greater financial resources may also make them better able to withstand downturns in the market, to expand into new areas more aggressively or to operate in developing markets without immediate financial returns. In addition, in certain markets outside of the U.S., we face competition from local competitors that provide their services at a lower price due to lower overhead costs, including lower costs of complying with applicable government regulations and their willingness to provide services for a lower profit margin. Strong competition and significant investments by competitors to develop new and better solutions may make it difficult for us to maintain our customer base, force us to reduce our prices or increase our costs to develop new solutions.

Furthermore, competition may emerge from companies that we have previously not perceived as competitors or consolidation of our industry may cause existing competitors to become bigger and stronger with more resources, market awareness and market share. As we expand into new markets and geographic regions we may experience increased competition from some of our competitors that have prior experience or other business in these markets or geographic regions. In addition, some of our customers may decide to insource some of the communications services

and managed services solutions that we provide, in particular our terrestrial communication services (e.g., terrestrial Line-of-Sight (LOS) transport, microwave, Worldwide Interoperability for Microwave Access, or WiMAX), which do not require the same level of maintenance and support as our other services. Our success will depend on our ability to adapt to these competitive forces, to adapt to technological advances, to develop more advanced products more rapidly and less expensively than our competitors, to continue to develop and deepen our global sales and business development network, and to educate potential customers about the benefits of using our solutions rather than our competitors' products and services or in sourced solutions. Our failure to successfully respond to these competitive challenges could harm our business, financial condition and results of operations.

Our industry is characterized by rapid technological change, and if we fail to keep up with these changes or if access to telecommunications in remote locations becomes easier or less expensive, our business, financial condition and results of operations may be harmed.

The communications industry is characterized by rapid changes in technology, new evolving standards, emerging competition and frequent new product and service introductions. As an example of technological change that could impact our business, some remote communications providers are offering the use of Ka-band satellite service, instead of or in addition to the Ku-band and C-band satellite space segments used today. Ka-band services over medium orbit satellites are already available. This might impair our business if other providers are more successful than us in using Ka-band services to meet customer needs.

Our future business prospects largely depend on our ability to meet changing customer preferences, to anticipate and respond to technological changes and to develop competitive products. If alternative telecommunications services to remote locations becomes more readily accessible or less expensive than our services, our business will suffer. New disruptive technologies could make our VSAT-based networks or other services obsolete or less competitive than they are today, requiring us to reduce the prices that we are able to charge for our services or causing us to undergo expensive transitions to new transport technologies. We may not be able to successfully respond to new technological developments and challenges or identify and respond to new market opportunities, services or products offered by competitors. In addition, our efforts to respond to technological innovations and competition may require significant capital investments and resources. Furthermore, we may not have the necessary resources to respond to new technological changes and innovations and emerging competition. Failure to keep up with future technological changes could harm our business, financial condition and results of operations.

Many of our potential clients are resistant to new solutions and technologies which may limit our growth.

Although there is a strong focus on technology development within the oil and gas industry, some of the companies in the upstream oil and gas industry are relatively conservative and risk averse with respect to adopting new solutions and technologies in the area of remote communications due to these services being so integral to highly-complex drilling, completion and production operations. Some drilling contractors, oil and gas companies and oilfield service companies may choose not to adopt new solutions and technology, such as our remote communications and collaboration applications solutions, which may limit our growth potential.

Our information systems and network are protected by certain cyber security measures, and in the event that the cyber security measures fail or are otherwise not adequate, our systems may be damaged which could harm our business, financial conditions and results of operations.

We have in place layered cyber security systems designed to protect against certain events, including intentional or unintentional disruption, failure, misappropriation or corruption of our network and information systems. Events of this type might be caused by computer hacking, malware, computer viruses, worms and other destructive or disruptive software, "cyber-attacks" and other malicious activity, as well as natural disasters, power outages, terrorist attacks and similar events. Such events could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers and damage to our facilities, equipment and data. In addition, we could be adversely affected by the theft, destruction, loss, misappropriation or release of confidential customer data or intellectual property. Operational or business delays may result from the disruption of network or information systems and the subsequent remediation activities. Moreover, these events may create negative publicity resulting in reputation or brand damage with customers. In addition, the networks and information systems of our third-party service providers and our customers may be vulnerable to the events described above. Our customer contracts, in general, do not contain provisions which would protect us against liability to third-parties with whom our customers conduct business. Although we have implemented and intend to continue to implement industry standard cyber practices and cyber security systems, these systems may prove to be inadequate and result in the disruption, failure, misappropriation

or corruption of our network and information systems. We may be required to expend significant resources to protect against these events or to alleviate problems, including reputational harm and litigation, caused by these events or the failure or inadequacy of our security systems, which could have a material adverse effect on our business, financial condition and results of operations.

Information technology infrastructure and security are critical to supporting our accounting and back office functions; failure of our information technology infrastructure to operate effectively could adversely affect our business, financial conditions and results of operations.

We depend heavily on information technology infrastructure to achieve our back office functions of accounting, invoicing, purchasing, requisitioning, performing management's analysis of results and payroll. We continue to update and enhance our information systems. If a problem occurs that impairs or compromises this infrastructure, including security breaches or malicious attacks, or problems with systems upgrades and/or new systems implementations, the resulting disruption could impede our ability to perform accounting, invoice, process orders, protect sensitive data of the Company, our customers, our suppliers and business partners, or otherwise carry on business in the normal course. Any such events could cause us to lose customers and/or revenue and could require us to incur significant expense to remediate, including as a result of legal claims or proceedings. Additionally, any such events could adversely harm our legal, accounting and compliance capabilities including but not limited to: our ability to timely file reports with the Securities and Exchange Commission (SEC); timely file financial statements required by certain statutes; timely file compliance reports with our lenders under our credit agreement; and timely file income taxes with the IRS, foreign taxing authorities, and with local taxing authorities.

The implementation of a new enterprise resource planning (ERP) system could cause disruption to the Company's operations.

The Company is in the process of implementing a new ERP system. The Company has implemented the ERP in the Western Hemisphere Reportable Segment, excluding Brazil, and expects to fully transition to the new ERP across the entire Company as early as 2016. The Company anticipates that significant internal and external resources will be required. However, if the implementation of the ERP does not proceed as expected, it could negatively impact the Company's current operating service levels, its system of internal controls over financial reporting, require additional resources and significant financial commitments, result in potential transition delays, impede the Company's ability to order materials, generate management reports, invoice customers, and comply with laws and regulations. Any of these types of disruptions could have a material adverse effect on the financial position and the financial results of the Company.

The termination or non-renewal of the SOIL management agreement could negatively affect financial results we recognize from the SOIL network operations.

The North Sea consortium of companies who collectively oversee SOIL have contracted with us to operate this private extranet for them. This North Sea consortium of companies may find alternatives to the SOIL service that could cause them to terminate or not renew the current SOIL service with us. If the consortium of companies choose to eliminate the SOIL service, find an alternative communications solution, or if they contract with another provider to manage SOIL operations, our financial results would be harmed.

We compete for satellite capacity for our services and any capacity constraints could harm our business, financial condition and results of operations.

We compete for satellite capacity with a number of commercial entities, such as broadcasting companies, and governmental entities, such as the military. In certain markets, the availability and pricing of capacity could be subject to competitive pressure, such as during renewals. There is no guarantee that we will be able to secure the capacity needed to conduct our operations at current rates or levels going forward. The inability to obtain sufficient satellite bandwidth on commercially reasonable terms could harm our business, financial condition and results of operations. In certain markets, the availability of bandwidth may be restricted by local governments when needed to support military operations, and in the event of such an action, there is no guarantee that we will be able to secure the capacity needed to conduct our operations, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on third parties to provide products and services for the operation of our business. Failures by third-party providers could harm our business and reputation and result in loss of customers and revenue.

A significant part of our operations and growth depends on third-party providers delivering reliable communications connections, networks, equipment, maintenance, repair and satellite transponder capacity, subjecting our business, reputation and customer revenue to risks beyond our control, such as:

- telecommunications failures;
- saturation of communication connection points, networks and third-party facilities;
- in-orbit risks for satellites including malfunctions, commonly referred to as anomalies, and collisions with meteoroids, decommissioned spacecraft or other space debris;
- satellite manufacturing or control system errors;
- lack of communication service alternatives, including failure of satellite providers to timely replace aging satellites with more modern technology and updated capacities;
- connecting to faulty equipment;
- human error;
- natural disasters;
- unexpected equipment failure;
- power loss;
- labor strikes or work stoppages;
- unauthorized access or security risks; and
- sabotage or other intentional acts of vandalism.

Under most of our contracts with satellite service providers, our satellite service providers do not indemnify us for such loss or damage to our business resulting from certain risks, including satellite failures. If any potential claims result in liabilities, we could be required to pay damages or other penalties, which could harm our business, financial condition and results of operations. Even if we take precautions, the occurrence of any of these risks or other unanticipated problems arising from third-party services could result in interruption in the services we provide to customers. Any of these occurrences could harm our business, financial condition and results of operations.

Additionally, we rely upon and expect to continue to rely upon a limited number of third-party suppliers to supply the equipment required to provide our services, such as the equipment we install on offshore drilling rigs in order to provide remote communication services. Although this equipment is commercially available from more than one supplier, there are a limited number of suppliers of such equipment. Further, price and quality vary among suppliers. If the suppliers enter into competition with us, or if our competitors enter into exclusive or restrictive arrangements with our suppliers, the availability and pricing of the equipment that we purchase could be materially adversely affected. In addition, we prefer to use a small group of suppliers and standardized equipment as much as possible so that we are installing generally the same equipment and therefore can maintain smaller quantities of replacement parts and equipment in our warehouses. If we need to change suppliers for any reason, we will incur additional costs due to the lack of uniformity and need to warehouse a broader array of replacement parts and equipment. In addition, we typically rely on our equipment suppliers to obtain authorizations or type-approvals to operate the supplier's equipment in the various countries we offer services. If, due to a highly protectionist country, our supplier or RigNet is not able to obtain such equipment type-approvals from that country's regulator, we will not be able to operate that particular equipment and our pool of available suppliers will be reduced.

Further, significant portions of the work performed under our systems integration contracts rely upon third-party suppliers for equipment and materials. If the amounts we are required to pay for equipment and supplies exceed what we have estimated, especially in a fixed-price systems integration contract, we may suffer losses on these contracts. If a supplier fails to provide supplies or equipment as required under a negotiated contract for any reason, or provides supplies or equipment that are not an acceptable quality, we may be required to source those supplies or equipment on a delayed basis or at a higher price than anticipated, which could negatively impact contract profitability. In addition, faulty equipment or materials could impact the overall project, resulting in claims against us for failure to meet required project specifications or time tables. These risks may be intensified if these suppliers experience financial difficulties or

[Table of Contents](#)

find it difficult to obtain sufficient financing to fund their operations or access to bonding, and are not able to provide the materials or supplies necessary for our business. In addition, in instances where we rely on a single contracted supplier or a small number of contracted suppliers, there can be no assurance that the marketplace can provide these products in a timely manner, or at the costs we had anticipated. A failure by a supplier to comply with applicable laws, rules or regulations could negatively impact our business.

Any failure on our part to perform under our customer service contracts due to the failures of our third-party providers could result in: (i) loss of revenue despite continued obligations under our contractual arrangements; (ii) possible cancellation of customer contracts; (iii) incurrence of additional expenses to reposition customer antennas to alternative satellites or otherwise find alternate service; (iv) incurrence of additional expenses to replace existing equipment due to lack of continued availability of such equipment or repair parts; (v) breach of contract claims; and (vi) damage to our reputation, which could negatively affect our ability to retain existing customers or to gain new business.

A significant portion of our revenue is derived from a relatively small number of customers and the loss of any of these customers would materially harm our business, financial condition and results of operations.

We continue to diversify our customer base but still receive a significant portion of our revenue from a relatively small number of large customers, among them being Royal Dutch Shell Plc, Enscoc Plc, Seadrill, Noble Corporation Plc and Paragon Offshore Plc. Although none of these customers represents more than 10% of our annual revenue, should a material customer terminate or significantly reduce its business with us, our business, financial condition and results of operations would be materially harmed.

Bad weather in the Gulf of Mexico or other areas where we operate could harm our business, financial condition and results of operations.

Certain areas in and near the Gulf of Mexico and other areas in which our clients operate experience unfavorable weather conditions, including hurricanes and other extreme weather conditions, on a relatively frequent basis. A major storm or threat of a major storm in these areas may harm our business. Our clients' drilling rigs, production platforms and other vessels in these areas are susceptible to damage and/or total loss by these storms, which may cause them to no longer need our communication services. Our equipment on these rigs, platforms or vessels could be damaged causing us to have service interruptions and lose business or incur significant costs for the replacement of such equipment. Even the threat of a very large storm will sometimes cause our clients to limit activities in an area and thus harm our business. Increased unfavorable weather conditions could impair satellite connectivity, cause more sites to be shut down and generally cause activities to be limited so that our business may be harmed. This risk is more pronounced for Line-of-Site (LOS) microwave service, as there is a likely loss of service for multiple subsequent microwave sites in the network relay.

The microwave network acquired as part of the Inmarsat transaction is a Line-of-Site (LOS) systems and the failure of one site in the microwave network will likely lead to disruption of service for subsequent microwave sites in the network relay.

A LOS system operates by relaying microwave communications from one microwave site to another that are within visible sight of another in a microwave relay leg. Although the Company makes reasonable attempts to build redundancy into the microwave system, when a microwave site on a microwave relay is rendered inoperable subsequent dependent sites are also rendered inoperable. As such the risk of a microwave site being rendered inoperable by weather, technical failure or other means will likely cascade to other dependent microwave sites. We do not insure for loss of a microwave site or business interruption caused by the loss of such a site as we believe the cost of such insurance outweighs the risk of potential loss.

Any loss of a rig on which our equipment is located will likely lead to a complete loss of our equipment on that rig and a loss of the revenue related to that rig.

At the commencement of a new service contract for a rig, we generally install approximately \$0.1 million to \$0.6 million and as high as \$1.0 million worth of equipment on each offshore drilling rig. If a rig were to sink or incur substantial damage for any reason, we would most likely lose all of our equipment. We do not insure for such losses as we believe the cost of such insurance outweighs the risk of potential loss. In addition to the loss of the equipment, we would likely lose the revenue related to that rig under the terms of most of our existing contracts. Also, we may be committed to paying the costs to secure satellite bandwidth for that rig under agreements with third-party satellite communication providers even after the rig is no longer in service. Losses of rigs can occur as a result of catastrophic events such as hurricanes, fire or sinking. Such catastrophic events can occur without notice, but have historically been infrequent.

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our U.S. services are provided on a private carrier basis. As such, these services are subject to light or no regulation by the Federal Communications Commission (FCC) and state public utility commissions (PUCs). If the FCC or one or more PUCs determine that these services or the services of our subsidiaries or affiliates constitute common carrier offerings, we may be subject to significant costs to ensure compliance with the applicable provisions of those laws and regulations. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if we fail to comply with those requirements.

In 2014, we completed the purchase of Inmarsat's Enterprise Energy business unit which included services, facilities and licenses, including fixed microwave licenses, very small aperture terminal (VSAT) earth station licenses, various private and commercial mobile radio service licenses, broadband radio licenses and leases for wireless communications service licenses. RigNet also acquired authorization to provide intrastate telecommunications services in two states: Texas and Louisiana. As a result of these additional product and service offerings and the multiple licenses acquired from Inmarsat, during 2014, RigNet was subject to more expansive, and in some cases, more stringent regulation by the FCC and state public utility commissions than in the past. As part of the Inmarsat integration process, RigNet rescinded its Competitive Local Exchange Carrier status in Texas and Louisiana and its Interexchange Carrier status in Texas, as well as its international 214 license, to align its regulatory position as a private carrier only.

The following is a summary of the regulatory environment in which we currently operate and does not describe all present and proposed international, federal, state and local legislation and regulations affecting the communications industry, some of which may change the way the industry operates as a result of administrative or judicial proceedings or legislative initiatives. We cannot predict the outcome of any of these matters or the impact on our business.

As an evolving non-dominant international and domestic carrier under the U.S. Communications Act, as amended (the Act), among other requirements, RigNet must pay various fees including contribution of a percentage of its revenues from telecommunications services to the FCC's Universal Service Fund and other federal program funds to subsidize certain user segments, file various reports, comply with rules that protect customer information and the processing of emergency calls, and obtain regulatory approval prior to withdrawing from the provision of regulated service or any assignment of authorization or any transfer of legal or actual control of the Company. RigNet is also subject to the Communications Assistance for Law Enforcement Act (CALEA) and associated FCC regulations which require telecommunications service providers and VoIP providers to configure their networks to facilitate electronic surveillance by law enforcement authorities.

Like the FCC, the state PUCs impose various regulatory fees, universal service, reporting and prior approval requirements for transfer or assignments. The FCC and state PUCs have jurisdiction to hear complaints regarding the compliance or non-compliance with these and other common carrier requirements of the Act and the FCC's rules, and similar state laws.

If the FCC or a state PUCs determines that RigNet has not complied with federal and/or state regulatory requirements, we may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, license revocation, or other penalties.

Our international operations are also regulated by various non-U.S. governments and international bodies. These regulatory regimes frequently require that we maintain licenses for our operations and conduct our operations in accordance with prescribed standards and requirements. The adoption of new laws or regulations, changes to the existing regulatory framework, new interpretations of the laws that apply to our operations, or the loss of, or a material limitation on, any of our material licenses could materially harm our business, results of operations and financial condition.

Changes to the FCC's Universal Service Fund (USF) Regime or state universal service fund regimes or findings that we have not complied with USF requirements or state universal service fund regimes may adversely affect our financial condition.

Several proceedings pending before the FCC have the potential to significantly alter our Universal Service Fund (USF) contribution obligations. The FCC is considering: (1) changing the basis upon which USF contributions are determined from a revenue percentage measurement, as well as increasing the breadth of the USF contribution base to include certain services now exempt from contribution; (2) the classification of Multi-Protocol Label Switching (MPLS); and (3) the classification of various IP-enabled services. Adoption of these proposals could have a material adverse effect on our costs of providing service. We are unable to predict the timing or outcome of this proceeding.

We cannot predict the application and impact of changes to the federal or state USF contribution requirements on the communications industry generally and on certain of our business activities in particular. Changes in the federal or state USF requirements or findings that we have not met our obligations could materially increase our USF contributions and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to a variety of regulatory actions that may affect our ability to operate.

Telecommunications regulators have the right to sanction a service provider or to revoke licenses if a service provider violates applicable laws or regulations. If any regulatory agency were to conclude that we were providing telecommunications services without the appropriate authority or are otherwise not in compliance with applicable regulations, the agency could initiate enforcement actions, which could result in, among other things, revocation of authority, the imposition of fines, a requirement to disgorge revenues, or refusal to grant regulatory authority necessary for the future provision of services.

If we infringe or if third parties assert that we infringe third-party intellectual property rights we could incur significant costs and incur significant harm to our business.

Third parties may assert infringement or other intellectual property claims against us, which could result in substantial damages if it is ultimately determined that our services infringe a third-party's proprietary rights. Even if claims are without merit, defending a lawsuit takes significant time, may be expensive and may divert management's attention from our other business concerns.

Our intellectual property rights are valuable, and any failure or inability to sufficiently protect them could harm our business and our operating results.

We own, and maintain certain intellectual property assets, including copyright and trademarks, trade secrets, and rights to certain domain names, which we believe are collectively among our most valuable assets. We seek to protect our intellectual property assets through the laws of the U.S. and other countries of the world, and through contractual provisions. However, the efforts we have taken to protect our intellectual property assets and proprietary rights might not be sufficient or effective at stopping unauthorized use of those rights. Protection of the distinctive elements of RigNet might not always be available under copyright law or trademark law, or we might not discover or determine the full extent of any unauthorized use of our copyrights and trademarks in order to protect our rights. In addition, effective trademark, patent, copyright, and trade secret protection might not be available or cost-effective in every country in which our products and services are distributed. With respect to maintaining our trade secrets, we have entered into confidentiality agreements with most of our employees and contractors, and confidentiality agreements with many of the parties with whom we conduct business in order to limit access to and disclosure of our proprietary information. However, these agreements might be breached and our trade secrets might be compromised by outside parties or by our employees, which could cause us to lose any competitive advantage provided by maintaining our trade secrets. If we are unable to protect our proprietary rights from unauthorized use, the value of our intellectual property assets may be reduced. In addition, protecting our intellectual property and other proprietary rights is expensive and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and consequently harm our operating results.

Our international operations are subject to additional or different risks than our United States operations, which may harm our business and financial results.

We operate in approximately 50 countries around the world, including countries in Asia, the Middle East, Africa, Latin America and Europe and intend to continue to expand the number of countries in which we operate. However,

[Table of Contents](#)

because operations in some countries may be temporary, the total number of countries fluctuates. There are many risks inherent in conducting business internationally that are in addition to or different than those affecting our United States operations, including:

- sometimes vague and confusing regulatory requirements that may be subject to unexpected changes or interpretations;
- import and export restrictions;
- tariffs and other trade barriers;
- difficulty in staffing and managing geographically dispersed operations and culturally diverse work forces;
- increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- differences in employment laws and practices among different countries, including restrictions on terminating employees;
- differing technology standards;
- fluctuations in currency exchange rates;
- imposition of currency exchange controls;
- potential political and economic instability in some regions;
- legal and cultural differences in the conduct of business;
- lack of traditional concepts of due process and sometimes arbitrary application of laws and sanctions, including criminal charges and arrests;
- difficulties in raising awareness of applicable United States laws to our agents and third-party intermediaries;
- potentially adverse tax consequences;
- difficulties in enforcing contracts and timely collecting receivables;
- difficulties and expense of maintaining international sales distribution channels; and
- difficulties in maintaining and protecting our intellectual property.

Operating internationally exposes our business to increased regulatory and political risks in some non-U.S. jurisdictions where we operate. In addition to changes in laws and regulations, changes in governments or changes in governmental policies in these jurisdictions may alter current interpretation of laws and regulations affecting our business. We also face increased risk of incidents such as war or other international conflict and nationalization, and possible expropriation of our assets. If a non-U.S. country were to nationalize our industry or expropriate our assets, we could lose not only our investment in the assets that we have in that country, but also all of our contracts and business in that country.

Many of the countries in which we operate have legal systems that are less developed and less predictable than legal systems in Western Europe or the United States. It may be difficult for us to obtain effective legal redress in the courts of some jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute because of: (i) a high degree of discretion on the part of governmental authorities, which results in less predictability; (ii) a lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iii) inconsistencies or conflicts between or within various laws, regulations, decrees, orders and resolutions; (iv) the relative inexperience of the judiciary and courts in such matters or (v) a predisposition in favor of local claimants against United States companies. Similarly, many of our contracts are governed by the laws of these countries, which may create both legal and practical difficulties in case of a dispute or conflict. We operate in regions where the ability to protect contractual and other legal rights may be limited. In addition, having to pursue arbitration or litigation in some countries may be more difficult or expensive than pursuing litigation in the United States.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be unreliable. In particular, agreements may be susceptible to revision or cancellation and legal redress may be uncertain or time-consuming. Actions of governmental authorities or officers may adversely affect joint ventures, licenses, license applications or other legal arrangements, and such arrangements in these jurisdictions may not be effective or enforced.

[Table of Contents](#)

The authorities in the countries where we operate may introduce additional regulations for the oil and gas and communications industries with respect to, but not limited to, various laws governing prospecting, development, production, taxes, price controls, export controls, currency remittance, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, labor standards, occupational health network access and other matters. New rules and regulations may be enacted or existing rules and regulations may be applied or interpreted in a manner which could limit our ability to provide our services. Amendments to current laws and regulations governing operations and activities in the oil and gas industry and telecommunications industry could harm our operations and financial results. Compliance with and changes in tax laws or adverse positions taken by taxing authorities could be costly and could affect our operating results.

Compliance related tax issues could also limit our ability to do business in certain countries. Changes in tax laws or tax rates, the resolution of tax assessments or audits by various taxing authorities, disagreements with taxing authorities over our tax positions and the ability to fully utilize our tax loss carry-forwards and tax credits could have a significant financial impact on our future operations and the way we conduct, or if we conduct, business in the affected countries.

We are subject to the U.S. Foreign Corrupt Practices Act and U.S. Export Control Laws that have stringent compliance standards for us.

We are subject to a number of applicable export control laws and regulations of the United States as well as comparable laws of other countries. We cannot provide services to certain countries subject to United States trade sanctions administered by the Office of Foreign Asset Control of the United States Department of the Treasury or the United States Department of Commerce unless we first obtain the necessary authorizations. If our customers move their sites into countries subject to certain sanctions, we may not be able to serve them, in which case, our revenues will be adversely impacted and we may have additional costs incurred as well. In addition, we are subject to the Foreign Corrupt Practices Act that, generally, prohibits bribes or unreasonable gifts to non-U.S. governments or officials and may be subject to anti-corruption laws of other countries in which the Company may operate or may otherwise have a substantial business connection. Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, and more extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business. In certain countries, we engage third-party agents or intermediaries to act on our behalf in dealings with government officials, such as customs agents, and if these third-party agents or intermediaries violate applicable laws, their actions may result in penalties or sanctions being assessed against us.

We may incur additional expenses and not be able to comply with SEC reporting requirements related to conflict minerals.

In August 2012, the SEC adopted new rules establishing additional disclosure and reporting requirements regarding a company's use of conflict minerals. These SEC rules could result in us incurring additional costs to document and perform supplier due diligence. As these rules will likely impact our suppliers, the availability of raw materials used in our operations could be negatively impacted and or raw material prices could increase. We may also have difficulty verifying the supply of conflict minerals to their source and, therefore, may not be able to comply with the SEC's conflict minerals reporting requirement.

Many of our contracts are governed by the laws of countries that may make them difficult or expensive to interpret or enforce.

Many of our contracts are governed by the laws of countries other than the U. S., which may create both legal and practical difficulties in case of a dispute or conflict. We operate in regions where the ability to protect contractual and other legal rights may be limited. In addition, having to pursue arbitration or litigation in some countries may be more difficult or expensive than pursuing litigation in the United States.

We may face difficulties in obtaining regulatory approvals for our provision of telecommunication services, and we may face changes in regulation, each of which could adversely affect our operations.

In a number of countries where we operate, the provision of telecommunication services is highly regulated. In such countries, we are required to obtain approvals from national and local authorities in connection with most of the services that we provide. In many jurisdictions, we must maintain such approvals through compliance with license conditions or payment of annual regulatory fees.

[Table of Contents](#)

Many of our customers utilize our services on mobile vessels or drilling platforms that may enter into new countries on short notice. If we do not already have a license to provide our service in that country, we may be required to obtain a license or other regulatory approval on short notice, which may not be feasible in some countries. Failure to comply with such regulatory requirements could subject us to various sanctions including fines, penalties, arrests or criminal charges, loss of authorizations and the denial of applications for new authorizations or for the renewal of existing authorizations or cause us to delay or terminate our service to such vessel or platform until such license or regulatory approval may be obtained. In some areas of international waters, it is ambiguous as to which country's regulations apply, if any, and thus difficult and costly for us to determine which licenses or other regulatory approvals we should obtain.

In such areas, we could be subject to various penalties or sanctions if we fail to comply with the applicable country's regulations.

Future changes to the regulations under which we operate could make it difficult for us to obtain or maintain authorizations, increase our costs or make it easier or less expensive for our competitors to compete with us.

Acquisitions bring new risks that could adversely affect our business and operations.

We expect to acquire and have a history of acquiring businesses, assets, technologies or products to enhance our business in the future if appropriate opportunities become available. In connection with any future acquisitions, we could:

- issue additional equity securities which would dilute our current stockholders;
- incur substantial debt to fund the acquisitions; or
- assume significant liabilities.

Acquisitions involve numerous risks, including difficulties integrating the purchased operations, technologies or products, unanticipated costs and other liabilities, diversion of management's attention from our core business, adverse effects on existing business relationships with current and/or prospective partners, customers and/or suppliers, risks associated with entering markets and business lines in which we have no or limited prior experience and potential loss of key employees. We may not be able to successfully integrate any businesses, assets, products, technologies or personnel that we might acquire in the future without a significant expenditure of operating, financial and management resources, if at all. The integration process could divert management time from focusing on operating our business, result in a decline in employee morale or cause retention issues to arise from changes in compensation, reporting relationships, future prospects or the direction of the business.

Acquisitions may also require us to record goodwill, non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets and incur large and immediate write-offs and restructuring and other related expenses, all of which could harm our operating results and financial condition. In addition, we may acquire companies that have insufficient internal financial controls, which could impair our ability to integrate the acquired company and adversely impact our financial reporting. If we fail in our integration efforts with respect to any of our acquisitions and are unable to efficiently operate as a combined organization, our business, financial condition and results of operations may be materially harmed.

The purchase of Inmarsat's Enterprise Energy business unit brings risks that could adversely affect our business and operations.

Problems integrating the expanded services and technologies acquired in the Inmarsat's Enterprise Energy business unit transaction could adversely impact our financial results. These expanded services and technologies include microwave and WiMAX networks in the U.S. Gulf of Mexico serving drillers, producers and energy vessel owners, VSAT interests in Canada, an M2M SCADA VSAT network in the continental U.S. serving the pipeline industry, a worldwide TSI business and a global L-band MSS retail energy business. Integrating these services and technologies may take considerable expense and management time.

Additionally, we may have to incur amortization expenses related to certain intangible assets and incur large and immediate write-offs and restructuring and other related expenses, all of which could harm our operating results and financial condition. Integrating the accounting and business processes for this transaction may take considerable expense and management time.

If we are unsuccessful in the integration of Inmarsat's Enterprise Energy business unit acquisition and are unable to efficiently operate as a combined organization, our business, financial condition and results of operations may be materially harmed.

Future adjustments to contingent purchase price related to acquisitions could materially affect our results.

From time to time we acquire companies with a component of the purchase consideration being delayed and the payment thereof contingent on certain performance or other factors (the contingent purchase price). The accounting principles generally accepted in the United States require that we estimate the amount of the contingent purchase price at the time we complete the acquisition. Each subsequent reporting period (until the contingent purchase price is either paid or no longer potentially payable), we are required to re-evaluate the estimated amount of remaining contingent purchase price that is likely to be paid. If the revised estimate of the future contingent purchase price is higher than the amount accrued, then the difference must be accrued and charged to the statement of comprehensive income in that period. If the revised estimate of the future contingent purchase price is lower than the amount accrued, then the accrual is reduced and the difference is credited to income for the period. Because some of these payments would not be deductible for tax purposes, it is possible that the expense (or income) would not be tax-effected on our income statements. These adjustments, if required, could be material to our future results of operations. There were no purchase price contingencies outstanding as of December 31, 2015. As a result of the Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR) transaction that closed in February 2016 we have certain contingent purchase price arrangements.

We may incur substantial due diligence and acquisition costs for acquisitions. If we do not close a transaction, we may not be able to obtain a return on the due diligence and acquisition costs.

During the course of evaluating potential acquisition opportunities we may incur substantial due diligence and acquisition costs related to certain financial analysis, consulting, legal, investment banking and accounting fees. If we do not close a transaction, we may not be able to recoup these due diligence and acquisition costs through the expected return on investment from the potential acquisition opportunity. This may have an adverse impact on financial results.

If during our due diligence of an acquisition opportunity we do not discover legal, regulatory, accounting, finance or other adverse matters and close on the acquisition, it may have an adverse impact on financial results and the ability to operate an acquisition as part of a combined entity.

During our due diligence of an acquisition opportunity we attempt to identify legal, regulatory, financial, internal controls or accounting problems that may prevent a successful integration that may include but are not limited to: Foreign Corrupt Practice Act (FCPA) matters, regulatory hurdles, fraudulent legal, internal controls, financial and accounting representations of the business to be purchased, undisclosed side agreements, undisclosed liabilities, potential liabilities, commitments, contingencies, future cash outflows, identity and role of key employees, state of customer relationships, major contractual arrangements and going-concern issues. If we do not discover material adverse legal, regulatory, accounting, finance or other matters and close, it may adversely impact financial results and the ability to operate as a combined entity.

Growth in strategic initiatives, emergence into new or adjacent market segments or the addition of strategic acquisitions may result in reduced consolidated financial margins.

As we continue to pursue organic growth opportunities in targeted remote communications market adjacencies and expand our competitive market position through strategic acquisitions, financial margins for these new operations may be less than our current operations. The consolidation of these financial margins could result in reduced margins on a consolidated level.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and if we are unable to do so, our growth may be impaired.

Notwithstanding our action in response to reduced oil and gas activity, we plan to pursue a growth strategy in the future. We have made significant investments to grow our business. Additional investments will be required to pursue further growth in the future and to respond to technological innovations and competition. There is no guarantee that we

[Table of Contents](#)

will be able to obtain additional financing or financing on favorable terms. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business or to develop new business at the rate desired and our business, financial condition and results of operations may be harmed.

Our credit agreement places financial restrictions and operating restrictions on our business, which may limit our flexibility to respond to opportunities and may harm our business, financial condition and results of operations.

The restrictions and financial covenants in our credit agreement, and any future financing agreements, could restrict our ability to finance future operations or capital needs or to engage, expand or pursue our business activities.

For example, our credit agreement restricts our ability to, among other things:

- dispose of property;
- enter into a merger, consolidate or acquire capital in or assets of other entities;
- incur additional indebtedness;
- incur liens on property;
- make certain investments;
- enter into transactions with affiliates;
- pay cash dividends; and
- enter into sales and lease back transactions.

These limitations are subject to a number of important qualifications and exceptions. Our credit agreement also requires us to maintain specified financial ratios. Our compliance with these provisions may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, finance acquisitions, equipment purchases and development expenditures, or withstand a future downturn in our business.

Our ability to comply with the covenants and restrictions contained in our credit agreement may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or tests in our credit agreement, a significant portion of our indebtedness may become immediately due and payable, and our lenders' commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. Even if we could obtain alternative financing, that financing may not be on terms that are favorable or acceptable to us. If we are unable to repay amounts borrowed, the holders of the debt could initiate a bankruptcy proceeding or liquidation proceeding against the collateral. In addition, our obligations under our credit agreement are secured by substantially all of our assets and if we are unable to repay our indebtedness under our credit agreement, the lenders could seek to foreclose on our assets.

If we experience delays and/or defaults in client payments, we could suffer liquidity problems or we could be unable to recover all expenditures.

Because of the nature of our contracts, we sometimes commit resources to projects prior to receiving payments from the client in amounts sufficient to cover expenditures as they are incurred. In difficult economic times, some of our clients may find it increasingly difficult to pay invoices for our services timely, increasing the risk that our accounts receivable could become uncollectible and ultimately be written off. Delays in client payments may require us to make a working capital investment, which could impact our cash flows and liquidity. If a client fails to pay invoices on a timely basis or defaults in making its payments on a project in which we have devoted significant resources, there could be a material adverse effect on our results of operations or liquidity.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates;

[Table of Contents](#)

- changes in the valuation of our deferred tax assets;
- repatriation of cash; or
- expiration or non-utilization of net operating losses or credits.

We conduct our worldwide operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate, including treaties between the United States and other nations. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, including those in and involving the United States, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. Repatriation of cash from worldwide operations could increase the tax burden on those funds, lowering the amount of after tax cash available for operations.

In addition, tax returns filed are subject to examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. Outcomes from these continuous examinations could have a material adverse effect on our financial condition, results of operations or cash flows.

We are subject to fluctuations in currency exchange rates and limitations on the expatriation or conversion of currencies, which may result in significant financial charges, increased costs of operations or decreased demand for our products and services.

During the year ended December 31, 2015, 15.4% of our revenues were earned in non-U.S. currencies, while a significant portion of our capital and operating expenditures and all of our outstanding debt, was priced in U.S. dollars. In addition, we report our results of operations in U.S. dollars. Accordingly, fluctuations in exchange rates relative to the U.S. dollar could have a material effect on our earnings or the value of our assets. Additionally, we may incur foreign exchange risk due to certain intercompany financing and other transactions. In the future, a greater portion of our revenues may be earned in non-U.S. currencies, increasing this risk of fluctuations in exchange rates.

Any depreciation of local currencies in the countries in which we conduct business may result in increased costs to us for imported equipment and may, at the same time, decrease demand for our products and services in the affected markets. If our operating companies distribute dividends in local currencies in the future, the amount of cash we receive will also be affected by fluctuations in exchange rates. In addition, some of the countries in which we have operations do or may restrict the expatriation or conversion of currency.

We have not implemented any hedging strategies to mitigate risks related to the impact of fluctuations in exchange rates. Even if we were to implement hedging strategies, not every exposure can be hedged, and, where hedges are put in place based on expected non-U.S. exchange exposure, they are based on forecasts which may vary or which may later prove to have been inaccurate. Failure to hedge successfully or anticipate currency risks accurately could harm our business, financial condition and results of operations.

Some of our stockholders could exert control over our Company.

As of February 20, 2016, funds associated with Kohlberg Kravis Roberts & Co. L.P., or KKR, owned in the aggregate shares representing approximately 27.7% of our outstanding voting power. Additionally, as of February 20, 2016, funds associated with Arrowpoint Asset Management, LLC, owned in the aggregate shares representing approximately 13.8% of our outstanding voting power. As a result, any of these stockholders could potentially have significant influence over all matters presented to our stockholders for approval, including election or removal of our directors and change of control transactions. The interests of these stockholders may not always coincide with the interests of the other holders of our common stock.

We have entered into a standstill agreement with Digital Oilfield Investments LP, or Digital, an affiliate of KKR, that prevents Digital and any of its affiliates engaged in the private equity business of KKR from taking certain actions through August 26, 2016, including participating in any sale transaction or tender offer that is not approved by our Board or any proposal to seek representation on our Board in excess of one board member or otherwise seeking to control or influence our management, Board or policies. There is no restriction, however, on Digital's or KKR's ability to vote against a sale transaction that is approved by our Board.

[Table of Contents](#)

Upon expiration of the term of the standstill agreement, there will no longer be restrictions on Digital's or KKR's ability to buy additional shares, vote or participate in sale transactions or tender offers or otherwise control or influence our management, Board or policies. As a result, KKR will have the ability to exert influence on our management and operations, and matters requiring approval of its stockholders, including the approval of significant corporate transactions, such as a merger or other sale of us or our assets.

Provisions in our organizational documents and in the Delaware General Corporation Law may prevent takeover attempts that could be beneficial to our stockholders.

Provisions in our certificate of incorporation and bylaws and in the Delaware General Corporation Law may make it difficult and expensive for a third-party to pursue a takeover attempt we oppose even if a change in control of our Company would be beneficial to the interests of our stockholders. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. In our certificate of incorporation, our board of directors has the authority to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the powers, preferences and rights of each series without stockholder approval. The ability to issue preferred stock could discourage unsolicited acquisition proposals or make it more difficult for a third-party to gain control of our Company, or otherwise could adversely affect the market price of our common stock. Further, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting shares, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. Our bylaws require that any stockholder proposals or nominations for election to our board of directors must meet specific advance notice requirements and procedures, which make it more difficult for our stockholders to make proposals or director nominations.

We have a small market capitalization and lower trading volume compared to most publicly traded companies. If, due to our size, securities analysts do not publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

The trading market for our common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. If one or more of the analysts covering our business downgrade their evaluations of or recommendations regarding our stock, or if one or more of the analysts cease providing research coverage on our stock due to our small market capitalization or low trading volume, the price of our stock could decline. If one or more of these analysts cease providing research coverage on our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

The trading price of our common stock has been and may continue to be volatile and may not reflect our actual operations and performance.

Market and industry factors may seriously harm the market price of our common stock, regardless of our actual operations and performance. Stock price volatility and sustained decreases in our share price could subject our stockholders to losses and us to takeover bids or lead to action by NASDAQ. The trading price of our common stock has been, and may continue to be, subject to fluctuations in price in response to various factors, some of which are beyond our control, including, but not limited to:

- quarterly announcements and variations in our results of operations or those of our competitors, either alone or in comparison to analysts' expectations or prior Company estimates, including announcements of subscriber counts, rates of churn, and operating margins that would result in downward pressure on our stock price; changes in the valuation of our deferred tax assets;
- the cost and availability or perceived availability of additional capital and market perceptions relating to our access to this capital;
- seasonality or other variations in our subscriber base;

[Table of Contents](#)

- announcements by us or our competitors of acquisitions, new products or technologies;
- our GX commitment;
- disruption to our operations or those of other companies critical to our network operations;
- market speculation or announcements by us regarding the entering into, or termination of, material transactions;
- our ability to develop and market new and enhanced technologies, products and services on a timely and cost-effective basis;
- recommendations by securities analysts or changes in their estimates concerning us;
- the incurrence of additional debt, dilutive issuances of our stock, short sales or hedging of, and other derivative transactions, in our common stock;
- any significant change in our board of directors or management;
- litigation;
- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.

An impairment of goodwill, intangibles, property, plant and equipment could reduce our earnings and stockholders' equity.

As of December 31, 2015, our consolidated balance sheet includes \$18.1 million in goodwill and \$19.0 million of intangible assets. Refer to Note 5 – “Goodwill and Intangibles” in our consolidated financial statements included in this Annual Report on Form 10-K. Goodwill is reviewed for impairment at least annually with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable. Similarly, impairment testing is performed on intangibles when events or circumstances indicate that the carrying value of the assets may not be recoverable. If we were to determine that any of our remaining balance of goodwill or intangibles was impaired, we would record an immediate non-cash charge to earnings with a corresponding reduction in goodwill or intangibles, as applicable, which could reduce our earnings and stockholders' equity.

As a result of the July 2015 annual impairment test, we recognized \$12.6 million in impairment consisting of \$10.9 million in impairment of goodwill and \$1.7 million in impairment of intangibles, the full amounts within our North America Land reporting unit, which reports through our Western Hemisphere reportable segment. Our North America Land reporting unit has been adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline has resulted in reduced internal cash flow projections causing the estimated fair value of our North America Land reporting unit to be below its carrying value.

In December 2015, we assessed that the fair value of property, plant and equipment was impaired by \$1.7 million, as the carrying value exceeded fair value, as a result of further declines in the U.S. land rig counts since July 2015.

In 2014, we recognized \$2.7 million in impairment of goodwill related to the TSI reporting unit. Such impairment was a result of a significant decline in oil prices and global oil and gas activity for which an impairment test was performed as of December 31, 2014. This circumstance resulted in a reduction in our cash flow projections in the revision of internal forecasts. Specifically the TSI segment was impacted by declining contracted backlog, which reduced the estimated fair value of our TSI reporting unit below its carrying value.

Any future downturn in our business could adversely impact the key assumptions in our impairment test. While we believe that there appears to be no indication of current or future impairment, historical operating results may not be indicative of future operating results and events and circumstances may occur causing a triggering event in a period as short as three months.

[Table of Contents](#)

Item 1B. **Unresolved Staff Comments**

Not applicable.

Item 2. **Properties**

Facilities

Our headquarters are located in Houston, Texas. We lease our headquarters facility, which comprises approximately 34,611 square feet of office space. The term of this lease runs through August 31, 2018. We also own a custom built, approximately 26,000 square foot facility in Aberdeen, Scotland through which we provide, among other services, our TSI solutions and that serves as one of our regional offices.

We have other regional offices under lease in Lafayette, Louisiana; Stavanger, Norway; Doha, Qatar and Singapore, and additional leased offices, warehouses and service centers in the United States, Brazil, Nigeria, Malaysia, Australia, United Arab Emirates and Saudi Arabia. We believe our current facilities are adequate for our current needs and for the foreseeable future.

Item 3. **Legal Proceedings**

From time to time, we have been subject to various claims and legal actions in the ordinary course of our business. We are not currently involved in any legal proceeding the ultimate outcome of which, in our judgment based on information currently available, would have a material impact on our business, financial condition or results of operations.

Item 4. **Mine Safety Disclosures**

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

RigNet's common stock, \$0.001 par value, is traded on the NASDAQ Global Select Market (NASDAQ), under the ticker symbol RNET. The following table sets forth the high and low sales price of RigNet's common stock by quarter, for the two most recent fiscal years.

QUARTERLY COMMON STOCK SALES PRICE (HIGH & LOW SALES PRICE)

	High	Low
Year Ended December 31, 2015		
Fourth Quarter	\$31.95	\$19.33
Third Quarter	\$30.64	\$23.85
Second Quarter	\$39.33	\$29.43
First Quarter	\$40.53	\$26.66
Year Ended December 31, 2014		
Fourth Quarter	\$46.79	\$34.91
Third Quarter	\$57.04	\$39.51
Second Quarter	\$53.82	\$45.51
First Quarter	\$55.99	\$42.08

There were approximately 224 holders of RigNet's common stock on record as of February 20, 2016.

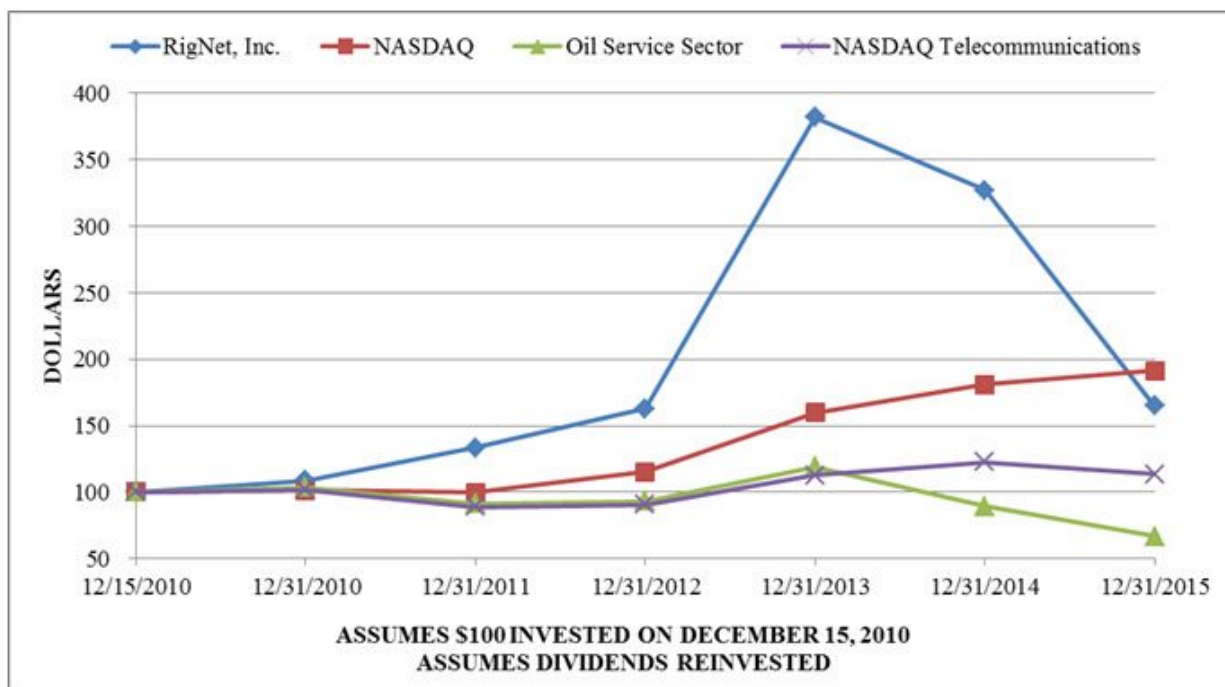
Dividends

We have not paid any cash dividends on our common stock and do not intend to do so in the foreseeable future. Further, our term loan agreement restricts our ability to pay cash dividends. We currently intend to retain all available funds and any future earnings to support the operation of and to finance the growth and development of our business.

Stockholder Return Performance Presentation

The following graph compares the change in the cumulative total stockholder return on our common stock during the period from December 15, 2010 (the first day our stock began trading on NASDAQ) through December 31, 2015, with the cumulative total return on the NASDAQ Composite Index, the PHLX Oil Service Sector Index and the NASDAQ Telecommunications Index. The Oil Service Sector Index is a price-weighted index composed of the common stocks of 15 companies that provide oil drilling and production services, oil field equipment, support services, and geophysical/reservoir services. The comparison assumes that \$100 was invested on December 15, 2010 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.

Comparison of Cumulative Total Return



	<u>12/15/2010</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
RigNet, Inc. (1)	\$ 100	\$ 109	\$ 133	\$ 163	\$ 382	\$ 327	\$ 165
NASDAQ	\$ 100	\$ 101	\$ 100	\$ 115	\$ 160	\$ 181	\$ 191
Oil Service Sector	\$ 100	\$ 104	\$ 92	\$ 93	\$ 119	\$ 89	\$ 67
NASDAQ Telecommunications	\$ 100	\$ 102	\$ 89	\$ 91	\$ 113	\$ 123	\$ 113

(1) Based on the last reported sale price of the Company’s stock as reported by NASDAQ on the disclosed date or nearest date prior to disclosed date on which a sales occurred.

Investors are cautioned against drawing any conclusions from the data contained in the graph as past results are not necessarily indicative of future performance.

Notwithstanding anything to the contrary set forth in any of the Company’s previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate this Annual Report on Form 10-K or future filings with the SEC, in whole or in part, the preceding performance information shall not be deemed to be “soliciting material” or to be “filed” with the SEC or incorporated by reference into any filing except to the extent this performance presentation is specifically incorporated by reference therein.

[Table of Contents](#)

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial data for the periods indicated. Data was derived from RigNet, Inc.'s audited consolidated financial statements. The data set forth should be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with Item 8. "Financial Statements and Supplementary Data." Our historical results for any prior period are not necessarily indicative of the results to be expected in the future.

We have never declared or paid any cash dividends on our common stock.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
(in thousands, except per share amounts)					
Consolidated Statements of Comprehensive Income (Loss) Data:					
Revenue	\$ 271,260	\$ 330,174	\$ 220,710	\$ 161,669	\$ 109,355
Expenses:					
Cost of revenue (excluding depreciation and amortization)	163,238	188,209	118,881	81,071	48,645
Depreciation and amortization	32,471	29,462	21,049	17,534	14,584
Impairment of goodwill, intangibles, and property, plant and equipment	14,262	2,719	—	—	—
Selling and marketing	9,449	9,298	5,829	4,197	3,356
General and administrative	63,192	66,402	46,726	36,068	25,880
Total expenses	282,612	296,090	192,485	138,870	92,465
Operating income (loss)	(11,352)	34,084	28,225	22,799	16,890
Interest expense	(2,054)	(2,185)	(2,283)	(1,552)	(1,249)
Other income (expense), net	(845)	(516)	(240)	(493)	613
Income (loss) before income taxes	(14,251)	31,383	25,702	20,754	16,254
Income tax expense	(2,409)	(15,400)	(9,158)	(8,733)	(6,502)
Net income (loss)	(16,660)	15,983	16,544	12,021	9,752
Less: Net income attributable to:					
Non-redeemable, non-controlling interest	314	348	208	139	234
Net income (loss) attributable to RigNet, Inc. stockholders	\$ (16,974)	\$ 15,635	\$ 16,336	\$ 11,882	\$ 9,518
Net income (loss) per share attributable to RigNet, Inc. common stockholders:					
Basic	\$ (0.97)	\$ 0.90	\$ 1.00	\$ 0.76	\$ 0.62
Diluted	\$ (0.97)	\$ 0.87	\$ 0.93	\$ 0.70	\$ 0.57
Weighted average shares outstanding:					
Basic	17,534	17,321	16,268	15,591	15,387
Diluted	17,534	17,899	17,557	17,017	16,814
Other Non-GAAP Data:					
Gross Profit (excluding depreciation and amortization)	\$ 108,022	\$ 141,965	\$ 101,829	\$ 80,598	\$ 60,710
Unlevered Free Cash Flow	\$ 14,217	\$ 33,333	\$ 25,085	\$ 22,500	\$ 13,689
Adjusted EBITDA	\$ 46,907	\$ 73,735	\$ 56,178	\$ 43,583	\$ 33,456
Cash Earnings	\$ 42,444	\$ 56,150	\$ 44,737	\$ 33,298	\$ 25,705
Cash EPS	\$ 2.42	\$ 3.14	\$ 2.55	\$ 1.96	\$ 1.53

	December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share amounts)				
Consolidated Balance Sheets Data:					
Cash and cash equivalents	\$ 60,468	\$ 66,576	\$ 59,822	\$ 59,744	\$ 53,106
Restricted cash - current portion	543	1,200	509	987	—
Restricted cash - long-term portion	—	62	1,321	1,809	—
Total assets	258,116	299,837	238,803	215,932	140,922
Current maturities of long-term debt	8,421	8,405	8,388	9,422	8,735
Long-term debt	69,238	77,706	51,175	51,871	14,785
Long-term deferred revenue	359	516	621	302	457

Non-GAAP Financial Measures

Generally accepted accounting principles, or GAAP, defines gross profit as revenue less cost of revenue, and includes in costs of revenue depreciation and amortization expenses related to revenue-generating long-lived and intangible assets. We define Gross Profit (excluding depreciation and amortization) as revenue less cost of revenue (excluding depreciation and amortization). This measure differs from the GAAP definition of gross profit as we do not include the impact of depreciation and amortization expenses related to revenue-generating long-lived and intangible assets which represent non-cash expenses. We use this measure to evaluate operating margins and the effectiveness of cost management.

The following table presents a reconciliation of gross profit to Gross Profit (excluding depreciation and amortization) for each of the periods presented. Gross profit is the most comparable GAAP measure to Gross Profit (excluding depreciation and amortization). Gross Profit (excluding depreciation and amortization) should not be considered as an alternative to gross profit, operating income (loss) or any other measure of financial performance calculated and presented in accordance with GAAP. Our Gross Profit (excluding depreciation and amortization) may not be comparable to similarly titled measures of other companies because other companies may not calculate Gross Profit (excluding depreciation and amortization) or similarly titled measures in the same manner as we do. We prepare Gross Profit (excluding depreciation and amortization) to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Reconciliation of Gross Profit to Gross Profit (excluding depreciation and amortization):					
Gross profit	\$ 76,928	\$ 113,868	\$ 81,950	\$ 63,964	\$ 46,890
Depreciation and amortization related to cost of revenue	31,094	28,097	19,879	16,634	13,820
Gross Profit (excluding depreciation and amortization)	<u>\$ 108,022</u>	<u>\$ 141,965</u>	<u>\$ 101,829</u>	<u>\$ 80,598</u>	<u>\$ 60,710</u>

We define Adjusted EBITDA as net income (loss) plus interest expense, income tax expense (benefit), depreciation and amortization, impairment of goodwill, intangibles, property, plant and equipment, foreign exchange impact of intercompany financing activities, (gain) loss on retirement of property, plant and equipment, change in fair value of derivatives, stock-based compensation, IPO or merger/acquisition costs and related bonuses, executive departure costs, restructuring charges and non-recurring items. Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Investors and securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies, and we understand our investor and analyst's presentations include Adjusted EBITDA;

[Table of Contents](#)

- By comparing our Adjusted EBITDA in different periods, our investors may evaluate our operating results without the additional variations caused by items that we do not consider indicative of our core operating performance and which are not necessarily comparable from year to year; and
- Adjusted EBITDA is an integral component of the financial ratio covenants of our debt agreement.

Our management uses Adjusted EBITDA:

- To indicate profit contribution;
- For planning purposes, including the preparation of our annual operating budget and as a key element of annual incentive programs;
- To allocate resources to enhance the financial performance of our business; and
- In communications with our Board of Directors concerning our financial performance.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense;
- Adjusted EBITDA does not reflect cash requirements for income taxes;
- Adjusted EBITDA does not reflect impairment of goodwill, intangibles, property, plant and equipment;
- Adjusted EBITDA does not reflect foreign exchange impact of intercompany financing activities;
- Adjusted EBITDA does not reflect (gain) loss on retirement of property, plant and equipment;
- Adjusted EBITDA does not reflect the stock based compensation component of employee compensation;
- Adjusted EBITDA does not reflect acquisition costs;
- Adjusted EBITDA does not reflect executive departure costs;
- Adjusted EBITDA does not reflect restructuring charges;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate Adjusted EBITDA or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

We define Unlevered Free Cash Flow as Adjusted EBITDA less capital expenditures. We believe Unlevered Free Cash Flow is useful to investors in evaluating our operating performance for the following reasons:

- Investors and securities analysts use Unlevered Free Cash Flow as a supplemental measure to evaluate the overall operating performance of companies, and we understand our investor and analyst's presentations include Unlevered Free Cash Flow; and
- By comparing our Unlevered Free Cash Flow in different periods, our investors may evaluate our operating results without the additional variations caused by items that we do not consider indicative of our core operating performance and which are not necessarily comparable from year to year.

Although Unlevered Free Cash Flow is frequently used by investors and securities analysts in their evaluations of companies, Unlevered Free Cash Flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- Unlevered Free Cash Flow does not reflect changes in, or cash requirements for, our working capital needs;

[Table of Contents](#)

- Unlevered Free Cash Flow does not reflect interest expense;
- Unlevered Free Cash Flow does not reflect cash requirements for income taxes;
- Unlevered Free Cash Flow does not reflect impairment of goodwill, intangibles, property, plant and equipment;
- Unlevered Free Cash Flow does not reflect foreign exchange impact of intercompany financing activities;
- Unlevered Free Cash Flow does not reflect (gain) loss on retirement of property, plant and equipment;
- Unlevered Free Cash Flow does not reflect acquisition costs;
- Unlevered Free Cash Flow does not reflect executive departure costs;
- Unlevered Free Cash Flow does not reflect restructuring charges;
- Unlevered Free Cash Flow does not reflect depreciation and amortization;
- Unlevered Free Cash Flow does not reflect the stock based compensation component of employee compensation; and
- Other companies in our industry may calculate Unlevered Free Cash Flow or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

We define Cash Earnings as net income (loss), plus depreciation and amortization, impairment of goodwill, intangibles, property, plant and equipment, foreign exchange impact of intercompany financing activities, (gain) loss on retirement of property and equipment, change in fair value of derivatives, stock-based compensation, IPO or merger/acquisition costs and related bonuses, executive departure costs, restructuring charges and non-recurring items. We define Cash EPS as Cash Earnings divided by diluted shares. Cash Earnings and Cash EPS are financial measures that are not calculated in accordance with GAAP.

We believe Cash Earnings and Cash EPS are useful to investors in evaluating our operating performance for the following reasons:

- Investors and securities analysts use Cash Earnings and Cash EPS as supplemental measures to evaluate the overall operating performance of companies, and we understand our investor and analyst's presentations include Cash Earnings and Cash EPS;
- By comparing our Cash Earnings and Cash EPS in different periods, our investors may evaluate our operating results without the additional variations caused by items that we do not consider indicative of our core operating performance and which are not necessarily comparable from year to year; and

Although Cash Earnings and Cash EPS are frequently used by investors and securities analysts in their evaluations of companies, Cash Earnings and Cash EPS have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- Cash Earnings and Cash EPS do not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- Cash Earnings and Cash EPS do not reflect changes in, or cash requirements for, our working capital needs;
- Cash Earnings and Cash EPS do not reflect the stock based compensation component of employee compensation;
- Cash Earnings and Cash EPS do not reflect impairment of goodwill, intangibles, property, plant and equipment;
- Cash Earnings and Cash EPS do not reflect foreign exchange impact of intercompany financing activities;
- Cash Earnings and Cash EPS do not reflect (gain) loss on retirement of property, plant and equipment;
- Cash Earnings and Cash EPS do not reflect acquisition costs;
- Cash Earnings and Cash EPS do not reflect cash taxes;
- Cash Earnings and Cash EPS do not reflect executive departure costs;
- Cash Earnings and Cash EPS do not reflect restructuring charges;

[Table of Contents](#)

- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Cash Earnings and Cash EPS do not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate Cash Earnings and Cash EPS or similarly titled measures differently than we do, limiting their usefulness as comparative measures.

Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS should not be considered as alternatives to net income (loss), operating income (loss), basic or diluted earnings per share or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS may not be comparable to similarly titled measures of other companies because other companies may not calculate Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings, Cash EPS or similarly titled measures in the same manner as we do. We prepare Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS for each of the periods presented. Net income (loss) is the most comparable GAAP measure to Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Reconciliation of Net Income (Loss) to Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS:					
Net income (loss)	\$(16,660)	\$ 15,983	\$16,544	\$12,021	\$ 9,752
Interest expense	2,054	2,185	2,283	1,552	1,249
Depreciation and amortization	32,471	29,462	21,049	17,534	14,584
Impairment of goodwill, intangibles, and property, plant and equipment	14,262	2,719	—	—	—
Foreign exchange impact of intercompany financing activities	—	856	—	—	—
(Gain) loss on sales of property, plant and equipment, net of retirements	(41)	(44)	66	(131)	(165)
Stock-based compensation	3,660	4,252	2,963	2,502	1,534
Restructuring costs	7,410	—	—	—	—
Executive departure costs	1,000	—	—	—	—
Acquisition costs	342	2,922	4,115	1,372	—
Income tax expense	2,409	15,400	9,158	8,733	6,502
Adjusted EBITDA (non-GAAP measure)	\$ 46,907	\$ 73,735	\$56,178	\$43,583	\$33,456
Interest expense	(2,054)	(2,185)	(2,283)	(1,552)	(1,249)
Income tax expense	(2,409)	(15,400)	(9,158)	(8,733)	(6,502)
Cash Earnings (non-GAAP measure)	\$ 42,444	\$ 56,150	\$44,737	\$33,298	\$25,705
Diluted Shares	17,534	17,899	17,557	17,017	16,814
Cash EPS (non-GAAP measure)	\$ 2.42	\$ 3.14	\$ 2.55	\$ 1.96	\$ 1.53
Adjusted EBITDA (non-GAAP measure)	\$ 46,907	\$ 73,735	\$56,178	\$43,583	\$33,456
Capital expenditures	32,690	40,402	31,093	21,083	19,767
Unlevered Free Cash Flow (non-GAAP measure)	\$ 14,217	\$ 33,333	\$25,085	\$22,500	\$13,689

Item 7. *Management's Discussion And Analysis Of Financial Condition And Results Of Operations*

General

The following discussion should be read together with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements about our business and operations. Our future results may differ materially from those we currently anticipate as a result of the factors we describe under "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Executive Overview

We, along with our wholly and majority-owned subsidiaries, provide information and communication technology for the oil and gas industry through a controlled and managed IP/MPLS global network, enabling drilling contractors, oil companies and oilfield service companies to communicate more effectively. We enable our customers to deliver voice, fax, video and data, in real-time, between remote sites and home offices throughout the world while we manage and operate the infrastructure from our land-based network operations center. We serve offshore drilling rigs and production platforms, land rigs and other remote locations including offices and supply bases, in approximately 50 countries on six continents.

Our Operations

We are a global provider of managed remote communications, TSI (project management of turn-key engineered telecommunications solutions) and collaborative applications dedicated to the oil and gas industry, focusing on offshore and onshore drilling rigs, energy production facilities and maritime. We focus on developing customer relationships in the oil and gas industry resulting in a significant portion of our revenue being concentrated in a few customers. In addition, due to the concentration of our customers in the oil and gas industry, we face the challenge of service demands fluctuating with the exploration and development plans and capital expenditures of that industry.

Network service customers are primarily served under fixed-price, day-rate contracts, which are based on the concept of pay-per-day of use and are consistent with other service terms used in the oil and gas industry. Our contracts are generally in the form of Master Service Agreements, or MSAs, with specific services being provided under individual service orders that have a term of one to three years with renewal options, while land-based locations are generally shorter term or terminable on short notice without a penalty. Service orders are executed under the MSA for individual remote sites or groups of sites, and generally may be terminated early on short notice without penalty in the event of force majeure, breach of the MSA or cold stacking of a drilling rig (when a rig is taken out of service and is expected to be idle for a protracted period of time).

Profitability increases at a site as we add customers and value-added services. Assumptions used in developing the day rates for a site may not cover cost variances from inherent uncertainties or unforeseen obstacles, including both physical conditions and unexpected problems encountered with third-party service providers.

Segment information is prepared consistent with the components of the enterprise for which separate financial information is available and regularly evaluated by the chief operating decision-maker for the purpose of allocating resources and assessing performance. Certain operating segments are aggregated into one reportable segment based on similar economic characteristics.

We operate three reportable segments, which are managed as distinct business units by our chief operating decision-maker.

- **Eastern Hemisphere.** Our Eastern Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Eastern Hemisphere segment services are primarily performed out of our Norway, United Kingdom, Qatar, and Singapore based offices for customers and rig sites located on the eastern side of the Atlantic Ocean primarily off the coasts of the United Kingdom, Norway, West Africa, around the Indian Ocean in Qatar, Saudi Arabia and India, around the Pacific Ocean near Australia, and within the South China Sea.
- **Western Hemisphere.** Our Western Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Western Hemisphere segment services are primarily performed out of our United States and Brazil based offices for onshore and offshore customers and rig sites located on the western side of the Atlantic Ocean primarily in the United States, Canada, Mexico and Brazil, and within the Gulf of Mexico.
- **TSI.** Our TSI segment designs, assembles, installs and commissions turn-key solutions for customer telecommunications systems. TSI segment solutions are custom designed and engineered turn-key solutions based on the customer's specifications, as well as, international industry standards and best practices. TSI projects include consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and after-sales service. Our TSI segment services are primarily performed out of our United Kingdom and United States based offices for customers globally.

Recent Developments

On February 4, 2016, we completed our acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR) for an aggregate purchase price of \$14.0 million. Of this aggregate purchase price, we paid \$4.8 million in cash in the first quarter of 2016 and estimate paying \$9.2 million in an earn-out payable in 2018 subject to the achievement of certain post-closing performance targets under the acquisition agreement. The estimate of the earn-out payable is preliminary and subject to change. TECNOR provides telecommunications solutions for remote sites on land, sea and air, including a wide array of equipment, voice and data services, satellite coverage and bandwidth options in Mexico. These services are provided to industrial, commercial and private users in diverse activity segments from mission critical military and government applications, oil and gas operations, commercial fishing and leisure. TECNOR is based in Monterrey, Mexico.

On January 7, 2016, Marty Jimmerson, our former CFO, was appointed Interim Chief Executive Officer (CEO) and President, to replace Mark Slaughter, our prior CEO and President effective January 7, 2016. Marty Jimmerson's appointment will continue while we search for a permanent CEO and President. In connection with the executive departure of our prior CEO, we will incur a pre-tax executive departure charge of approximately \$1.9 million in the first quarter of 2016.

Restructuring Costs – Cost Reduction Plans

In 2015, we instituted certain resource reallocation and additional cost reduction plans to vacate and eliminate redundant facilities and eliminate certain positions in response to deteriorating oil and gas industry market conditions including declining oil and gas prices, increased stacking and scrapping of offshore drilling rigs and declines in the Baker Hughes U.S. land rig count. We are undertaking these plans to reduce costs and improve our competitive position.

For the year ended December 31, 2015, we incurred pre-tax expense of approximately \$7.4 million in the corporate segment related to restructuring activities. For the year ended December 31, 2015, the restructuring costs included \$4.5 million associated with the reduction of 123 employees, of which \$3.4 million and \$1.1 million were reported as general and administrative expense and cost of revenue, respectively, in the Consolidated Statements of Comprehensive Income (Loss). For the year ended December 31, 2015, the restructuring costs also included \$2.9 million associated with ceasing the use of and vacating nine facilities, of which \$1.4 million and \$1.5 million were reported as general and administrative expense and cost of revenue, respectively, in the Consolidated Statements of Comprehensive Income (Loss).

Known Trends and Uncertainties

Operating Matters

Uncertainties and negative trends in the oil and gas industry could continue to impact our profitability. The fundamentals of the oil and gas industry we serve have deteriorated. Oil prices have declined significantly throughout 2015 and into early 2016 from the recent high in mid-year 2014 due to lower-than-expected global oil demand growth and increased supply from U.S. unconventional sources and increased production from several other international countries. Generally, a prolonged lower oil price environment restrains increases in exploration and development drilling investment, utilization of drilling rigs and the activity of the global oil and gas industry that we serve. Several global exploration and production companies have reduced their 2016 capital budgets compared to 2015 and 2014 as a result of lower oil prices.

[Table of Contents](#)

Although management has observed a recent and sustained decline in demand, the global oil and gas industry that we serve is moving towards higher specification drilling rigs to perform contract drilling services either as a response to increased technical challenges or for the safety, reliability and efficiency typical of the newer, more capable rigs. This trend is commonly referred to as the bifurcation of the drilling fleet. Bifurcation is occurring in both the jackup and floater rig classes and is evidenced by the higher specification drilling rigs operating at generally higher overall utilization levels and day rates than the lower specification or standard drilling rigs. As the offshore drilling sector continues to construct and deliver newer, higher specification drilling units, we expect lower specification drilling units to experience reduced overall utilization and day rates leading to a significant number of rigs being either warm or cold-stacked or scrapped. Although management has observed the pace of cold stacking and scrapping of offshore lower specification drilling rigs recently increasing, management plans to aggressively pursue opportunities to provide our services on the higher specification new build offshore rigs.

As of December 31, 2015, we were serving 238 jack up, semi-submersible and drillship rigs, a decrease of 40 rigs since December 31, 2014. We calculate our market share to be based on an IHS-Petrodata RigBase Current Activity report as of December 31, 2015 excluding cold-stacked rigs, rigs under construction, rigs out of service and rigs in sanctioned countries, as we do not consider these rigs to be addressable. We approximate our addressable market share to be 32.3% as of December 31, 2015, which is down compared to 35.5% as of December 31, 2014. As of December 31, 2015, we were serving 519 strategic initiative sites, a decrease of 43 sites since December 31, 2014. Strategic initiative sites include production facilities, support vessels and international onshore rigs. As of December 31, 2015, we were also serving 373 other sites, a decrease of 303 sites since December 31, 2014. Other sites include U.S. onshore drilling rigs, completion facilities, remote support offices and supply bases. We had approximately a 13.8% market share for U.S. onshore drilling rigs based on Baker Hughes North America Rotary Rig Count for December 2015.

Several drilling rig owners have recently announced and begun to cold stack and scrap drilling rigs which generally are older and not expected to be competitive. We expect that additional announcements are likely in the near future as a result of the overall lower global demand for offshore drilling rigs and expectations that many of the scheduled new build drilling rigs will be delivered and compete for global rig activity. Since October 1, 2014, we have been notified directly by customers or through public announcements that 63 offshore drilling rigs we served will be cold-stacked or scrapped. Revenue earned in the recent peak year of 2014 from these 63 offshore drilling rigs was \$15.3 million. Revenue earned in 2015 from these 63 offshore drilling rigs was \$7.4 million. As of December 31, 2015, we have stopped providing communication services on 57 of the 63 offshore drilling rigs as a result of being cold-stacked or scrapped. Revenue earned in 2015 and 2014 from these 57 offshore drilling rigs was \$4.7 million and \$12.7 million, respectively.

In addition, uncertainties that could impact our profitability include service responsiveness to remote locations, communication network complexities, political and economic instability in certain regions, export restrictions, licenses and other trade barriers. These uncertainties may result in the delay of service initiation, which may negatively impact our results of operations.

Additional uncertainties that could impact our operating cash flows include the availability and cost of satellite bandwidth, timing of collecting our receivables, and our ability to increase our contracted services through sales and marketing efforts while leveraging the contracted satellite and other communication service costs.

Regulatory Matter

We cannot predict the ultimate outcome of the OFAC and BIS investigation (described in this Item under the heading “Regulatory Matter”), the total costs to be incurred in completing the investigation, the potential impact on personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, we could be subject to fines, sanctions or other penalties.

Contractual Dispute

Our TSI business has a dispute related to a contract associated with a percentage of completion project. We believe amounts, which the customer is disputing, are owed to us under a customer contract where we have a contractual right to payment for work related to certain unsigned change orders. We have initiated the dispute resolution process under the contract and are actively working with the customer to resolve the matter. As a result of the ongoing dispute, we have recorded a loss of \$14.3 million for this project, which represents the total evident probable and estimable loss that we expect to incur over the life of this project. To arrive at this loss, we recorded negative income adjustments of \$15.6 million during the fourth quarter of 2015. These adjustments include negative revenue adjustments of \$9.6 million, project costs

[Table of Contents](#)

incurred of \$5.1 million and a future evident loss charge of \$0.9 million, as a result of a change in estimate associated with a claim. We expect remaining estimated project completion costs of \$2.2 million. We will continue incurring costs and recognizing revenue related to this unsigned change order, as the project is not yet complete and is expected to continue incurring costs into the second quarter of 2016. We cannot predict the ultimate outcome of the dispute or actual loss from the project, the total costs to be incurred in defending the dispute or the potential impact on personnel. The ultimate actual loss may be more or less than the estimated \$14.3 million.

We have incurred legal expense of \$0.5 million in connection with the dispute for the year ended December 31, 2015. We may continue to incur significant legal fees and related expenses and in the future management may be required to devote significant time to resolve the dispute.

Critical Accounting Policies

Certain of our accounting policies require judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends in the industry, information provided by our customers, and information available from other outside sources, as appropriate. Future results may differ from these judgments under different assumptions or conditions. Our accounting policies that require management to apply significant judgment include:

Revenue Recognition - General

All revenue, excluding TSI contracts, is recognized when persuasive evidence of an arrangement exists, the service is complete, the amount is fixed or determinable and collectability is reasonably assured. Network service fee revenue is based on fixed-price, day-rate contracts and recognized monthly as the service is provided. Generally, customer contracts also provide for installation and maintenance services. Installation services are paid upon initiation of the contract and recognized over the life of the respective contract. Maintenance charges are recognized as specific services are performed. Deferred revenue consists of deferred installation billings, customer deposits and other prepayments for which services have not yet been rendered. Revenue is reported net of any tax or regulatory fees assessed and collected on behalf of a governmental authority. Such tax or fee is then remitted directly to the appropriate jurisdictional entity.

Revenue Recognition –TSI

Revenues related to long-term TSI contracts for customized network solutions are recognized using the percentage-of-completion method. At any point, RigNet has numerous contracts in progress, all of which are at various stages of completion. Accounting for revenues and profits on long-term contracts requires estimates of total estimated contract costs and estimates of progress toward completion to determine the extent of revenue and profit recognition. Progress towards completion on fixed price contracts is measured based on the ratio of costs incurred to total estimated contract costs (the cost-to-cost method). These estimates may be revised as additional information becomes available or as specific project circumstances change.

We review all of our material contracts on a monthly basis and revise the estimates as appropriate for developments such as, providing services and purchasing third-party materials and equipment at costs differing from those previously estimated and incurring or expecting to incur schedule issues. Changes in estimated final contract revenues and costs can either increase or decrease the final estimated contract profit or loss. Profits are recorded in the period in which a change in estimate is recognized, based on progress achieved through the period of change. Anticipated losses on contracts are recorded in full in the period in which they become evident. Revenue recognized in excess of amounts billed is classified as a current asset under costs and estimated earnings in excess of billings on uncompleted contracts. As of December 31, 2015 and 2014, the amount of costs and estimated earnings in excess of billings on uncompleted contracts related to TSI projects was \$6.8 million and \$13.8 million, respectively. Amounts billed to clients in excess of revenue recognized to date are classified as a current liability under deferred revenue. Under long-term contracts, amounts recorded in costs and estimated earnings in excess of billings on uncompleted contracts may not be realized or paid, respectively, within a one-year period.

When estimating the amount of final contract profit or loss, we include certain probable claims and unapproved change orders to customers as adjustments to final estimated revenues and probable claims to vendors, subcontractors and others as adjustments to final estimated costs.

[Table of Contents](#)

We record revenue on contracts relating to certain probable claims and unapproved change orders by including in revenue an amount less than or equal to the amount of costs incurred to date relating to these probable claims and unapproved change orders, thus recognizing no profit until such time as claims are finalized or change orders are approved. The amount of unapproved change orders and claim revenues is included in our Consolidated Balance Sheets as part of costs and estimated earnings in excess of billings on uncompleted contracts. As new facts become known, an adjustment to the estimated recovery is made and reflected in the current period.

Besides the TSI contractual dispute issue discussed above, there were no material contract penalties, claims, settlements or changes in contract estimates and no amounts were netted in revenue during the years ended 2015, 2014, and 2013.

Accounts Receivable

Trade accounts receivable are recognized as customers are billed in accordance with customer contracts. We report an allowance for doubtful accounts for probable credit losses existing in accounts receivable. Management determines the allowance based on a review of currently outstanding receivables and our historical collection experience. Significant individual receivables and balances which have been outstanding greater than 90 days are reviewed individually. Account balances, when determined to be uncollectible, are charged against the allowance.

Property, Plant and Equipment

Property, plant and equipment consists of (i) telecommunication and computer equipment, (ii) furniture and other, (iii) building and (iv) land. All property, plant and equipment, excluding land, is depreciated and stated at acquisition cost net of accumulated depreciation. Depreciation is provided using the straight-line method over the expected useful lives of the respective assets, which range from one to ten years. We assess property, plant and equipment for impairment when events indicate the carrying value exceeds fair value. During the year ended December 31, 2015, we impaired fixed assets by \$1.7 million, as the carrying value exceeded fair value, as a result of further declines in the U.S. land rig counts since July 2015. No impairment to fixed assets was recorded in the years ended December 31, 2014. During the year ended December 31, 2013, we impaired fixed assets by \$0.5 million. Maintenance and repair costs are charged to expense when incurred.

Any future downturn in our business could adversely impact the key assumptions in our impairment test. While we believe that there appears to be no indication of current or future impairment, historical operating results may not be indicative of future operating results and events and circumstances may occur causing a triggering event in a period as short as three months.

Intangibles

Intangibles consist of customer relationships acquired as part of the LandTel Communications LLC (LandTel), OilCamp AS (OilCamp), Nessco and Inmarsat's Enterprise Energy business unit acquisitions, as well as brand name and covenants not-to-compete acquired as part of the Nessco acquisition, backlog acquired as part of the Nessco and Inmarsat's Enterprise Energy business unit acquisitions, licenses acquired as part of the Inmarsat's Enterprise Energy business unit acquisition. Intangibles also include internal-use software. Intangibles have useful lives ranging from 1.7 to 9.0 years and are amortized on a straight-line basis. Impairment testing is performed when events or circumstances indicate that the carrying value of the assets may not be recoverable.

In July 2015, we identified a triggering event in the North America Land reporting unit associated with a significant decline in U.S. land rig counts since December 2014. This circumstance resulted in a reduction in the Company's cash flow projections during the revision of internal forecasts. In July 2015, the Company conducted an intangibles impairment test and as a result of such test, recognized a \$1.7 million impairment of customer relationships, the full amount within the North America Land reporting unit, which reports through the Western Hemisphere reportable segment. No other impairment indicators have been identified in any reporting unit as of December 31, 2015.

Any future downturn in our business could adversely impact the key assumptions in our impairment test. While we believe that there appears to be no indication of current or future impairment, historical operating results may not be indicative of future operating results and events and circumstances may occur causing a triggering event in a period as short as three months.

Goodwill

Goodwill resulted from prior acquisitions as the consideration paid for the acquired businesses exceeded the fair value of acquired identifiable net tangible and intangible assets. Goodwill is reviewed for impairment at least annually, as of July 31st, with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable.

Goodwill impairment is determined using a two-step process. The first step of the impairment test is used to identify potential impairment by comparing the fair value of each reporting unit to the book value of the reporting unit, including goodwill. Fair value of the reporting unit is determined using a combination of the reporting unit's expected present value of future cash flows and a market approach. The present value of future cash flows is estimated using our most recent forecast and our weighted average cost of capital. The market approach uses a market multiple on the reporting unit's cash generated from operations. Significant estimates for each reporting unit included in our impairment analysis are cash flow forecasts, our weighted average cost of capital, projected income tax rates and market multiples. Changes in these estimates could affect the estimated fair value of our reporting units and result in an impairment of goodwill in a future period.

If the fair value of a reporting unit is less than its book value, goodwill of the reporting unit is considered to be impaired and the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit's goodwill with the book value of that goodwill. If the book value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in the same manner as a purchase price allocation.

Any impairment in the value of goodwill is charged to earnings in the period such impairment is determined.

In 2015, as a result of the July 2015 annual impairment test, we recognized \$10.9 million in impairment of goodwill, the full amount within our North America Land reporting unit, which reports through our Western Hemisphere reportable segment. Our North America Land reporting unit has been adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline has resulted in reduced internal cash flow projections causing the estimated fair value of our North America Land reporting unit to be below its carrying value. The fair value of all other reporting units substantially exceeded the carrying value plus goodwill of that reporting unit. No other impairment indicators have been identified in any reporting unit as of December 31, 2015.

In 2014, we recognized \$2.7 million in impairment of goodwill related to the TSI reporting unit. Such impairment was a result of a significant decline in oil prices and global oil and gas activity for which an impairment test was performed as of December 31, 2014. This circumstance resulted in a reduction in the cash flow projections in our revision of internal forecasts. Specifically the TSI segment was impacted by declining contracted backlog, which reduced the estimated fair value of our TSI reporting unit below its carrying value.

Any future downturn in our business could adversely impact the key assumptions in our goodwill impairment test. While we believe that there appears to be no indication of current or future impairment, historical operating results may not be indicative of future operating results and events and circumstances may occur causing a triggering event in a period as short as three months.

We recorded no goodwill impairments in 2013.

Stock-Based Compensation

We have three stock-based compensation plans: the 2010 Omnibus Incentive Plan (2010 Plan), the RigNet, Inc. 2006 Long-Term Incentive Plan (2006 Plan) and the RigNet Inc. 2001 Performance Stock Option Plan (2001 Plan). All equity instruments granted under either the 2001 Plan or the 2006 Plan are settled in stock. All equity instruments currently outstanding under the 2010 Plan will be settled in stock, however future awards granted subsequent to December 31, 2015 may be settled in stock or cash and may be classified as equity or liability instruments, as determined by the type of award granted.

[Table of Contents](#)

Our policy is to recognize compensation expense for service-based awards on a straight-line basis over the requisite service period for the entire award. Expense for stock-based compensation related to equity awards is recorded using the calculated fair value of options on the grant date of the awards. Fair value of options on the grant date is determined using the Black-Scholes model, which requires judgment in estimating the expected term of the option, risk-free interest rate, expected volatility of our stock and dividend yield of the option.

The fair value of each option award is estimated on the grant date using a Black-Scholes option valuation model, which uses certain assumptions as of the date of grant:

- **Expected Volatility**—based on peer group price volatility for periods equivalent to the expected term of the options
- **Expected Term**—expected life adjusted based on management’s best estimate for the effects of non-transferability, exercise restriction and behavioral considerations
- **Risk-free Interest Rate**—risk-free rate, for periods within the contractual terms of the options, is based on the U.S. Treasury yield curve in effect at the time of grant
- **Dividend Yield**—expected dividends based on the Company’s historical dividend rate at the date of grant

The fair value of restricted stock on the grant date is equal to the market price of RigNet’s common stock on the date of grant.

Stock-based compensation expense is based on awards ultimately expected to vest. We did not issue fractional shares nor pay cash in lieu of fractional shares.

Taxes

Current income taxes are determined based on the tax laws and rates in effect in the jurisdictions and countries that we operate in and revenue is earned. Deferred income taxes reflect the tax effect of net operating losses, foreign tax credits and the tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. Valuation allowances are established when management determines that it is more likely than not that some portion or the entire deferred tax asset will not be realized. U.S Federal deferred tax liabilities are recorded for the unremitted earnings of foreign subsidiaries that are not permanently reinvested, net of potential foreign tax credits; otherwise, no U.S. Federal deferred taxes are provided on foreign subsidiaries. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. In the normal course of business, the Company prepares and files tax returns based on interpretation of tax laws and regulations, which are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. We evaluate our tax positions and recognize only tax benefits for financial purposes that, more likely than not, will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position.

The Company has elected to include income tax related interest and penalties as a component of income tax expense.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. In addition, Norway’s corporate income tax rate is decreasing 2% in 2016 and Malaysia’s and Canada’s corporate income tax rates are decreasing 1% in 2016.

New Accounting Pronouncements

No standard implemented during 2015 or 2014 had a material effect on our financial position, cash flow or results of operations. See our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more details regarding our implementation and assessment of new accounting standards.

[Table of Contents](#)

Results of Operations

The following table sets forth selected financial and operating data for the periods indicated.

	Year Ended December 31,			Percentage Change	
	2015	2014	2013	2014 to 2015	2013 to 2014
	(in thousands, except percentages)				
Revenue	\$271,260	\$330,174	\$220,710	(17.8)%	49.6%
Expenses:					
Cost of revenue (excluding depreciation and amortization)	163,238	188,209	118,881	(13.3)%	58.3%
Depreciation and amortization	32,471	29,462	21,049	10.2%	40.0%
Impairment of goodwill, intangibles, and property, plant and equipment	14,262	2,719	—	424.5%	*
Selling and marketing	9,449	9,298	5,829	1.6%	59.5%
General and administrative	63,192	66,402	46,726	(4.8)%	42.1%
Total expenses	<u>282,612</u>	<u>296,090</u>	<u>192,485</u>	(4.6)%	53.8%
Operating income (loss)	(11,352)	34,084	28,225	(133.3)%	20.8%
Other expense, net	(2,899)	(2,701)	(2,523)	7.3%	7.1%
Income (loss) before income taxes	(14,251)	31,383	25,702	(145.4)%	22.1%
Income tax expense	(2,409)	(15,400)	(9,158)	(84.4)%	68.2%
Net income (loss)	(16,660)	15,983	16,544	(204.2)%	(3.4)%
Less: Net income attributable to non-controlling interests	314	348	208	(9.8)%	67.3%
Net income (loss) attributable to RigNet, Inc. stockholders	<u>\$ (16,974)</u>	<u>\$ 15,635</u>	<u>\$ 16,336</u>	<u>(208.6)%</u>	<u>(4.3)%</u>
Other Non-GAAP Data:					
Gross Profit (excluding depreciation and amortization)	\$108,022	\$141,965	\$101,829	(23.9)%	39.4%
Unlevered Free Cash Flow	\$ 14,217	\$ 33,333	\$ 25,085	(57.3)%	32.9%
Adjusted EBITDA	\$ 46,907	\$ 73,735	\$ 56,178	(36.4)%	31.3%
Cash Earnings	\$ 42,444	\$ 56,150	\$ 44,737	(24.4)%	25.5%
Cash EPS	\$ 2.42	\$ 3.14	\$ 2.55	(22.8)%	23.1%

[Table of Contents](#)

Our business operations are managed through three reportable operating segments: Eastern Hemisphere, Western Hemisphere and TSI. The following represents selected financial operating results for our segments:

	<u>Year Ended December 31,</u>			<u>Percentage Change</u>	
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2014 to</u> <u>2015</u>	<u>2013 to</u> <u>2014</u>
(in thousands, except percentages)					
Eastern Hemisphere:					
Revenue	\$ 147,100	\$ 163,935	\$ 128,987	(10.3)%	27.1%
Cost of revenue (excluding depreciation and amortization)	72,053	76,842	58,826	(6.2)%	30.6%
Gross Profit (non-GAAP measure)	75,047	87,093	70,161	(13.8)%	24.1%
Depreciation and amortization	15,386	13,249	8,701	16.1%	52.3%
Selling, general and administrative	13,428	14,750	14,948	(9.0)%	(1.3)%
Eastern Hemisphere operating income	<u>\$ 46,233</u>	<u>\$ 59,094</u>	<u>\$ 46,512</u>	<u>(21.8)%</u>	<u>27.1%</u>
Western Hemisphere:					
Revenue	\$ 102,621	\$ 112,956	\$ 54,221	(9.1)%	108.3%
Cost of revenue (excluding depreciation and amortization)	50,364	58,996	25,062	(14.6)%	135.4%
Gross Profit (non-GAAP measure)	52,257	53,960	29,159	(3.2)%	85.1%
Depreciation and amortization	11,581	11,261	7,149	2.8%	57.5%
Impairment of goodwill, intangibles, property, plant and equipment	14,262	—	—	*	*
Selling, general and administrative	15,425	16,144	7,847	(4.5)%	105.7%
Western Hemisphere operating income	<u>\$ 10,989</u>	<u>\$ 26,555</u>	<u>\$ 14,163</u>	<u>(58.6)%</u>	<u>87.5%</u>
Telecoms Systems Integration:					
Revenue	\$ 21,539	\$ 53,283	\$ 37,502	(59.6)%	42.1%
Cost of revenue (excluding depreciation and amortization)	30,762	42,644	29,569	(27.9)%	44.2%
Gross Profit (non-GAAP measure)	(9,223)	10,639	7,933	(186.7)%	34.1%
Depreciation and amortization	3,104	3,806	4,369	(18.4)%	(12.9)%
Impairment of goodwill	—	2,719	—	*	*
Selling, general and administrative	4,120	3,829	1,057	7.6%	262.3%
Telecoms Systems Integration operating income (loss)	<u>\$ (16,447)</u>	<u>\$ 285</u>	<u>\$ 2,507</u>	<u>(5,870.9)%</u>	<u>(88.6)%</u>

NOTE: Consolidated balances include the three segments above along with corporate activities and intercompany eliminations.

Years Ended December 31, 2015 and 2014

Revenue. Revenue decreased by \$58.9 million, or 17.8%, to \$271.3 million for the year ended December 31, 2015 from \$330.2 million for the year ended December 31, 2014. This decrease was driven by lower revenues in all reportable segments. TSI segment revenue decreased \$31.7 million, or 59.6%, due to a \$17.6 million decrease in revenue from the TSI project under contractual dispute coupled with decreased demand for our TSI service. The Eastern and Western Hemisphere segments decreased \$16.8 million, or 10.3% and \$10.3 million, or 9.1%, respectively. The decreased revenue in the Eastern and Western Hemisphere segments is primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease in sites served is primarily due to 43 offshore drilling rigs we served last year being cold-stacked or scrapped partially offset by new sales wins. Additionally, Western Hemisphere segment revenue decreased due to decreased US Land sites served. The decreased revenue-per-site from offshore drilling rigs is primarily due to decreased multi-tenancy ratios from operators on offshore drilling rigs. As rigs that we serve increasingly hot-stack (when a rig is taken out of service but is ready to mobilize on short notice) due to the current economic environment, the opportunity to serve the operator and earn additional revenue is lost until the drilling rig is subsequently contracted for service.

Cost of Revenue. Cost of revenue consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for TSI projects and direct service labor. Satellite charges consist of the costs associated with obtaining satellite bandwidth (the measure of capacity) used in the transmission of service to and from leased satellites. Direct service labor consists of field technicians, our Network

[Table of Contents](#)

Operations Center employees, and other employees who directly provide services to customers. Network operations expenses consist primarily of costs associated with the operation of our network operations center, which is maintained 24 hours a day, seven days a week. Cost of revenue decreased by \$25.0 million, or 13.3%, to \$163.2 million for the year ended December 31, 2015 from \$188.2 million for the year ended December 31, 2014. Cost of revenue decreased in all segments primarily due to declining TSI segment costs associated with decreased demand for TSI services, and cost savings associated with the cost savings plans coupled with decreased costs from separate cost savings initiatives focused on reducing third-party spend.

Gross Profit (excluding depreciation and amortization) decreased by \$33.9 million, or 23.9%, to \$108.0 million for the year ended December 31, 2015 from \$142.0 million for the year ended December 31, 2014. Gross Profit (excluding depreciation and amortization) as a percentage of revenue, or Gross Profit Margin, decreased to 39.8% for the year ended December 31, 2015 compared to 43.0% for the year ended December 31, 2014. The decreased Gross Profit (excluding depreciation and amortization) and Gross Profit Margin is primarily attributable to decreased revenues and the TSI contractual dispute partially offset by savings associated with our cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third-party spend.

Depreciation and Amortization. Depreciation and amortization is recognized on all property, plant and equipment either installed at a customer's site or held at our corporate and regional offices, as well as intangibles arising from acquisitions and internal use software. Depreciation and amortization expenses increased by \$3.0 million, or 10.2%, to \$32.5 million for the year ended December 31, 2015 from \$29.5 million for the year ended December 31, 2014. This increase is primarily attributable to additions to property, plant and equipment and intangibles from capital expenditures and prior acquisitions.

Impairment of goodwill, intangibles, and property, plant and equipment. We recognized \$14.3 million in impairment for the year ended December 31, 2015. As a result of the July 2015 annual impairment test, we recognized \$10.9 million in impairment of goodwill and \$1.7 million in impairment of intangibles, the full amounts reported within our North America Land reporting unit, which reports through our Western Hemisphere reportable segment. Our North America Land reporting unit has been adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline has resulted in reduced internal cash flow projections causing the estimated fair value of our North America Land reporting unit to be below its carrying value. Additionally, in December 2015, we assessed that the fair value of property, plant and equipment was impaired by \$1.7 million, as the carrying value exceeded fair value, as a result of further declines in the U.S. land rig counts since July 2015.

During the year ended December 31, 2014, a \$2.7 million impairment of goodwill was reported in our TSI reporting unit resulting from declining contracted backlog that reduced the estimated fair value of our TSI reporting unit below its carrying value.

Selling and Marketing. Selling and marketing expenses consist primarily of salaries and commissions, travel costs and marketing communications. Selling and marketing expenses were \$9.4 million and \$9.3 million for the years ended December 31, 2015 and 2014, respectively.

General and Administrative. General and administrative expenses consist of expenses associated with our management, finance, contract, support and administrative functions. General and administrative expenses decreased by \$3.2 million, or 4.8%, to \$63.2 million for the year ended December 31, 2015 from \$66.4 million for the year ended December 31, 2014. Excluding \$4.8 million of restructuring charges and \$1.0 million of executive departure costs, general and administrative expenses would have been \$57.4 million for the year ended December 31, 2015. Excluding the restructuring charges and executive departure costs, general and administrative costs decreased primarily due to savings associated with cost reduction plans executed in 2015 coupled with separate cost savings initiatives focused on reducing third-party spend.

Income Tax Expense. Our effective income tax rate was (16.9)% and 49.1% for the years ended December 31, 2015 and 2014, respectively. Our effective tax rates are affected by factors including changes in the valuation allowance related to operating in loss jurisdictions for which a benefit cannot be claimed, fluctuations in income across international jurisdictions with varying tax rates, and changes in income tax reserves. See Note 14 — "Income Taxes," to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding the items comprising our effective tax rates.

Years Ended December 31, 2014 and 2013

Revenue. Revenue increased by \$109.5 million, or 49.6%, to \$330.2 million for the year ended December 31, 2014 from \$220.7 million for the year ended December 31, 2013. The acquisition of Inmarsat's Enterprise Energy business unit contributed \$80.2 million in revenue across all three reportable segments. Excluding Inmarsat's Enterprise Energy business unit's revenue, revenue increased by \$29.3 million or 13.3%. This organic increase was driven by the Eastern Hemisphere segment which increased \$22.4 million, or 17.4%, and the Western Hemisphere segment which increased \$13.8 million, or 25.5%. These increases are primarily due to increased revenue-per-site and increased sites served across the Eastern and Western Hemisphere segments. Revenue-per-site increased as a result of increased services per site and the growing bandwidth needs of our customers across the Eastern and Western Hemisphere segments.

Cost of Revenue. Cost of revenue consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for TSI projects and direct service labor. Satellite charges consist of the costs associated with obtaining satellite bandwidth (the measure of capacity) used in the transmission of service to and from leased satellites. Direct service labor consists of field technicians, our Network Operations Center employees, and other employees who directly provide services to customers. Network operations expenses consist primarily of costs associated with the operation of our network operations center, which is maintained 24 hours a day, seven days a week. Cost of revenue increased by \$69.3 million, or 58.3%, to \$188.2 million for the year ended December 31, 2014 from \$118.9 million for the year ended December 31, 2013. The acquisition of Inmarsat's Enterprise Energy business unit added \$58.3 million to costs across all three reportable segments. Excluding Inmarsat's Enterprise Energy business unit, costs increased by \$11.0 million, or 9.2%, to \$129.9 million from \$118.9 million. This increase is primarily due to incremental network services and satellite charges to support growing bandwidth needs of our customers across the Eastern and Western Hemisphere segments.

Gross Profit (excluding depreciation and amortization) increased by \$40.1 million, or 39.4%, to \$142.0 million for the year ended December 31, 2014 from \$101.8 million for the year ended December 31, 2013. Gross Profit (excluding depreciation and amortization) as a percentage of revenue decreased to 43.0% for the year ended December 31, 2014 compared to 46.1% for the year ended December 31, 2013. Excluding Inmarsat's Enterprise Energy business unit, Gross Profit (excluding depreciation and amortization) increased by \$18.3 million, or 18.0%, to \$120.1 million for the year ended December 31, 2014 from \$101.8 million for the year ended December 31, 2013. Excluding Inmarsat's Enterprise Energy business unit, Gross Profit (excluding depreciation and amortization) as a percentage of revenue increased to 48.1% for the year ended December 31, 2014 compared to 46.1% for the year ended December 31, 2013. The increased Gross Profit (excluding depreciation and amortization) is primarily attributable to growing bandwidth needs of our customers across the Eastern and Western Hemisphere segments and partially offset by increased costs, which have supported our growing revenues.

Depreciation and Amortization. Depreciation and amortization is recognized on all property, plant and equipment either installed at a customer's site or held at our corporate and regional offices, as well as intangibles arising from acquisitions and internal use software. Depreciation and amortization expenses increased by \$8.4 million, or 40.0%, to \$29.5 million for the year ended December 31, 2014 from \$21.0 million for the year ended December 31, 2013. This increase is primarily attributable to the continued increase in our capital expenditures and the acquisition of depreciable property, plant and equipment and amortizable intangibles as part of the Inmarsat's Enterprise Energy business unit acquisition.

Impairment of Goodwill. In December 2014 we performed an interim impairment test of goodwill as a result of a significant decline in oil prices and global oil and gas activity. As a result of this interim impairment test we recognized \$2.7 million in impairment of goodwill in our TSI reporting unit, which was impacted by declining contracted backlog that reduced the estimated fair value of our TSI reporting unit below its carrying value.

Selling and Marketing. Selling and marketing expenses consist primarily of salaries and commissions, travel costs and marketing communications. Selling and marketing expenses increased by \$3.5 million, or 59.5%, to \$9.3 million for the year ended December 31, 2014 from \$5.8 million for the year ended December 31, 2013.

General and Administrative. General and administrative expenses consist of expenses associated with our management, finance, contract, support and administrative functions. General and administrative expenses increased by \$19.7 million, or 42.1%, to \$66.4 million for the year ended December 31, 2014 from \$46.7 million for the year ended December 31, 2013. General and administrative costs increased primarily due to costs and increased office space and acquisition related to the acquisition of Inmarsat's Enterprise Energy business unit, increased compensation resulting from non-acquisition related headcount additions and increased stock-based compensation.

[Table of Contents](#)

Income Tax Expense. Our effective income tax rate was 49.1% and 35.6% for the years ended December 31, 2014 and 2013, respectively. Our effective tax rates are affected by factors including changes in the valuation allowance related to operating in loss jurisdictions for which a benefit cannot be claimed, fluctuations in income across international jurisdictions with varying tax rates, and changes in income tax reserves. See Note 14 — “Income Taxes,” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding the items comprising our effective tax rates.

Liquidity and Capital Resources

At December 31, 2015, we had working capital of \$94.0 million, consisting of cash and cash equivalents of \$60.5 million, restricted cash of \$0.5 million, accounts receivable of \$62.1 million, costs in excess of billings of \$6.8 million and other current assets of \$7.1 million, offset by \$6.8 million in accounts payable, \$19.9 million in accrued expenses, \$8.4 million in current maturities of long-term debt, \$3.1 million in tax related liabilities and \$4.7 million in deferred revenue.

Over the past three years, annual capital expenditures have ranged from \$30.2 million to \$40.2 million due to sites served. Based on our current expectations, we believe our liquidity and capital resources will be sufficient for the conduct of our business and operations for the foreseeable future. We may also use a portion of our available cash to finance growth through the acquisition of, or investment into, businesses, products, services or technologies complementary to our current business, through mergers, acquisitions, and joint ventures or otherwise.

Cash in foreign subsidiaries that is available for repatriation to our domestic parent, after settlement of intercompany payables and notes, is \$10.5 million. If the entire \$10.5 million were repatriated, we would be liable for an additional \$2.9 million of taxes. A federal deferred tax liability has already been recognized as of December 31, 2015 of \$1.6 million for those earnings that are not considered permanently reinvested.

During the next twelve months, we expect our principal sources of liquidity to be cash flows from operating activities, cash and cash equivalents on hand and availability under our credit facility. In forecasting our cash flows we have considered factors including contracted services related to long-term deepwater drilling programs, U.S. land rig count trends, projected oil and natural gas prices, contracted and available satellite bandwidth.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and expansion plans, we may want to pursue additional expansion opportunities within the next year which could require additional financing, either debt or equity.

Beyond the next twelve months, we expect our principal sources of liquidity to be cash flows provided by operating activities, cash and cash equivalents on hand, availability under our credit facility and additional financing activities we may pursue, which may include debt or equity offerings.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Consolidated Statements of Cash Flows Data:			
Cash and cash equivalents, January 1,	\$ 66,576	\$ 59,822	\$ 59,744
Net cash provided by operating activities	37,034	43,763	28,045
Net cash used in investing activities	(33,325)	(65,334)	(28,844)
Net cash provided by (used in) financing activities	(7,247)	30,536	3,202
Changes in foreign currency translation	(2,570)	(2,211)	(2,325)
Cash and cash equivalents, December 31,	<u>\$ 60,468</u>	<u>\$ 66,576</u>	<u>\$ 59,822</u>

Currently, the Australian dollar, the Norwegian kroner and the British pound sterling are the foreign currencies that could materially impact our liquidity. Our historical experience with exchange rates for these currencies has been relatively stable and, consequently, we do not currently hedge these risks, but evaluate these risks on a continual basis and may put financial instruments in place in the future if deemed necessary. During the years ended December 31, 2015, 2014 and 2013, 84.6%, 78.7% and 63.6% of our revenue was denominated in U.S. dollars, respectively.

Operating Activities

Net cash provided by operating activities was \$37.0 million for the year ended December 31, 2015 compared to \$43.8 million for the year ended December 31, 2014. The decrease in cash provided by operating activities during 2015 of \$6.7 million was primarily due to the lower operating income (loss) and decreased accrued expenses partially offset by the timing of collection of our accounts receivable coupled with the timing of paying our accounts payable.

Net cash provided by operating activities was \$43.8 million for the year ended December 31, 2014 compared to \$28.0 million for the year ended December 31, 2013. The increase in cash provided by operating activities during 2014 of \$15.8 million was primarily due to increased operating income from our core operations coupled with increased accrued expenses partially offset by the timing of collections of our accounts receivable and paying our accounts payable.

Our cash provided by operations is subject to many variables, the most significant of which is the volatility of the oil and gas industry and, therefore, the demand for our services. Other factors impacting operating cash flows include the availability and cost of satellite bandwidth, as well as the timing of collecting our receivables. Our future cash flow from operations will depend on our ability to increase our contracted services through our sales and marketing efforts while leveraging the contracted satellite and other communication service costs.

Investing Activities

Net cash used in investing activities was \$33.3 million, \$65.3 million and \$28.8 million in the years ended December 31, 2015, 2014 and 2013, respectively. Of these amounts \$34.3 million, \$40.2 million, and \$30.2 million, respectively, were for capital expenditures, a decrease of \$5.9 million and an increase of \$10.0 million for the years ended December 31, 2015 and 2014, respectively, compared to each of the respective prior periods. We expect capital expenditures for 2016 to be slightly lower due to declining global oil and gas drilling activity. We believe our 2016 capital expenditures will primarily be focused on growth opportunities arising from new build high specification deepwater drilling rigs and, to a lesser extent, our ERP system.

For the year ended December 31, 2014, net cash used in investing activities also included cash used for the acquisition of Inmarsat's Enterprise Energy business unit, totaling \$26.1 million.

Financing Activities

Net cash used in financing activities was \$7.2 million in the year ended December 31, 2015. Net cash provided by financing activities was \$30.5 million and \$3.2 million in the years ended December 31, 2014 and 2013, respectively.

Cash used in financing activities includes \$8.6 million in principal payments on our long-term debt for the year ended December 31, 2015 partially offset by \$1.1 million in proceeds from the issuance of common stock upon the exercise of stock options.

Cash provided by financing activities during the year ended December 31, 2014 consisted primarily of \$35.0 million in draws on our revolving credit facility, which was used, along with cash on hand, to finance our acquisition of Inmarsat's Enterprise Energy business unit and for other general corporate purposes. We also received \$1.6 million in proceeds from the issuance of common stock upon the exercise of stock options. These inflows were partially offset by \$8.6 million of principal payments on our long-term debt for the year ended December 31, 2014.

Credit Agreement

The Company has a \$60.0 million term loan (Term Loan) and \$125.0 million revolving credit facility, which includes a \$15 million sublimit for the issuance of standby letters of credit.

The Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5%, based on a ratio of funded debt to Adjusted EBITDA, a non-GAAP financial measure defined in the agreement. Interest is payable monthly along with quarterly principal installments of \$2.1 million, with the balance due October 2018. The weighted average interest rate for the years ended December 31, 2015 and 2014 was 2.0% and 2.1%, respectively, with an interest rate of 2.2% at December 31, 2015. The Term Loan is secured by substantially all the assets of the Company. As of December 31, 2015, the outstanding principal amount of the term loan was \$42.9 million.

[Table of Contents](#)

Our credit agreement imposes certain restrictions including our ability to obtain additional debt financing and on our payment of cash dividends. It also requires us to maintain certain financial covenants such as a funded debt to Adjusted EBITDA ratio of less than or equal to 2.5 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0 as of December 31, 2015. As of December 31, 2015, we had a funded debt to Adjusted EBITDA ratio of 1.24 and a fixed charge coverage ratio of 1.97. At December 31, 2015, we believe we were in compliance with all covenants.

In February 2016, we amended our credit agreement with the most significant changes being the definition of consolidated EBITDA, the calculation of the fixed charge coverage ratio and the timing associated with delivery of financial statements and compliance certificates to the administrative agent.

The revolving credit facility (RCF) matures in October 2018 with any outstanding borrowings then payable. Borrowings under the RCF carry an interest rate of LIBOR plus an applicable margin ranging from 1.5% to 2.5%, which varies as a function of the Company's leverage ratio. As of December 31, 2015, \$35.0 million in draws have been made on the RCF and remain outstanding. The weighted average interest rate for the years ended December 31, 2015 and 2014 was 2.0% and 1.9%, respectively, with an interest rate of 2.2% at December 31, 2015.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

At December 31, 2015, we had contractual obligations and commercial commitments as follows:

	<u>Total</u>	<u>2016</u>	<u>2017 - 2018</u>	<u>2019 - 2020</u>	<u>2021 and Beyond</u>
	(in thousands)				
Contractual Obligations:					
Debt obligations					
Term loan	\$ 42,535	\$ 8,421	\$ 34,114	\$ —	\$ —
Revolving loan	35,000	—	35,000	—	—
Equipment notes	124	—	124	—	—
Interest (1)	4,376	1,660	2,716	—	—
Operating leases	8,361	3,568	4,061	732	—
Commercial Commitments:					
Satellite and network services	108,913	36,675	38,238	34,000	—
	<u>\$199,309</u>	<u>\$50,324</u>	<u>\$ 114,253</u>	<u>\$ 34,732</u>	<u>\$ —</u>

(1) Computed on the expected outstanding principal balance through the term of the Credit Agreement, at the interest rate in effect at December 31, 2015.

As of December 31, 2015, the Company's other noncurrent liabilities in the Consolidated Balance Sheet consist primarily of deferred tax liabilities (\$0.2 million), gross unrecognized tax benefits (\$19.3 million) and the related gross interest and penalties. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these liabilities; therefore, such amounts are not included in the above contractual obligations table.

Regulatory Matter

In 2013, our internal compliance program detected potential violations of U.S. sanctions regulations by one of our foreign subsidiaries in connection with certain of our customers' rigs that were moved into the territorial waters of countries sanctioned by the United States. We estimate that we received total revenue of approximately \$0.1 million during the period related to the potential violations. These countries are subject to a number of economic regulations, including sanctions administered by OFAC, and comprehensive restrictions on the export and re-export of U.S.-origin items to these countries administered by BIS. Our customers that are not based in the U.S. are not subject to the same restrictions on operating in these countries as we are, but we are prohibited from providing services or facilitating the provision of services to their rigs in transit to or while operating in a sanctioned country.

Failure to comply with applicable laws and regulations relating to sanctions and export restrictions may subject us to criminal sanctions and civil remedies, including fines, denial of export privileges, injunctions or seizures of our assets. We have voluntarily self-reported the potential violations to OFAC and BIS and retained outside counsel who conducted an investigation of the matter and submitted a report to OFAC and BIS. We continue to cooperate with these agencies with respect to resolution of the matter.

We incurred legal expenses of \$0.1 million and \$0.1 million for the years ended December 31, 2015 and 2014, respectively, relating to this investigation. We may continue to incur significant legal fees and related expenses, and the investigations may involve management time in the future in order to cooperate with OFAC and BIS. We cannot predict the ultimate outcome of the investigation, the total costs to be incurred in completing the investigation, the potential impact on personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, we could be subject to fines, sanctions or other penalties.

Non-GAAP Measures

Our Gross Profit (excluding depreciation and amortization), Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS may not be comparable to similarly titled measures of other companies because other companies may not calculate Gross Profit (excluding depreciation and amortization), Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings, Cash EPS or similarly titled measures in the same manner as we do. Therefore, these non-GAAP measures should be considered in conjunction with net income (loss) and other performance measures prepared in accordance with GAAP, such as gross profit, operating income (loss) or net cash provided by operating activities. Further, Gross Profit (excluding depreciation and amortization), Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS should not be considered in isolation or as a substitute for GAAP measures such as net income (loss), gross profit, operating income (loss) or any other GAAP measure of liquidity or financial performance. We prepare Gross Profit (excluding depreciation and amortization), Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate.

The following table presents a reconciliation of gross profit under GAAP to Gross Profit (excluding depreciation and amortization).

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Gross profit	\$ 76,928	\$ 113,868	\$ 81,950
Depreciation and amortization related to cost of revenue	31,094	28,097	19,879
Gross Profit (excluding depreciation and amortization)	<u>\$ 108,022</u>	<u>\$ 141,965</u>	<u>\$ 101,829</u>

GAAP defines gross profit as revenue less cost of revenue, and includes in costs of revenue depreciation and amortization expenses related to revenue-generating long-lived and intangible assets. We define Gross Profit (excluding depreciation and amortization) as revenue less cost of revenue (excluding depreciation and amortization). This measure differs from the GAAP definition of gross profit as we do not include the impact of depreciation and amortization expenses related to revenue-generating long-lived and intangible assets which represent non-cash expenses. We believe this measure is useful to investors because management uses it to evaluate operating margins and the effectiveness of cost management.

[Table of Contents](#)

The following table presents a reconciliation of our net income (loss) to Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income (loss)	\$(16,660)	\$ 15,983	\$16,544
Interest expense	2,054	2,185	2,283
Depreciation and amortization	32,471	29,462	21,049
Impairment of goodwill, intangibles, and property, plant and equipment	14,262	2,719	—
Foreign exchange impact of intercompany financing activities	—	856	—
(Gain) loss on sales of property, plant and equipment, net of retirements	(41)	(44)	66
Stock-based compensation	3,660	4,252	2,963
Restructuring costs	7,410	—	—
Executive departure costs	1,000	—	—
Acquisition costs	342	2,922	4,115
Income tax expense	2,409	15,400	9,158
Adjusted EBITDA (non-GAAP measure)	<u>\$ 46,907</u>	<u>\$ 73,735</u>	<u>\$56,178</u>
Interest expense	(2,054)	(2,185)	(2,283)
Income tax expense	(2,409)	(15,400)	(9,158)
Cash Earnings (non-GAAP measure)	<u>\$ 42,444</u>	<u>\$ 56,150</u>	<u>\$44,737</u>
Diluted Shares	<u>17,534</u>	<u>17,899</u>	<u>17,557</u>
Cash EPS (non-GAAP measure)	<u>\$ 2.42</u>	<u>\$ 3.14</u>	<u>\$ 2.55</u>
Adjusted EBITDA (non-GAAP measure)	\$ 46,907	\$ 73,735	\$56,178
Capital expenditures	32,690	40,402	31,093
Unlevered Free Cash Flow (non-GAAP measure)	<u>\$ 14,217</u>	<u>\$ 33,333</u>	<u>\$25,085</u>

We evaluate Adjusted EBITDA, Unlevered Free Cash Flow, Cash Earnings and Cash EPS generated from our operations and operating segments to assess the potential recovery of historical capital expenditures, determine timing and investment levels for growth opportunities, extend commitments of satellite bandwidth cost to expand our offshore production platform and vessel market share, invest in new products and services, expand or open new offices, service centers and SOIL nodes, and assist purchasing synergies.

During the year ended December 31, 2015, Adjusted EBITDA decreased by \$26.8 million, or 36.4%, from \$73.7 million in 2014 to \$46.9 million in 2015. The decrease resulted from decreased revenue coupled with the TSI contractual dispute partially offset by cost savings from the cost reduction plans and separate cost savings initiatives focused on reducing third-party spend.

During the year ended December 31, 2014, Adjusted EBITDA increased by \$17.6 million, or 31.3%, from \$56.2 million in 2013 to \$73.7 million in 2014. The increase resulted from organic growth in our core offshore operations and, to a lesser extent, results from our acquisition of Inmarsat's Enterprise Energy business unit partially offset by increased compensation associated with headcount additions.

Unlevered Free Cash Flow was \$14.2 million for the year ended December 31, 2015, a decrease of \$19.1 million, or 57.3%, over the prior year. The 2015 decrease in Unlevered Free Cash Flow was due to decreased Adjusted EBITDA partially offset by a decline in capital expenditures during the year ended December 31, 2015, as we execute on an increased capital discipline initiative.

[Table of Contents](#)

Unlevered free cash flow was \$33.3 million for the year ended December 31, 2014, an increase of \$8.2 million, or 32.9%, over the prior year. The 2014 increase in Unlevered Free Cash Flow was due primarily to increased EBITDA.

During the year ended December 31, 2015, Cash Earnings decreased by \$13.7 million, or \$0.72 per diluted share, or 24.4%, from \$56.2 million, or \$3.14 per diluted share, in 2014 to \$42.4 million, or \$2.42 per diluted share, in 2015. These decreases resulted from decreased revenue and the TSI contractual dispute partially offset by savings from our cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third-party spend.

During the year ended December 31, 2014, Cash Earnings increased by \$11.4 million, or \$0.59 per diluted share, or 25.5%, from \$44.7 million, or \$2.55 per diluted share, in 2013 to \$56.2 million, or \$3.14 per diluted share, in 2014. The increase resulted from organic growth in our core offshore operations and, to a lesser extent, results from our acquisition of Inmarsat's Enterprise Energy business unit partially offset by increased compensation associated with headcount additions.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to a variety of risks, including foreign currency exchange rate fluctuations relating to foreign operations and certain purchases from foreign vendors. In the normal course of business, we assess these risks and have established policies and procedures to manage our exposure to fluctuations in foreign currency values.

Our objective in managing our exposure to foreign currency exchange rate fluctuations is to reduce the impact of adverse fluctuations in earnings and cash flows associated with foreign currency exchange rates. We do not currently use foreign currency forward contracts to hedge our exposure on firm commitments denominated in foreign currencies, but evaluate this on a continual basis and may put financial instruments in place in the future if deemed necessary. During the years ended December 31, 2015 and 2014, 15.4% and 21.3%, respectively of our revenues were earned in non-U.S. currencies. At December 31, 2015 and 2014, we had no significant outstanding foreign exchange contracts.

Our results of operations and cash flows are subject to fluctuations due to changes in interest rates primarily from our variable interest rate long-term debt. We do not currently use financial instruments to hedge these interest risk exposures, but evaluate this on a continual basis and may put financial instruments in place in the future if deemed necessary. The following analysis reflects the annual impacts of potential changes in our interest rate to net income attributable to us and our total stockholders' equity based on our outstanding long-term debt on December 31, 2015 and 2014, assuming those liabilities were outstanding for the entire year.

	December 31,	
	2015	2014
	(in thousands)	
Effect on Net Income (Loss) and Equity - Increase/Decrease:		
1% Decrease/increase in rate	\$ 777	\$ 511
2% Decrease/increase in rate	\$ 1,553	\$ 1,022
3% Decrease/increase in rate	\$ 2,330	\$ 1,533

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements, together with the related notes and report of independent registered public accounting firm, are set forth on the pages indicated in Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2015, our Chief Executive Officer and

[Table of Contents](#)

Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective and provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

Except as discussed below, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The management report called for by Item 308(a) of Regulation S-K is provided below.

ERP Implementation

We are in the process of implementing an ERP system, SAP (B1), as part of a multi-year plan to integrate and upgrade our systems and processes. We substantially completed the migration of our Western Hemisphere (excluding Brazil) and Corporate segments to SAP during 2015, and we are currently in the process of executing the migration of our remaining segments to SAP, which is expected to be completed during the Company's fiscal year ending December 31, 2016.

As the phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see "Part I, Item 1A. Risk Factors" in this Annual Report on Form 10-K.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of RigNet, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Even those systems determined to be effective can provide only reasonable assurance with respect to financial statement presentation and preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

As of December 31, 2015, our management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management determined that we maintained effective internal control over financial reporting as of December 31, 2015, based on those criteria.

Deloitte & Touche LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2015 which is included in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Accounting Firm

The independent auditor's attestation report called for by Item 308(b) of Regulation S-K is incorporated herein by reference to Report of Independent Registered Public Accounting Firm (Internal Control Over Financial Reporting), included in Item 8. Financial Statements and Supplementary Data.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, internal control over financial reporting may not detect or prevent misstatements. Projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K as we intend to file our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders (the “2016 Proxy Statement”) pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information included in the Proxy Statement is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance

Certain information in response to this item is incorporated herein by reference to “Our Board of Directors and Nominees,” “Our Executive Officers” and “Corporate Governance” in the 2016 Proxy Statement to be filed with the SEC. Information on compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2016 Proxy Statement to be filed with the SEC.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics (code of conduct) applicable to our principal executive, financial and accounting officers. Copies of both the code of conduct, as well as any waiver of a provision of the code of conduct granted to any principal executive, financial and accounting officers or material amendment to the code of conduct, if any, are available, without charge, on our website at www.rig.net.

Item 11. Executive Compensation

Information in response to this item is incorporated herein by reference to “Corporate Governance” and “Executive Compensation” in the 2016 Proxy Statement to be filed with the SEC.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information in response to this item is incorporated herein by reference to “Securities Authorized for Issuance under Equity Compensation Plans” and “Security Ownership of Certain Beneficial Owners and Management” in the 2016 Proxy Statement to be filed with the SEC.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information in response to this item is incorporated herein by reference to “Certain Relationships and Related Transactions” and “Director Independence” in the 2016 Proxy Statement to be filed with the SEC.

Item 14. Principal Accounting Fees and Services

Information in response to this item is incorporated herein by reference to “Fees Paid to Independent Registered Public Accounting Firm” in the 2016 Proxy Statement to be filed with the SEC.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

(A) Consolidated Financial Statements

1. Consolidated Financial Statements. The consolidated financial statements listed in the accompanying “Index to Consolidated Financial Information” are filed as part of this Annual Report.
2. Consolidated Financial Statement Schedules. All schedules have been omitted because the information required to be presented in them is not applicable or is shown in the financial statements or related notes.

(B) Exhibits

The exhibits listed in the Index to Exhibits are filed as part of this Annual Report for Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIGNET, INC.

By: /s/ MARTIN L. JIMMERSON, JR.

February 29, 2016

Martin L. Jimmerson, Jr.

Interim Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MARTIN L. JIMMERSON, JR.</u> Martin L. Jimmerson, Jr.	Interim Chief Executive Officer and President (Principal Executive Officer)	February 29, 2016
<u>/s/ CHARLES E. SCHNEIDER</u> Charles E. Schneider	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2016
<u>/s/ KEVIN M. GERLAND</u> Kevin M. Gerland	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 29, 2016
<u>/s/ JAMES H. BROWNING</u> James H. Browning	Chairman of the Board	February 29, 2016
<u>/s/ MATTIA CAPRIOLI</u> Mattia Caprioli	Director	February 29, 2016
<u>/s/ CHARLES L. DAVIS IV</u> Charles L. Davis IV	Director	February 29, 2016
<u>/s/ DITLEF DE VIBE</u> Ditlef de Vibe	Director	February 29, 2016
<u>/s/ KEVIN MULLOY</u> Kevin Mulloy	Director	February 29, 2016
<u>/s/ KEVIN J. O'HARA</u> Kevin J. O'Hara	Director	February 29, 2016
<u>/s/ KEITH OLSEN</u> Keith Olsen	Director	February 29, 2016
<u>/s/ BRENT K. WHITTINGTON</u> Brent K. Whittington	Director	February 29, 2016

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-4
Consolidated Statements of Comprehensive Income (Loss)	F-5
Consolidated Statements of Cash Flows	F-6
Consolidated Statements of Equity	F-7
Notes to the Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of RigNet, Inc.
Houston, Texas

We have audited the accompanying consolidated balance sheets of RigNet, Inc. and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income (loss), cash flows, and equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of RigNet, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, the Company has changed its method of accounting for Income Taxes in 2015 due to the adoption of Accounting Standards Update No. 2015-17, Income Taxes (Topic 740).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2016 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 29, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of RigNet, Inc.
Houston, Texas

We have audited the internal control over financial reporting of RigNet, Inc. and subsidiaries (the “Company”) as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of Accounting Standards Update No. 2015-17, Income Taxes (Topic 740).

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 29, 2016

RIGNET, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2015	2014
	(in thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,468	\$ 66,576
Restricted cash	543	1,200
Accounts receivable, net	62,105	74,625
Costs and estimated earnings in excess of billings on uncompleted contracts	6,757	13,831
Prepaid expenses and other current assets	7,142	7,422
Total current assets	137,015	163,654
Property, plant and equipment, net	72,547	76,195
Goodwill	18,058	30,128
Intangibles, net	18,974	21,051
Deferred tax and other assets	11,522	8,809
TOTAL ASSETS	\$ 258,116	\$ 299,837
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 6,849	\$ 13,560
Accrued expenses	19,946	23,230
Current maturities of long-term debt	8,421	8,405
Income taxes payable	3,091	4,978
Deferred revenue	4,670	4,780
Total current liabilities	42,977	54,953
Long-term debt	69,238	77,706
Deferred revenue	359	516
Deferred tax liability	220	228
Other liabilities	22,009	24,343
Total liabilities	134,803	157,746
Commitments and contingencies (Note 10)		
Equity:		
Stockholders' equity		
Preferred stock - \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at December 31, 2015 and 2014	—	—
Common stock - \$0.001 par value; 190,000,000 shares authorized; 17,757,945 and 17,629,830 shares issued and outstanding at December 31, 2015 and 2014, respectively	18	18
Additional paid-in capital	143,012	137,662
Retained Earnings (Accumulated Deficit)	(6,043)	10,931
Accumulated other comprehensive loss	(13,836)	(6,682)
Total stockholders' equity	123,151	141,929
Non-redeemable, non-controlling interest	162	162
Total equity	123,313	142,091
TOTAL LIABILITIES AND EQUITY	\$ 258,116	\$ 299,837

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

RIGNET, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except per share amounts)		
Revenue	\$271,260	\$330,174	\$220,710
Expenses:			
Cost of revenue (excluding depreciation and amortization)	163,238	188,209	118,881
Depreciation and amortization	32,471	29,462	21,049
Impairment of goodwill, intangibles, and property, plant and equipment	14,262	2,719	—
Selling and marketing	9,449	9,298	5,829
General and administrative	63,192	66,402	46,726
Total expenses	282,612	296,090	192,485
Operating income (loss)	(11,352)	34,084	28,225
Other expense:			
Interest expense	(2,054)	(2,185)	(2,283)
Other expense, net	(845)	(516)	(240)
Income (loss) before income taxes	(14,251)	31,383	25,702
Income tax expense	(2,409)	(15,400)	(9,158)
Net income (loss)	(16,660)	15,983	16,544
Less: Net income attributable to:			
Non-redeemable, non-controlling interest	314	348	208
Net income (loss) attributable to RigNet, Inc. stockholders	\$ (16,974)	\$ 15,635	\$ 16,336
COMPREHENSIVE INCOME (LOSS)			
Net income (loss)	\$ (16,660)	\$ 15,983	\$ 16,544
Foreign currency translation	(7,154)	(7,117)	(2,394)
Comprehensive income (loss)	(23,814)	8,866	14,150
Less: Comprehensive income attributable to non-controlling interest	314	348	208
Comprehensive income (loss) attributable to RigNet, Inc. stockholders	\$ (24,128)	\$ 8,518	\$ 13,942
INCOME (LOSS) PER SHARE - BASIC AND DILUTED			
Net income (loss) attributable to RigNet, Inc. common stockholders	\$ (16,974)	\$ 15,635	\$ 16,336
Net income (loss) per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.97)	\$ 0.90	\$ 1.00
Net income (loss) per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.97)	\$ 0.87	\$ 0.93
Weighted average shares outstanding, basic	17,534	17,321	16,268
Weighted average shares outstanding, diluted	17,534	17,899	17,557

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

RIGNET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	\$(16,660)	\$ 15,983	\$ 16,544
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	32,471	29,462	21,049
Impairment of goodwill and intangibles	12,592	2,719	—
Stock-based compensation	3,660	4,252	2,963
Amortization of deferred financing costs	171	197	525
Deferred taxes	(1,995)	(2,664)	(2,760)
Impairment of property, plant and equipment	1,670	—	502
(Gain) loss on sales of property, plant and equipment, net of retirements	(41)	(44)	66
Changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable	10,868	(15,054)	(5,507)
Costs and estimated earnings in excess of billings on uncompleted contracts	3,803	6,631	(10,168)
Prepaid expenses and other assets	(769)	(4,908)	2,307
Accounts payable	(4,916)	(7,643)	1,413
Accrued expenses	(1,404)	11,260	3,240
Deferred revenue	(82)	(1,549)	(3,383)
Other liabilities	(2,334)	5,121	1,254
Net cash provided by operating activities	<u>37,034</u>	<u>43,763</u>	<u>28,045</u>
Cash flows from investing activities:			
Acquisitions, net of cash acquired	—	(26,483)	(85)
Capital expenditures	(34,262)	(40,173)	(30,187)
Proceeds from sales of property, plant and equipment	280	754	462
Decrease in restricted cash	657	568	966
Net cash used in investing activities	<u>(33,325)</u>	<u>(65,334)</u>	<u>(28,844)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,055	1,585	4,998
Subsidiary distributions to non-controlling interest	(314)	(294)	(217)
Proceeds from borrowings	—	35,000	5,457
Repayments of long-term debt	(8,623)	(8,649)	(7,157)
Excess tax benefits from stock-based compensation	635	2,894	922
Payments of financing fees	—	—	(801)
Net cash provided by (used in) financing activities	<u>(7,247)</u>	<u>30,536</u>	<u>3,202</u>
Net change in cash and cash equivalents	<u>(3,538)</u>	<u>8,965</u>	<u>2,403</u>
Cash and cash equivalents:			
Balance, January 1,	66,576	59,822	59,744
Changes in foreign currency translation	(2,570)	(2,211)	(2,325)
Balance, December 31,	<u>\$ 60,468</u>	<u>\$ 66,576</u>	<u>\$ 59,822</u>
Supplemental disclosures:			
Income taxes paid	\$ 9,766	\$ 10,596	\$ 10,623
Interest paid - other	\$ 1,862	\$ 2,004	\$ 1,662
Non-cash investing - capital expenditures accrued	\$ 824	\$ 2,396	\$ 2,167
Liabilities assumed - Inmarsat's Enterprise Energy business unit	\$ —	\$ 10,969	\$ —

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

RIGNET, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-Redeemable, Non-Controlling Interest	Total Equity
	Shares	Amount						
	(in thousands)							
Balance, January 1, 2013	15,702	\$ 16	\$ 120,050	\$ (21,040)	\$ 2,829	\$ 101,855	\$ 117	\$ 101,972
Issuance of common stock upon the exercise of stock options and warrants	1,458	1	4,997	—	—	4,998	—	4,998
Issuance of restricted common stock, net of share repurchase from employees and share cancellations	77	—	—	—	—	—	—	—
Stock-based compensation	—	—	2,963	—	—	2,963	—	2,963
Excess tax benefits from stock-based compensation	—	—	922	—	—	922	—	922
Foreign currency translation	—	—	—	—	(2,394)	(2,394)	—	(2,394)
Non-controlling owner distributions	—	—	—	—	—	—	(217)	(217)
Net income	—	—	—	16,336	—	16,336	208	16,544
Balance, December 31, 2013	17,237	17	128,932	(4,704)	435	124,680	108	124,788
Issuance of common stock upon the exercise of stock options and warrants	334	1	1,584	—	—	1,585	—	1,585
Issuance of restricted common stock, net of share cancellations	59	—	—	—	—	—	—	—
Stock-based compensation	—	—	4,252	—	—	4,252	—	4,252
Excess tax benefits from stock-based compensation	—	—	2,894	—	—	2,894	—	2,894
Foreign currency translation	—	—	—	—	(7,117)	(7,117)	—	(7,117)
Non-controlling owner distributions	—	—	—	—	—	—	(294)	(294)
Net income	—	—	—	15,635	—	15,635	348	15,983
Balance, December 31, 2014	17,630	18	137,662	10,931	(6,682)	141,929	162	142,091
Issuance of common stock upon the exercise of stock options and warrants	79	—	1,055	—	—	1,055	—	1,055
Issuance of restricted common stock, net of share cancellations	49	—	—	—	—	—	—	—
Stock-based compensation	—	—	3,660	—	—	3,660	—	3,660
Excess tax benefits from stock-based compensation	—	—	635	—	—	635	—	635
Foreign currency translation	—	—	—	—	(7,154)	(7,154)	—	(7,154)
Non-controlling owner distributions	—	—	—	—	—	—	(314)	(314)
Net income (loss)	—	—	—	(16,974)	—	(16,974)	314	(16,660)
Balance, December 31, 2015	17,758	\$ 18	\$ 143,012	\$ (6,043)	\$ (13,836)	\$ 123,151	\$ 162	\$ 123,313

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

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Business and Summary of Significant Accounting Policies

Nature of Business

RigNet, Inc. (the Company or RigNet) provides remote communication services for the oil and gas industry through a controlled and managed Internet Protocol/Multiprotocol Label Switching (IP/MPLS) global network, enabling drilling contractors, oil companies and oilfield service companies to communicate more effectively. The Company provides its customers with voice, fax, video and data services in real-time between remote sites and home offices throughout the world, while the Company manages and operates the infrastructure from its land-based Network Operations Center.

The Company's corporate offices are located in Houston, Texas. The Company serves the owners and operators of offshore drilling rigs and production facilities, land rigs, remote offices and supply bases in approximately 50 countries including the United States, Brazil, Norway, the United Kingdom, Nigeria, Qatar, Saudi Arabia, Singapore and Australia.

Basis of Presentation

The Company presents its financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

Subsequent to the issuance of the Company's 2014 consolidated financial statements, the Company identified a misclassification in the presentation of operating expenses between selling and marketing expense and general and administrative expense in the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2014 and 2013. This error resulted in the understatement of selling and marketing expense of \$2.7 million and \$2.0 million and an offsetting overstatement of general and administrative expense, in the same amounts, for the years ended December 31, 2014 and 2013. The prior period amounts have been revised to reflect the correct classification. The correction had no impact on total expenses or net income for the years ended December 31, 2014 and 2013.

Principles of Consolidation and Reporting

The Company's consolidated financial statements include the accounts of RigNet, Inc. and all subsidiaries thereof. All intercompany accounts and transactions have been eliminated in consolidation. As of December 31, 2015, 2014 and 2013, non-controlling interest of subsidiaries represents the outside economic ownership interest of Qatar, WLL of less than 3.0%.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods, as well as certain financial statement disclosures. The estimates that are particularly significant to the financial statements include estimates related to the Company's use of the percentage-of-completion method, as well as the Company's valuation of goodwill, intangibles, stock-based compensation, income tax valuation allowance and uncertain tax positions. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, future results could differ from these estimates. Further, volatile equity and energy markets combine to increase uncertainty in such estimates and assumptions. As such, estimates and assumptions are adjusted when facts and circumstances dictate and any changes will be reflected in the financial statements in future periods.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on-hand and highly-liquid investments purchased with original maturities of three months or less.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Restricted Cash

As of December 31, 2015, the Company had restricted cash of \$0.5 million in current assets. As of December 31, 2014, the Company had restricted cash of \$1.2 million and \$0.1 million, in current and long-term assets, respectively. This restricted cash is being used to collateralize outstanding performance bonds, related to Nessco Group Holdings Ltd. (Nessco) TSI which were in effect prior to RigNet acquiring Nessco (see Note 7 – “Long-Term Debt”).

Accounts Receivable

Trade accounts receivable are recognized as customers are billed in accordance with customer contractual agreements. The Company reports an allowance for doubtful accounts for probable credit losses existing in accounts receivable. Management determines the allowance based on a review of currently outstanding receivables and the Company’s historical write-off experience. Significant individual receivables and balances which have been outstanding greater than 90 days are reviewed individually. Account balances, when determined to be uncollectible, are charged against the allowance.

Property, Plant and Equipment

Property, plant and equipment consists of (i) telecommunication and computer equipment, (ii) furniture and other, (iii) building and (iv) land. All property, plant and equipment, excluding land, is depreciated and stated at acquisition cost net of accumulated depreciation. Depreciation is provided using the straight-line method over the expected useful lives of the respective assets, which range from one to ten years. The Company assesses property, plant and equipment for impairment when events indicate the carrying value exceeds fair value. During the year ended December 31, 2015, the Company impaired fixed assets by \$1.7 million, as the carrying value exceeded fair value, as a result of further declines in the U.S. land rig counts since July 2015. No impairment to fixed assets was recorded in the years ended December 31, 2014. During the year ended December 31, 2013, the Company impaired fixed assets by \$0.5 million.

Maintenance and repair costs are charged to expense when incurred.

Derivatives

All contracts are evaluated for embedded derivatives which are bifurcated when (i) the economic characteristics and risks of such instruments are not clearly and closely related to the economic characteristics and risks of the agreement, (ii) the contract is not already reported at fair value and (iii) such instruments meet the definition of a derivative instrument and are not scope exceptions under the Financial Accounting Standards Board’s (FASB) guidance on derivatives and hedging. No derivatives were outstanding as of December 31, 2015 or 2014.

Intangibles

Intangibles consist of customer relationships acquired as part of the LandTel Communications LLC (LandTel), OilCamp AS (OilCamp), Nessco and Inmarsat’s Enterprise Energy business unit acquisitions, as well as brand name and covenants not-to-compete acquired as part of the Nessco acquisition, backlog acquired as part of the Nessco and Inmarsat’s Enterprise Energy business unit acquisitions, licenses acquired as part of the Inmarsat’s Enterprise Energy business unit acquisition. Intangibles also include internal-use software. The Company’s intangibles have useful lives ranging from 1.7 to 9.0 years and are amortized on a straight-line basis. Impairment testing is performed when events or circumstances indicate that the carrying value of the assets may not be recoverable.

In July 2015, the Company identified a triggering event in the North America Land reporting unit associated with a significant decline in U.S. land rig counts since December 2014. This circumstance resulted in a reduction in the Company’s cash flow projections during the revision of internal forecasts. In July 2015, the Company conducted an intangibles impairment test and as a result of such test, recognized a \$1.7 million impairment of customer relationships, the full amount within the North America Land reporting unit, which reports through the Western Hemisphere reportable segment. No other impairment indicators have been identified in any reporting unit as of December 31, 2015.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Goodwill

Goodwill resulted from prior acquisitions as the consideration paid for the acquired businesses exceeded the fair value of acquired identifiable net tangible and intangible assets. Goodwill is reviewed for impairment at least annually, as of July 31, with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable.

Goodwill impairment is determined using a two-step process. The first step of the impairment test is used to identify potential impairment by comparing the fair value of each reporting unit to the book value of the reporting unit, including goodwill. Fair value of the reporting unit is determined using a combination of the reporting unit's expected present value of future cash flows and a market approach. The present value of future cash flows is estimated using the Company's most recent forecast and the weighted average cost of capital. The market approach uses a market multiple on the reporting unit's cash generated from operations. Significant estimates for each reporting unit included in the Company's impairment analysis are cash flow forecasts, the Company's weighted average cost of capital, projected income tax rates and market multiples. Changes in these estimates could affect the estimated fair value of the reporting units and result in an impairment of goodwill in a future period.

If the fair value of a reporting unit is less than its book value, goodwill of the reporting unit is considered to be impaired and the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit's goodwill with the book value of that goodwill. If the book value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in the same manner as a purchase price allocation.

Any impairment in the value of goodwill is charged to earnings in the period such impairment is determined.

The Company performs its annual impairment test on July 31st, with the most recent annual test being performed as of July 31, 2015. As a result of the July 2015 annual impairment test, the Company recognized \$10.9 million of impairment of goodwill, the full amounts within the North America Land reporting unit, which reports through the Western Hemisphere reportable segment. The North America Land reporting unit has been adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline has resulted in reduced internal cash flow projections causing the estimated fair value of the North America Land reporting unit to be below its carrying value. The fair value of all other reporting units substantially exceeded the carrying value plus goodwill of that reporting unit. No other impairment indicators have been identified in any reporting unit as of December 31, 2015.

The July 31, 2014 test resulted in no impairment as the fair value of each reporting unit exceeded the carrying value plus goodwill of that reporting unit. During December 2014, the Company identified a triggering event associated with the significant decline in oil prices and global oil and gas activity for which an impairment test was performed as of December 31, 2014. This circumstance resulted in a reduction in the Company's cash flow projections during the revision of internal forecasts. Specifically the TSI segment was impacted by declining contracted backlog, which reduced the estimated fair value of the TSI reporting unit below its carrying value. The Company recognized a \$2.7 million impairment of goodwill within the TSI reporting unit as a result of such test.

As of December 31, 2015 and 2014, goodwill was \$18.1 million and \$30.1 million, respectively. In addition to the impact of acquisitions, goodwill increases or decreases in value due to the effect of foreign currency translation.

Long-Term Debt

Long-term debt is recognized in the consolidated balance sheets, net of costs incurred, in connection with obtaining debt financing. Debt financing costs are deferred and reported as a reduction to the principal amount of the debt. Such costs are amortized over the life of the debt using the effective interest rate method and included in interest expense in the Company's consolidated financial statements.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Revenue Recognition – General

All revenue, excluding Telecoms Systems Integration (TSI) contracts, is recognized when persuasive evidence of an arrangement exists, the service is complete, the amount is fixed or determinable and collectability is reasonably assured. Network service fee revenue is based on fixed-price, day-rate contracts and recognized monthly as the service is provided. Generally, customer contracts also provide for installation and maintenance services. Installation services are paid upon initiation of the contract and recognized over the life of the respective contract. Maintenance charges are recognized as specific services are performed. Deferred revenue consists of deferred installation billings, customer deposits and other prepayments for which services have not yet been rendered. Revenue is reported net of any tax or regulatory fees assessed and collected on behalf of a governmental authority. Such tax or fee is then remitted directly to the appropriate jurisdictional entity.

Revenue Recognition – TSI

Revenues related to long-term, fixed-price TSI contracts for customized network solutions are recognized using the percentage-of-completion method. At any point, RigNet has numerous contracts in progress, all of which are at various stages of completion. Accounting for revenues and profits on long-term contracts requires estimates of total estimated contract costs and estimates of progress toward completion to determine the extent of revenue and profit recognition. Progress towards completion on fixed price contracts is measured based on the ratio of costs incurred to total estimated contract costs (the cost-to-cost method). These estimates may be revised as additional information becomes available or as specific project circumstances change.

The Company reviews all material contracts on a monthly basis and revises the estimates as appropriate for developments such as, providing services, purchasing third-party materials and equipment at costs differing from those previously estimated, and incurring or expecting to incur schedule issues. Changes in estimated final contract revenues and costs can either increase or decrease the final estimated contract profit or loss. Profits are recorded in the period in which a change in estimate is recognized, based on progress achieved through the period of change. Anticipated losses on contracts are recorded in full in the period in which they become evident. Revenue recognized in excess of amounts billed is classified as a current asset under costs and estimated earnings in excess of billings on uncompleted contracts. As of December 31, 2015 and 2014, the amount of costs and estimated earnings in excess of billings on uncompleted contracts related to TSI projects was \$6.8 million and \$13.8 million, respectively. Amounts billed to customers in excess of revenue recognized to date are classified as a current liability under deferred revenue. Under long-term contracts, amounts recorded in costs and estimated earnings in excess of billings on uncompleted contracts may not be realized or paid, respectively, within a one-year period.

When estimating the amount of final contract profit or loss, the Company includes certain probable claims and unapproved change orders to customers as adjustments to final estimated revenues and probable claims to vendors, subcontractors and others as adjustments to final estimated costs.

The Company records revenue on contracts relating to certain probable claims and unapproved change orders by including in revenue an amount less than or equal to the amount of costs incurred to date relating to these probable claims and unapproved change orders, thus recognizing no profit until such time as claims are finalized or change orders are approved. The amount of unapproved change orders and claim revenues is included in the Company's Consolidated Balance Sheets as part of costs and estimated earnings in excess of billings on uncompleted contracts. As new facts become known, an adjustment to the estimated recovery is made and reflected in the current period.

Besides the TSI contractual dispute issue discussed in Note 10, there were no material contract penalties, claims, settlements or changes in contract estimates and no amounts were netted in revenue during the years ended 2015, 2014, and 2013.

Stock-Based Compensation

The Company recognizes expense for stock-based compensation based on the fair value of options and restricted stock on the grant date of the awards. Fair value of options on the grant date is determined using the Black-Scholes model, which requires judgment in estimating the expected term of the option, risk-free interest rate, expected volatility

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

of the Company's stock and dividend yield of the option. Fair value of restricted stock on the grant date is equal to the market price of RigNet's common stock on the date of grant. The Company's policy is to recognize compensation expense for service-based awards on a straight-line basis over the requisite service period of the entire award. Stock-based compensation expense is based on awards ultimately expected to vest.

Taxes

Current income taxes are determined based on the tax laws and rates in effect in the jurisdictions and countries that the Company operates in and revenue is earned. Deferred income taxes reflect the tax effect of net operating losses, foreign tax credits and the tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. Valuation allowances are established when management determines that it is more likely than not that some portion or the entire deferred tax asset will not be realized. U.S. federal deferred tax liabilities are recorded for the unremitted earnings of foreign subsidiaries that are not permanently reinvested, net of potential foreign tax credits; otherwise, no U.S. federal deferred taxes are provided on foreign subsidiaries. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. In the normal course of business, the Company prepares and files tax returns based on interpretation of tax laws and regulations, which are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. The Company evaluates its tax positions and recognizes only tax benefits for financial purposes that, more likely than not, will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position.

The Company has elected to include income tax related interest and penalties as a component of income tax expense.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the Company's effective tax rate in the future. In addition, Norway's corporate income tax rate is decreasing 2% in 2016 and Malaysia's and Canada's corporate income tax rates are decreasing 1% in 2016.

Foreign Currency Translation

The U.S. dollar serves as the currency of measurement and reporting for the Company's consolidated financial statements. The Company has certain subsidiaries with functional currencies of Norwegian kroner, British pound sterling or Brazilian real. Functional currencies of all the Company's other subsidiaries are U.S. dollar.

Transactions occurring in currencies other than the functional currency of a subsidiary have been converted to the functional currency of that subsidiary at the exchange rate in effect at the transaction date with resulting gains and losses included in current earnings. Carrying values of monetary assets and liabilities in functional currencies other than U.S. dollars have been translated to U.S. dollars based on the U.S. exchange rate at the balance sheet date and the resulting foreign currency translation gain or loss is included in comprehensive income in the consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 (ASU 2013-02), Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update amends Accounting Standards Updates Nos. 2011-05 and 2011-12. This update requires the presentation of the components of amounts reclassified out of accumulated other comprehensive income either on the face of the statement of comprehensive income or in the notes to the financial statements. The Company adopted ASU 2013-02 as of January 1, 2013. The adoption of ASU 2013-02 did not have any impact on the Company's consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11 (ASU 2013-11), Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This update defines the criteria as to when an unrecognized tax benefit should be

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

presented as a liability and when it should be netted against a deferred tax asset on the face of the balance sheet. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. The Company adopted ASU 2014-11 as of January 1, 2014. The adoption of ASU 2013-11 did not have any impact to the Company's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 (ASU 2015-14), Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03 (ASU 2015-03), Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (Topic 835), which requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. In August 2015, the FASB issued Accounting Standards Update No. 2015-15 (ASU 2015-15), in which the SEC staff clarified its position on presenting and measuring debt issuance costs in connection with a line of credit arrangement. The SEC staff would not object to deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement. ASU 2015-03 is effective for annual and interim periods for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company will adopt ASU 2015-03 as of January 1, 2016. The Company does not expect the adoption of ASU 2015-03 to have a significant impact on the Company's consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16 (ASU (2015-16), Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This new standard specifies that an acquirer should recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the current requirement to retrospectively account for these adjustments. Additionally, the full effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts should be recognized in the same period as the adjustments to the provisional amounts. The Company will adopt this new standard beginning January 1, 2016. The Company does not expect the adoption of ASU 2015-16 to have a significant impact on the Company's consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17), Income Taxes (Topic 740), to simplify the presentation of deferred income taxes. During the fourth quarter of 2015, the Company elected to prospectively adopt this standard. Additional information regarding the Company's adoption of this standard is contained in Note 14 of the Notes to consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-2 (ASU 2016-2), Leases. This ASU is effective for annual reporting periods beginning after December 15, 2018. This ASU introduces a new lessee model that generally brings leases on the balance sheet. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's consolidated financial statements.

Note 2—Preferred Stock and Warrants

Preferred Stock

RigNet is authorized to issue ten million shares of preferred stock. As of December 31, 2015 and 2014, no shares of preferred stock were outstanding.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Warrants

The Company issued warrants in conjunction with certain financing arrangements, which were exercisable upon issuance. Detachable warrants are accounted for separately from the debt security as additional paid-in capital. The allocation is based on the relative fair value of the warrant compared to the total fair value of the two securities at the time of issuance. Fair values of instruments were determined using a combination of the expected present value of future cash flows and a market approach. The present value of future cash flows is estimated using the Company's most recent forecast and the weighted average cost of capital. The market approach uses a market multiple on the related cash generated from operations. Significant estimates for determining fair value included cash flow forecasts, the Company's weighted average cost of capital, projected income tax rates and market multiples. Fair value calculations also consider the fair value of the Company's common stock at the grant date, exercise price of the warrants, expected volatility, expected term, risk-free interest rate and dividend yield.

No warrants were issued in the years ended December 31, 2015, 2014 or 2013.

RigNet has no warrants outstanding as of December 31, 2015 or 2014. The following table summarizes the Company's warrant activity for the years ended December 31, 2015, 2014 and 2013:

	Number of Underlying Shares <small>(in thousands)</small>	Weighted Average Exercise Price
Outstanding, January 1, 2013	1,534	\$ 4.79
Issued	—	\$ —
Exercised	(1,329)	\$ 4.51
Outstanding, December 31, 2013	205	\$ 6.60
Issued	—	\$ —
Exercised	(205)	\$ 6.60
Outstanding, December 31, 2014	—	\$ —
Issued	—	\$ —
Exercised	—	\$ —
Outstanding, December 31, 2015	—	\$ —

There were no warrants outstanding as of December 31, 2015 or 2014. The weighted average remaining life in years of outstanding warrants as of December 31, 2013 was 2.0.

Note 3—Business and Credit Concentrations

The Company is exposed to various business and credit risks including interest rate, foreign currency, credit and liquidity risks.

Interest Rate Risk

The Company has significant interest-bearing liabilities at variable interest rates which generally price monthly. The Company's variable borrowing rates are tied to LIBOR resulting in interest rate risk (see Note 7—"Long-Term Debt"). The Company does not currently use financial instruments to hedge these interest risk exposures, but evaluates this on a continual basis and may put financial instruments in place in the future if deemed necessary by management.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Foreign Currency Risk

The Company has exposure to foreign currency risk, as a portion of the Company's activities are conducted in currencies other than U.S. dollars. Currently, the Australian dollar, the Norwegian kroner and the British pound sterling are the currencies that could materially impact the Company's financial position and results of operations. The Company's historical experience with exchange rates for these currencies has been relatively stable, and, consequently, the Company does not use financial instruments to hedge this risk, but evaluates it on a continual basis and may put financial instruments in place in the future if deemed necessary. Foreign currency translations are reported as accumulated other comprehensive income in the Company's consolidated financial statements.

Credit Risk

Credit risk, with respect to accounts receivable, is due to the limited number of customers concentrated in the oil and gas industry. The Company mitigates the risk of financial loss from defaults through defined collection terms in each contract or service agreement and periodic evaluations of the collectability of accounts receivable. The evaluations include a review of customer credit reports and past transaction history with the customer. The Company provides an allowance for doubtful accounts which is adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Accounts receivable	\$66,077	\$78,201	\$47,235
Allowance for doubtful accounts, January 1,	(3,576)	(1,847)	(1,807)
Current year provision for doubtful accounts	(912)	(1,819)	(602)
Write-offs	516	90	562
Allowance for doubtful accounts, December 31,	(3,972)	(3,576)	(1,847)
Accounts receivable, net	<u>\$62,105</u>	<u>\$74,625</u>	<u>\$45,388</u>

Although during 2015 and 2014 no single customer comprised greater than 10% of revenue, the top 5 customers generated 21.3% and 22.9% of the Company's 2015 and 2014 revenue, respectively. During 2013, the Company had one significant customer comprising 9.2% of its revenue.

Liquidity Risk

The Company maintains cash and cash equivalent balances with major financial institutions which, at times, exceed federally insured limits. The Company monitors the financial condition of the financial institutions and has not experienced losses associated with these accounts during 2015, 2014 or 2013. Liquidity risk is managed by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities (see Note 7 —“Long-Term Debt”).

Note 4—Business Combinations

Inmarsat's Enterprise Energy Business Unit

On January 31, 2014, RigNet closed the acquisition of Inmarsat Plc's Enterprise Energy business unit for an aggregate purchase price of \$26.1 million, including \$12.9 million of working capital. Of this aggregate purchase price, RigNet paid \$23.3 million to Inmarsat on January 31, 2014 and an additional \$2.8 million on July 31, 2014. Under the terms of the deal, Inmarsat sold to RigNet substantially all of its energy broadband assets, which include: microwave and WiMAX networks in the U.S. Gulf of Mexico and the North Sea serving drillers, producers and energy vessel owners; Very Small Aperture Terminal (VSAT) interests in the United Kingdom, U.S. and Canada; an M2M SCADA VSAT network in the continental U.S. serving the pipeline industry; a TSI business operating worldwide; and a global L-band MSS retail energy business.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The assets and liabilities of Inmarsat's Enterprise Energy business unit have been recorded at their estimated fair values at the date of acquisition.

	<u>Weighted Average Estimated Useful Life (Years)</u>	<u>Fair Market Values</u> (in thousands)
Current assets		\$ 23,871
Property, plant and equipment		8,381
Identifiable intangible assets:		
Backlog	2	\$ 1,800
Licenses	7	2,000
Customer relationships	7	240
Total identifiable intangible assets		4,040
Other assets		760
Liabilities		(10,969)
Total purchase price		<u>\$ 26,083</u>

RigNet financed the transaction with the credit facility announced on October 3, 2013, and existing cash on hand (see Note 7—Long-Term Debt).

For the years ended December 31, 2014 and 2013, RigNet has spent \$2.9 million and \$4.1 million, respectively, on acquisition-related costs, which are reported as general and administrative expense in the Consolidated Statements of Comprehensive Income.

Actual and Pro Forma Impact of the Inmarsat's Enterprise Energy Business Unit Acquisition

Inmarsat's Enterprise Energy business unit revenue and net income included in the Consolidated Statements of Comprehensive Income for the year ended December 31, 2014 are presented in the following table. These amounts represent operations commencing immediately after the acquisition, February 1, 2014, through the year ended December 31, 2014 (in thousands):

	<u>Year Ended December 31, 2014</u>
Revenue	\$ 80,159
Net Income	\$ 4,204

For the years ended December 31, 2014 and 2013, RigNet's supplemental pro forma revenue was \$335.9 million and \$293.4 million, respectively, calculated as if the Inmarsat's Enterprise Energy business unit acquisition had occurred on January 1, 2013.

RigNet has not disclosed supplemental pro-forma earnings for the years ended December 31, 2014 and 2013 as there is no practicable method to calculate pro-forma earnings. After making every reasonable effort, RigNet was unable to retrospectively allocate indirect costs, including over-head to the assets that were purchased in the asset carve out. To do so would require RigNet to make assumptions about the intents of the management of Inmarsat's Enterprise Energy business unit prior to the acquisition which cannot be independently substantiated. Such retrospective application requires significant estimates of amounts, and it is impossible to distinguish objectively information about those estimates.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR)

On February 4, 2016, RigNet completed its acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR) for an estimated aggregate purchase price of \$14.0 million. Of this aggregate purchase price, RigNet paid \$4.8 million in cash in the first quarter of 2016 and estimates paying \$9.2 million in an earn-out payable in 2018 subject to the achievement of certain post-closing performance targets under the agreement. The estimate of the earn-out payable is preliminary and subject to change. TECNOR provides telecommunications solutions for remote sites on land, sea and air, including a wide array of equipment, voice and data services, satellite coverage and bandwidth options in Mexico. These services are provided to industrial, commercial and private users in diverse activity segments from mission critical military and government applications, oil and gas operations, commercial fishing and leisure. TECNOR is based in Monterrey, Mexico.

RigNet has not yet finalized the analysis required to complete the purchase price accounting for this acquisition and the related disclosures.

For the year ended December 31, 2015, RigNet incurred \$0.3 million on acquisition-related costs, which are reported as general and administrative expense in the Consolidated Statements of Comprehensive Income (Loss).

Pro Forma Impact of the TECNOR Acquisition

The following table represents supplemental pro forma information as if the TECNOR acquisition had occurred on January 1, 2015. Pro forma adjustments include

- Adjust interest expense to remove interest on debt instrument previously held by TECNOR
- Remove nonrecurring transaction costs incurred in 2015 prior to acquisition

	December 31, 2015
	(in thousands)
Revenue	\$ 285,329
Expenses	299,879
Net loss	<u>\$ (14,550)</u>
Net loss attributable to RigNet, Inc. common stockholders	<u>\$ (14,864)</u>
Net loss per share attributable to RigNet, Inc. common stockholders:	
Basic	<u>\$ (0.85)</u>
Diluted	<u>\$ (0.85)</u>

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 5—Goodwill and Intangibles

Goodwill

Goodwill resulted from prior acquisitions as the consideration paid for the acquired businesses exceeded the fair value of acquired identifiable net tangible and intangible assets. The goodwill primarily relates to the growth prospects foreseen for the companies acquired, synergies between existing business and the acquirees and the assembled workforce of the acquired companies. Goodwill balances and changes therein, by reportable segment, as of and for the years ended December 31, 2015 and 2014 are presented below.

	Eastern Hemisphere	Western Hemisphere	Telecoms Systems Integration	Total
	(in thousands)			
Balance, January 1, 2014	\$ 20,920	\$ 10,893	\$ 2,707	\$ 34,520
Impairment of Goodwill	\$ —	\$ —	\$ (2,719)	\$ (2,719)
Foreign currency translation	(1,685)	—	12	(1,673)
Balance, December 31, 2014	19,235	10,893	—	30,128
Impairment of Goodwill	—	(10,893)	—	(10,893)
Foreign currency translation	(1,177)	—	—	(1,177)
Balance, December 31, 2015	<u>\$ 18,058</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,058</u>

The impairment loss of \$10.9 million reported in 2015 equals the excess of the carrying amount of goodwill over its implied fair value as calculated in Step 2 of the annual impairment test conducted as of July 31, 2015. The impairment loss of \$2.7 million reported in 2014 equals the excess of the carrying amount of goodwill over its implied fair value as calculated in Step 2 of the interim impairment test conducted as of December 31, 2014. As part of the annual goodwill impairment assessment, we estimated the fair value of the reporting unit using a combination of the income and market approaches. The key assumption in the fair value analysis was forecasted future cash flows and an EBITDA multiple. The accumulated goodwill impairment losses are represented in the table above.

Intangibles

Intangibles consist of customer relationships acquired as part of the LandTel, OilCamp, Nessco and Inmarsat's Enterprise Energy business unit acquisitions, brand name and covenants not-to-compete acquired as part of the Nessco acquisition, backlog acquired as part of the Nessco and Inmarsat's Enterprise Energy business unit acquisitions, licenses acquired as part of the Inmarsat's Enterprise Energy business unit acquisition and internal-use software. The following table reflects intangibles activities for the years ended December 31, 2015 and 2014:

	Brand Name	Covenant Not To Compete	Backlog	Customer Relation- ships	Software	Licenses	Total
	(in thousands, except estimated lives)						
Intangibles Acquired	4,353	151	1,116	21,484	2,456	—	29,560
Accumulated amortization and foreign currency translation, January 1, 2014	(741)	(135)	(998)	(8,608)	(1,498)	—	(11,980)
Balance, January 1, 2014	3,612	16	118	12,876	958	—	17,580
Additions	—	—	1,800	240	4,751	2,400	9,191
Amortization expense	(620)	(16)	(943)	(2,564)	(661)	(267)	(5,071)
Foreign currency translation	(202)	—	—	(447)	—	—	(649)
Balance, December 31, 2014	2,790	—	975	10,105	5,048	2,133	21,051
Additions	—	—	—	—	5,264	100	5,364
Impairment	—	—	—	(1,699)	—	—	(1,699)
Amortization expense	(590)	—	(900)	(2,304)	(1,249)	(357)	(5,400)
Foreign currency translation	(135)	—	—	(373)	166	—	(342)
Balance, December 31, 2015	<u>\$ 2,065</u>	<u>\$ —</u>	<u>\$ 75</u>	<u>\$ 5,729</u>	<u>\$ 9,229</u>	<u>\$ 1,876</u>	<u>\$ 18,974</u>
Weighted average estimated lives (years)	7.0		1.7	7.9	5.0	7.0	

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following table sets forth amortization expense for intangibles over the next five years (in thousands):

2016	4,444
2017	4,425
2018	4,425
2019	3,336
2020	2,248
Thereafter	96
	<u>\$18,974</u>

Note 6—Property, Plant and Equipment

Property, plant and equipment consists of the following:

	<u>Estimated Lives</u> (in years)	<u>December 31,</u>	
		<u>2015</u>	<u>2014</u>
(in thousands)			
Telecommunication and computer equipment	1-5	\$ 164,204	\$ 178,914
Furniture and other	5-7	8,753	9,841
Building	10	4,597	4,937
Land	—	1,463	1,401
		<u>179,017</u>	<u>195,093</u>
Less: Accumulated depreciation		<u>(106,470)</u>	<u>(118,898)</u>
		<u>\$ 72,547</u>	<u>\$ 76,195</u>

Depreciation expense associated with property, plant and equipment was \$27.1 million, \$24.4 million and \$16.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. During the year ended December 31, 2015, the Company impaired fixed assets by \$1.7 million. No impairment to fixed assets was recorded in the year ended December 31, 2014. During the year ended December 31, 2013, the Company impaired fixed assets by \$0.5 million.

Note 7—Long-Term Debt

As of December 31, 2015 and 2014, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
(in thousands)		
Term loan, net of unamortized deferred financing costs	\$42,659	\$51,111
Revolving loan	<u>\$35,000</u>	<u>\$35,000</u>
	77,659	86,111
Less: Current maturities of long-term debt	<u>(8,421)</u>	<u>(8,405)</u>
	<u>\$69,238</u>	<u>\$77,706</u>

Term Loan

The Company has a term loan (Term Loan) issued under the amended and restated credit agreement (credit agreement) with four participating financial institutions. On October 3, 2013, the Company amended its Term Loan, which increased the principal balance to \$60.0 million from \$54.6 million and extended the maturity of the loan from July 2017 to October 2018.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The amended Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5% based on a ratio of funded debt to Adjusted EBITDA, a non-GAAP financial measure as defined in the credit agreement. Interest is payable monthly along with quarterly principal installments of \$2.1 million, with the balance due October 2018. The weighted average interest rate for the years ended December 31, 2015, 2014 and 2013 were 2.0%, 2.1% and 2.8%, respectively, with an interest rate of 2.2% at December 31, 2015.

The Term Loan is secured by substantially all the assets of the Company. As of December 31, 2015, the Term Loan had outstanding principal of \$42.9 million.

Revolving Loans

Under the amended and restated credit agreement with four participating financial institutions dated October 3, 2013, the Company secured a \$125.0 million revolving credit facility, which includes a \$15 million sublimit for the issuance of standby letters of credit. As of December 31, 2015, \$35.0 million in draws remain outstanding. The revolving credit facility matures in October 2018 with any outstanding borrowings then payable.

During the year ended December 31, 2014, RigNet drew \$35.0 million of this credit facility which was primarily related to the acquisition of Inmarsat's Enterprise Energy business unit (see Note 4 – Business Combinations) and for other general corporate purposes.

The revolving loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5% based on a ratio of funded debt to Adjusted EBITDA, a non-GAAP financial measure as defined in the agreement. The weighted average interest rate for the years ended December 31, 2015 and 2014 were 2.0% and 1.9%, respectively, with an interest rate of 2.2% at December 31, 2015.

Covenants and Restrictions

The Company's credit agreement contains certain covenants and restrictions, including restricting the payment of cash dividends under default and maintaining certain financial covenants such as a ratio of funded debt to Adjusted EBITDA, a non-GAAP financial measure as defined in the credit agreement, of less than or equal to 2.5 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0 as of December 31, 2015. If any default occurs related to these covenants, the unpaid principal and any accrued interest shall be declared immediately due and payable. As of December 31, 2015 and 2014, the Company believes it was in compliance with all covenants.

In February 2016, the Company amended its credit agreement with the most significant changes being the definition of consolidated EBITDA, the calculation of the fixed charge coverage ratio and the timing associated with delivery of financial statements and compliance certificates to the administrative agent.

Performance Bonds

On September 14, 2012, NesscoInvsat Limited, a subsidiary of RigNet Inc., secured a performance bond facility with a lender in the amount of £4.0 million, or \$5.9 million. This facility has a maturity date of June 30, 2017. As of December 31, 2015, the amount available under this facility was £1.7 million or \$2.5 million.

Certain legacy Nessco performance bonds also require the Company to maintain restricted cash balances on a dollar of restricted cash for a dollar of performance bond basis to collateralize outstanding performance bonds. As of December 31, 2015, the Company had restricted cash of \$0.5 million in current assets to satisfy this requirement. As of December 31, 2014, the Company had restricted cash of \$1.2 million and \$0.1 million, in current and long-term assets, respectively, to satisfy this requirement.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Deferred Financing Costs

The Company incurred legal and bank fees associated with the Term Loan, and certain amendments thereto, which were capitalized and reported as a reduction to long-term debt. Deferred financing costs are expensed using the effective interest method over the life of the agreement. For the years ended December 31, 2015 and 2014, deferred financing cost amortization of \$0.2 million and \$0.2 million, respectively, is included in interest expense in the Company's consolidated financial statements.

Debt Maturities

The following table sets forth the aggregate principal maturities of long-term debt, net of deferred financing cost amortization (in thousands):

2016	\$ 8,421
2017	8,561
2018	<u>60,677</u>
Total debt, including current maturities	<u>\$77,659</u>

Note 8—Related Party Transactions

The Company utilized a consulting vendor, KKR Capstone, which performs services exclusively for portfolio companies of Kohlberg Kravis Roberts & Co. L.P. (KKR). KKR is a significant stockholder of the Company. The Company purchased consulting services in the ordinary course of business totaling \$0.3 million, \$0.5 million and \$0.3 million from KKR Capstone during the years ended December 31, 2015, 2014 and 2013, respectively.

Note 9—Fair Value Measurements

The Company uses the following methods and assumptions to estimate the fair value of financial instruments:

- **Cash and Cash Equivalents** — Reported amounts approximate fair value based on quoted market prices (Level 1).
- **Restricted Cash** — Reported amounts approximate fair value.
- **Accounts Receivable** — Reported amounts, net of the allowance for doubtful accounts, approximate fair value due to the short term nature of these assets.
- **Accounts Payable, Including Income Taxes Payable and Accrued Expenses** — Reported amounts approximate fair value due to the short term nature of these liabilities.
- **Long-Term Debt** — The carrying amount of the Company's floating-rate debt approximates fair value since the interest rates paid are based on short-term maturities and recent quoted rates from financial institutions. The estimated fair value of debt was calculated based upon observable (Level 2) inputs regarding interest rates available to the Company at the end of each respective period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For items that are not actively traded, fair value reflects the price in a transaction with a market participant, including an adjustment for risk, not just the mark-to-market value. The fair value measurement standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table below, the hierarchy consists of three broad levels:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Level 2—Inputs are observable inputs other than quoted prices considered Level 1. Level 2 inputs are market-based and are directly or indirectly observable, including quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or valuation techniques whose inputs are observable. Where observable inputs are available, directly or indirectly, for substantially the full term of the asset or liability, the instrument is categorized in Level 2.

Level 3—Inputs are unobservable (meaning they reflect the Company’s assumptions regarding how market participants would price the asset or liability based on the best available information) and therefore have the lowest priority. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. RigNet believes it uses appropriate valuation techniques, such as market-based valuation, based on the available inputs to measure the fair values of its assets and liabilities. The Company’s valuation technique maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The Company had no derivatives as of December 31, 2015 or 2014.

The Company’s non-financial assets, such as goodwill, intangibles and property, plant and equipment, are measured at fair value, based on level 3 inputs, when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

Note 10—Commitments and Contingencies

Operating Leases

The Company leases office space under lease agreements expiring on various dates through 2020. The Company recognized expense under operating leases of \$3.7 million, \$2.8 million and \$2.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, future minimum lease obligations were as follows (in thousands):

2016	3,568
2017	2,626
2018	1,435
2019	460
2020	272
Thereafter	—
	<u>\$8,361</u>

Commercial Commitments

The Company enters into contracts for satellite bandwidth and other network services with certain providers.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

As of December 31, 2015, the Company had the following commercial commitments related to satellite and network services (in thousands):

2016	\$ 36,675
2017	22,900
2018	15,338
2019	16,000
2020	18,000
	<u>\$108,913</u>

On January 31, 2014, RigNet finalized an agreement with Inmarsat to become a distributor of Inmarsat's Global Xpress (GX) and L-band satellite communications network services. RigNet agreed, under certain conditions, to purchase up to \$65.0 million of capacity from the high-throughput GX network during the five years after it becomes operational. The Company expects to utilize GX and L-band services across RigNet's legacy operations as well as the operations acquired from Inmarsat. The portion of this agreement expected to be committed through 2020, assuming the GX network is commercially available in 2016, is reflected in the table above.

Litigation

The Company, in the ordinary course of business, is a claimant or a defendant in various legal proceedings, including proceedings as to which the Company has insurance coverage and those that may involve the filing of liens against the Company or its assets. The Company does not consider its exposure in these proceedings, individually or in the aggregate, to be material.

Contractual Dispute

The Company's TSI business has a dispute related to a contract associated with a percentage of completion project. The Company believes amounts, which the customer is disputing, are owed to the Company under a customer contract where the Company has a right to payment for work related to certain unsigned change orders. The Company has initiated the dispute resolution process under the contract and is actively working with the customer to resolve the matter. As a result of the ongoing dispute, the Company has recorded a loss of \$14.3 million for this project, which represents the total evident probable and estimable loss expected to be incurred over the life of this project. To arrive at this loss, the Company recorded negative income adjustments of \$15.6 million during the fourth quarter of 2015. These adjustments include negative revenue adjustments of \$9.6 million, project costs incurred of \$5.1 million and a future evident loss charge of \$0.9 million, as a result of a change in estimate associated with a claim. The Company expects remaining estimated project completion costs of \$2.2 million. The Company will continue incurring costs and recognizing revenue related to this unsigned change order, as the project is not yet complete and is expected to continue incurring costs into the second quarter of 2016. The Company cannot predict the ultimate outcome of the dispute or actual loss from the project, the total costs to be incurred in defending the dispute or the potential impact on personnel. The ultimate actual loss may be more or less than the estimated \$14.3 million.

The Company has incurred legal expense of \$0.5 million in connection with the dispute for the year ended December 31, 2015. The Company may continue to incur significant legal fees and related expenses and in the future management may be required to devote significant time to resolve the dispute.

Regulatory Matter

In 2013, RigNet's internal compliance program detected potential violations of U.S. sanctions by one of its foreign subsidiaries in connection with certain of its customers' rigs that were moved into the territorial waters of countries sanctioned by the United States. The Company estimates that it received total revenue of approximately \$0.1 million during the period related to the potential violations. The Company has voluntarily self-reported the potential violations to U.S. Treasury Department's Office of Foreign Assets Control (OFAC) and the U.S. Department of Commerce Bureau of Industry and Security (BIS) and retained outside counsel who conducted an investigation of the matter under the supervision of the Company's Audit Committee and submitted a report to OFAC and BIS. The Company continues cooperating with OFAC and BIS with respect to resolution of the matter.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company incurred legal expenses of \$0.1 million and \$0.1 million in connection with the investigation during the years ended December 31, 2015 and 2014, respectively, relating to this investigation. The Company may continue to incur significant legal fees and related expenses and the investigations may involve management time in the future in order to cooperate with OFAC and BIS. The Company cannot predict the ultimate outcome of the investigation, the total costs to be incurred in completing the investigation, the potential impact on personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, the Company could be subject to fines, sanctions or other penalties.

Based on the information available at this time and management's understanding of the potential sanctions, the Company currently estimates that it may incur penalties associated with these potential violations within a range of \$0.2 million to \$1.5 million. The Company has accrued an estimated liability of \$0.8 million as management believes this is the most probable outcome. This estimate is based on RigNet's internal investigation and no assurance can be given as to what, if any, penalties OFAC or BIS will impose or whether it will identify or allege additional violations or remedies.

Note 11—Stock-Based Compensation

The Company has three stock-based compensation plans as described below.

2010 Omnibus Incentive Plan

In May 2010, the Board of Directors adopted the 2010 Omnibus Incentive Plan (2010 Plan). Under the 2010 Plan, the Board of Directors or its designated committee is authorized to issue awards representing a total of three million shares of common stock to certain directors, officers and employees of the Company. Awards may be in the form of new stock incentive awards or options including (i) incentive or non-qualified stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance stock, (vi) performance units, (vii) director awards, (viii) annual cash incentive awards, (ix) cash-based awards, (x) substitution awards or (xi) other stock-based awards, as approved by the Board of Directors or its designated committee. The stock incentive awards and options granted under the 2010 plan will generally expire at the earlier of a specified period after termination of service or the date specified by the Board of Directors or its designated committee at the date of grant, but not more than ten years from such grant date.

During the year ended December 31, 2015, the Company granted 92,194 shares of restricted stock to certain directors, officers and employees of the Company under the 2010 Plan. Restricted shares have no exercise price and are considered issued and outstanding common stock. Substantially all restricted shares issued to officers and employees, totaling 73,595 shares, generally vest over a four year period of continued employment, with 25% of shares vesting on each of the first four anniversaries of the grant date. Restricted shares issued to directors, totaling 18,599 shares, generally either vest immediately or vest over one or two year periods. As of December 31, 2015, 298,569 shares of restricted stock have vested, 104,936 shares of restricted stock have been forfeited and 143,003 shares of unvested restricted stock were outstanding.

During the year ended December 31, 2015, the Company also granted 244,384 stock options to certain officers and employees of the Company under the 2010 Plan. Options granted during this period have an exercise price of \$22.09 to \$37.64, a contractual term of ten years and vest over a four year period of continued employment, with 25% of options vesting on each of the first four anniversaries of the grant date.

2006 Long-Term Incentive Plan

In March 2006, the Board of Directors adopted the RigNet 2006 Long-Term Incentive Plan (2006 Plan). Under the 2006 Plan, the Board of Directors is authorized to issue options to purchase RigNet common stock to certain officers and employees of the Company. In general, all options granted under the 2006 Plan have a contractual term of ten years and a four-year vesting period, with 25.0% of the options vesting on each of the first four anniversaries of the grant

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

date. The 2006 Plan authorized the issuance of three million options, which was increased to five million in January 2010, net of any options returned or forfeited. As of December 31, 2015, the Company has issued 981,125 options under the 2006 Plan, of which 484,668 options have been exercised, 216,247 options have been returned or forfeited and 280,210 options are outstanding. The Company will issue no additional options under the 2006 Plan as the Company's Board of Directors has resolved to freeze the 2006 Plan.

2001 Stock Option Plan

The 2001 Performance Stock Option Plan (2001 Plan) was authorized to issue options to purchase RigNet common stock to certain officers and employees of the Company. Options granted under the 2001 Plan vest either (a) over a four-year term, with 25.0% of the options vesting on each of the first four anniversary dates of the grant or (b) over a three-year term, with 25.0% of the options vesting 30 days after the grant date and 25.0% vesting on each of the first three anniversary dates of the grant. Vested options, which have not been forfeited, are exercisable in whole or in part during the option term, which does not exceed ten years. The 2001 Plan authorized the issuance of 0.6 million options. As of December 31, 2015, the Company has issued 130,967 options under the 2001 Plan, of which 108,307 options have been exercised, 22,660 options have been returned and no options are outstanding. The Company will issue no additional options under the 2001 Plan as the Company's Board of Directors has resolved to freeze the 2001 Plan.

There are no dividends related to stock options, restricted stock or common stock.

Stock-based compensation expense related to the Company's stock-based compensation plans for the years ended December 31, 2015, 2014 and 2013 was \$3.7 million, \$4.3 million and \$3.0 million, respectively, and accordingly, reduced income for each year.

There were no significant modifications to the three stock-based compensation plans during the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015 and 2014, there were \$6.0 million and \$6.4 million, respectively, of total unrecognized compensation cost related to unvested equity awards granted and expected to vest under the 2010 Plan and the 2006 Plan. This cost is expected to be recognized on a remaining weighted-average period of two years.

All outstanding equity instruments are settled in stock. The Company currently does not have any awards accounted for as a liability. The fair value of each stock option award is estimated on the grant date using a Black-Scholes option valuation model, which uses certain assumptions as of the date of grant:

- **Expected Volatility**—based on peer group price volatility for periods equivalent to the expected term of the options
- **Expected Term**—expected life adjusted based on management's best estimate for the effects of non-transferability, exercise restriction and behavioral considerations
- **Risk-Free Interest Rate**—risk-free rate, for periods within the contractual terms of the options, is based on the U.S. Treasury yield curve in effect at the time of grant
- **Dividend Yield**—expected dividends based on the Company's historical dividend rate at the date of grant

The assumptions used for grants made in the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,		
	2015	2014	2013
Expected volatility	44 - 47%	43%	50%
Expected term (in years)	7	7	7
Risk-free interest rate	1.9 - 2.0%	1.9 - 2.2%	1.3% - 2.2%
Dividend yield	—	—	—

Based on these assumptions, the weighted average fair value of options granted, per share, for the years ended December 31, 2015, 2014 and 2013 was \$13.22, \$25.78 and \$11.31, respectively.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The fair value of each restricted stock award on the grant date is equal to the market price of RigNet’s stock on the date of grant. The weighted average fair value of restricted stock granted, per share, for the years ended December 31, 2015 and 2014 was \$30.68 and \$49.97, respectively.

The following table summarizes the Company’s stock option activity as of and for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,					
	2015		2014		2013	
	Number of Underlying Shares	Weighted Average Exercise Price	Number of Underlying Shares	Weighted Average Exercise Price	Number of Underlying Shares	Weighted Average Exercise Price
	(in thousands, except per share amounts)					
Balance, January 1,	947	\$ 18.47	998	\$ 13.79	1,017	\$ 11.27
Granted	244	\$ 31.73	127	\$ 47.09	239	\$ 20.43
Exercised	(80)	\$ 12.54	(155)	\$ 10.55	(215)	\$ 8.44
Forfeited	(119)	\$ 30.62	(23)	\$ 28.04	(43)	\$ 17.73
Expired	—	\$ —	—	\$ —	—	\$ —
Balance, December 31,	<u>992</u>	<u>\$ 20.40</u>	<u>947</u>	<u>\$ 18.47</u>	<u>998</u>	<u>\$ 13.79</u>
Exercisable, December 31,	<u>579</u>	<u>\$ 13.75</u>	<u>539</u>	<u>\$ 11.83</u>	<u>524</u>	<u>\$ 9.67</u>

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Intrinsic value of options exercised	\$2,850	\$7,872	\$6,083
Fair value of options vested	\$ 884	\$1,558	\$1,138

The following table summarizes the Company’s restricted stock activity as of and for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Balance, January 1,	172	200
Granted	92	72
Vested	(77)	(87)
Forfeited	(44)	(13)
Balance, December 31,	<u>143</u>	<u>172</u>

The weighted average remaining contractual term in years for equity awards outstanding as of and for the years ended December 31, 2015, 2014 and 2013 was 3.7 years, 4.6 years and 4.6 years, respectively. At December 31, 2015 equity awards vested and expected to vest totaled 1.8 million with awards available for grant of approximately 1.7 million.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following is a summary of changes in unvested equity awards, including stock options and restricted stock, as of and for the years ended December 31, 2015, 2014 and 2013:

	<u>Number of Underlying Shares</u> (in thousands)	<u>Weighted Average Grant Date Fair Value</u>
Unvested equity awards, January 1, 2013	638	\$ 11.41
Granted	346	\$ 14.58
Vested	(242)	\$ 10.62
Forfeited	(68)	\$ 14.10
Unvested equity awards, December 31, 2013	674	\$ 13.05
Granted	199	\$ 34.56
Vested	(247)	\$ 12.62
Forfeited	(37)	\$ 20.08
Unvested equity awards, December 31, 2014	589	\$ 20.06
Granted	336	\$ 17.43
Vested	(237)	\$ 17.94
Forfeited	(182)	\$ 14.01
Unvested equity awards, December 31, 2015	<u>506</u>	\$ 21.48

Note 12—Income per Share

Basic earnings per share (EPS) are computed by dividing net income (loss) attributable to RigNet common stockholders by the number of basic shares outstanding. Basic shares equal the total of the common shares outstanding, weighted for the average days outstanding for the period. Basic shares exclude the dilutive effect of common shares that could potentially be issued due to exercise of stock options, vesting of restricted stock or exercise of warrants. Diluted EPS is computed by dividing net income (loss) attributable to RigNet common stockholders by the number of diluted shares outstanding. Diluted shares equal the total of the basic shares outstanding and all potentially issuable shares, other than antidilutive shares, if any, weighted for the average days outstanding for the period. The Company uses the treasury stock method to determine the dilutive effect. In periods when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods when a loss is reported, basic and dilutive loss per share are the same. The following table provides a reconciliation of the numerators and denominators of the basic and diluted per share computations for net income attributable to RigNet, Inc. common stockholders:

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands)		
Net income (loss) attributable to RigNet, Inc. common stockholders	<u>\$ (16,974)</u>	<u>\$ 15,635</u>	<u>\$ 16,336</u>
Weighted average shares outstanding, basic	17,534	17,321	16,268
Effect of dilutive securities	—	578	1,289
Weighted average shares outstanding, diluted	<u>17,534</u>	<u>17,899</u>	<u>17,557</u>

As of December 31, 2015, there were approximately 553,612, potentially issuable shares excluded from the Company's calculation of diluted EPS. Of these, 230,096 shares were excluded due to the antidilutive position of the security. The remaining 323,516 shares were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive, meaning the loss per share would be reduced.

There were approximately 31,000 shares as of December 31, 2014, respectively, that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive. There were no anti-dilutive shares as of December 31, 2013.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 13—Segment Information

Segment information has been prepared consistent with the components of the enterprise for which separate financial information is available and regularly evaluated by the chief operating decision-maker for the purpose of allocating resources and assessing performance. Certain operating segments are aggregated into one reportable segment based on similar economic characteristics. Accordingly, RigNet considers its business to consist of three reportable segments:

- **Eastern Hemisphere.** The Eastern Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. The Eastern Hemisphere segment services are primarily performed out of the Company's Norway, United Kingdom, Qatar, and Singapore based offices for customers and rig sites located on the eastern side of the Atlantic Ocean primarily off the coasts of the United Kingdom, Norway, West Africa, around the Indian Ocean in Qatar, Saudi Arabia and India, around the Pacific Ocean near Australia, and within the South China Sea.
- **Western Hemisphere.** The Western Hemisphere segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. The Western Hemisphere segment services are primarily performed out of the Company's United States and Brazil based offices for onshore and offshore customers and rig sites located on the western side of the Atlantic Ocean primarily in the United States, Canada, Mexico and Brazil, and within the Gulf of Mexico.
- **Telecoms Systems Integration (TSI).** The TSI segment designs, assembles, installs and commissions turn-key solutions for customer telecommunications systems. TSI segment solutions are custom designed and engineered turn-key solutions based on the customer's specifications, as well as, international industry standards and best practices. TSI projects include consultancy services, design, engineering, project management, procurement, testing, installation, and commissioning and after-sales service. The TSI segment services are primarily performed out of the Company's United Kingdom and United States based offices for customers globally.

Corporate and eliminations primarily represents unallocated corporate office activities, interest expense, income taxes and eliminations.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The Company's business segment information as of and for the years ended December 31, 2015, 2014 and 2013 is presented below.

	Eastern Hemisphere	Western Hemisphere	Telecoms Systems Integration	Corporate and Eliminations	Consolidated Total
	(in thousands)				
2015					
Revenue	\$ 147,100	\$ 102,621	\$ 21,539	\$ —	\$ 271,260
Cost of revenue (excluding depreciation and amortization)	72,053	50,364	30,762	10,059	163,238
Depreciation and amortization	15,386	11,581	3,104	2,400	32,471
Impairment of goodwill, intangibles, property, plant and equipment	—	14,262	—	—	14,262
Selling, general and administrative	13,428	15,425	4,120	39,668	72,641
Operating income (loss)	<u>\$ 46,233</u>	<u>\$ 10,989</u>	<u>\$ (16,447)</u>	<u>\$ (52,127)</u>	<u>\$ (11,352)</u>
Total assets	133,100	121,343	42,850	(39,177)	258,166
Capital expenditures	16,419	10,680	227	5,364	32,690
2014					
Revenue	\$ 163,935	\$ 112,956	\$ 53,283	\$ —	\$ 330,174
Cost of revenue (excluding depreciation and amortization)	76,842	58,996	42,644	9,727	188,209
Depreciation and amortization	13,249	11,261	3,806	1,146	29,462
Impairment of goodwill	—	—	2,719	—	2,719
Selling, general and administrative	14,750	16,144	3,829	40,977	75,700
Operating income (loss)	<u>\$ 59,094</u>	<u>\$ 26,555</u>	<u>\$ 285</u>	<u>\$ (51,850)</u>	<u>\$ 34,084</u>
Total assets	151,806	142,000	46,989	(40,958)	299,837
Capital expenditures	21,242	13,977	432	4,751	40,402
2013					
Revenue	\$ 128,987	\$ 54,221	\$ 37,502	\$ —	\$ 220,710
Cost of revenue (excluding depreciation and amortization)	58,826	25,062	29,569	5,424	118,881
Depreciation and amortization	8,701	7,149	4,369	830	21,049
Selling, general and administrative	14,948	7,847	1,057	28,703	52,555
Operating income (loss)	<u>\$ 46,512</u>	<u>\$ 14,163</u>	<u>\$ 2,507</u>	<u>\$ (34,957)</u>	<u>\$ 28,225</u>
Total assets	95,187	100,596	75,679	(32,659)	238,803
Capital expenditures	17,665	12,392	187	849	31,093

The following table presents revenue earned from the Company's domestic and international operations for the years ended December 31, 2015, 2014 and 2013. Revenue is based on the location where services are provided or goods are sold. Due to the mobile nature of RigNet's customer base and the services provided, the Company works closely with its customers to ensure rig or vessel moves are closely monitored to ensure location of service information is properly reflected.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Domestic	\$ 80,134	\$ 91,247	\$ 37,969
International	191,126	238,927	182,741
Total	<u>\$ 271,260</u>	<u>\$ 330,174</u>	<u>\$ 220,710</u>

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following table presents long-lived assets for the Company's domestic and international operations as of December 31, 2015 and 2014.

	December 31,	
	2015	2014
	(in thousands)	
Domestic	\$ 36,506	\$ 48,115
International	73,073	79,259
Total	\$ 109,579	\$ 127,374

Note 14—Income Taxes

Income Tax Expense

The components of the income tax expense are:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Current:			
Federal	\$ 305	\$ 2,852	\$ 954
State	141	174	166
Foreign	7,619	11,272	9,246
Total current	8,065	14,298	10,366
Deferred:			
Federal	(5,456)	740	764
State	(288)	61	(194)
Foreign	88	301	(1,778)
Total deferred	(5,656)	1,102	(1,208)
Income tax expense	\$ 2,409	\$ 15,400	\$ 9,158

The following table sets forth the components of income (loss) before income taxes:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Income (loss) before income taxes:			
United States	\$(27,741)	\$(10,685)	\$(11,389)
Foreign	13,490	42,068	37,091
	\$ (14,251)	\$ 31,383	\$ 25,702

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Income tax expense differs from the amount computed by applying the statutory federal income tax rate of 35.0% to income (loss) before taxes as follows:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
United States statutory federal income tax rate	\$ (4,988)	\$ 10,984	\$ 8,996
Non-deductible expenses	131	548	419
Non-taxable financial income and expense	(1,498)	(1,701)	(1,711)
Noncash compensation	349	(97)	473
U.S. tax on foreign earnings, net of tax credits	50	230	708
Changes in valuation allowances	10,358	11,646	4,003
Tax credits	410	(3,213)	(2,823)
State taxes	(130)	36	72
Effect of operating in foreign jurisdictions	1,216	(944)	(1,670)
Changes in prior year estimates	(58)	(2,576)	51
Changes in uncertain tax benefits	(3,430)	1,478	593
Revisions of deferred tax accounts	98	(1,088)	(77)
Other	(99)	97	124
Income tax expense	<u>\$ 2,409</u>	<u>\$ 15,400</u>	<u>\$ 9,158</u>

Deferred Tax Assets and Liabilities

The Company's deferred tax position reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of the deferred tax assets and liabilities are as follows:

	December 31,	
	2015	2014
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$14,101	\$ 484
Federal, state and foreign tax credits	16,581	18,177
Depreciation and amortization	16,231	10,425
Unrealized loss on functional currency	566	8,213
Allowance for doubtful accounts	1,615	1,247
Accruals not currently deductible	2,934	1,281
Stock-based compensation	1,127	1,042
Intercompany Interest	2,112	939
Other	170	57
Valuation allowance	(43,825)	(31,162)
Total deferred tax assets	<u>11,612</u>	<u>10,703</u>
Deferred tax liabilities:		
Depreciation and amortization	(1,968)	(2,693)
Tax on foreign earnings	(1,553)	(1,502)
Other	(135)	(126)
Total deferred tax liabilities	<u>(3,656)</u>	<u>(4,321)</u>
Net deferred tax assets	<u>\$ 7,956</u>	<u>\$ 6,382</u>

At December 31, 2015, on an as filed basis, the Company has state net operating loss carry forwards of approximately \$1.8 million which will expire in varying amounts beginning in 2023, and foreign net operating losses of

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

\$53.0 million which can be carried forward for an unlimited period. As of December 31, 2015, the Company, on an as filed basis, has U.S. domestic foreign tax credit carry forwards of \$10.0 million which begin expiring in varying amounts in 2018. The amount reported on an as filed basis can differ from the amount recorded in the deferred tax assets of the Company's financial statements due to the utilization or creation of assets in recording uncertain tax benefits.

In assessing deferred tax assets, the Company considers whether a valuation allowance should be recorded for some or all of the deferred tax assets which may not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Among other items, the Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and available tax planning strategies. As of December 31, 2015, a valuation allowance of \$ 43.8 million had been recorded. \$27.0 million related to US federal and local deferred tax assets, \$11.8 million related to Norway assets and \$5.0 million related to Australia assets that were not more likely than not to be realized. While the Company expects to realize the remaining net deferred tax assets, changes in future taxable income or in tax laws may alter this expectation and result in future increases to the valuation allowance.

U.S. federal deferred income taxes, net of foreign tax credits, of \$1.6 million have been provided on the Qatar subsidiary for which the undistributed earnings as of December 31, 2015, were no longer considered permanently reinvested due to non-controlling ownership issues. All other foreign subsidiaries' undistributed earnings are considered permanently reinvested. As of December 31, 2015, the Company has not recognized \$8.4 million in U.S. federal deferred taxes, net of foreign tax credits.

Because the Company has asserted that all foreign undistributed earnings, excluding Qatar's earnings, are permanently reinvested, no provision is recorded for the deferred tax liability related to other comprehensive income.

The Company has elected to include income tax related interest and penalties as a component of income tax expense. As of December 31, 2015 and 2014, no amount has been included in the income tax payable accounts. The amount included in income tax expense not related to uncertain tax benefits for the year ending December 31, 2015 and 2014, is none and \$0.1 million, respectively.

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, Income Taxes (Topic 740), to simplify the presentation of deferred income taxes. Under the new standard, both deferred tax liabilities and assets are required to be classified as noncurrent in a classified balance sheet. This standard will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016, with early adoption allowed. As of December 31, 2014, we had deferred taxes that were classified as current assets and noncurrent liabilities. During the fourth quarter of 2015, we elected to prospectively adopt this standard, thus reclassifying \$0.7 million of current deferred tax assets to noncurrent (netted with current and noncurrent liabilities) on the accompanying consolidated balance sheet. The prior reporting period was not retrospectively adjusted. The adoption of this guidance had no impact on the Company's Consolidated Statements of Comprehensive Income (Loss).

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Uncertain Tax Benefits

The Company evaluates its tax positions and recognizes only tax benefits that, more likely than not, will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that has a greater than 50.0% likelihood of being realized upon settlement. At December 31, 2015, 2014 and 2013, the Company's uncertain tax benefits totaling \$19.3 million, \$22.8 million and \$19.2 million, respectively, are reported as other liabilities in the consolidated balance sheets. Changes in the Company's gross unrecognized tax benefits are as follows:

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands)		
Balance, January 1,	\$15,454	\$13,222	\$12,163
Additions for the current year tax	1,501	2,668	2,102
Additions related to prior years	—	—	—
Reductions related to settlements with taxing authorities	(154)	—	—
Reductions related to lapses in statute of limitations	(1,083)	(384)	(529)
Reductions related to prior years	—	(52)	(514)
Balance, December 31,	<u>\$15,718</u>	<u>\$15,454</u>	<u>\$13,222</u>

As of December 31, 2015, the Company's gross unrecognized tax benefits which would impact the annual effective tax rate upon recognition were \$12.0 million. In addition, as of December 31, 2015, the Company has recorded related assets, net of a valuation allowance of \$6.9 million. The related asset might not be recognized in the same period as the contingent tax liability and like interest and penalties does have an impact on the annual effective tax rate. The Company recognized interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2015, 2014 and 2013, the Company has accrued penalties and interest of approximately \$7.3 million, \$7.3 million and \$6.0 million, respectively. The Company has recognized \$0.1 million, \$1.3 million and \$0.1 million of interest and penalties in income tax expense for the years ended December 31, 2015, 2014 and 2013, respectively. To the extent interest and penalties are not assessed with respect to uncertain tax positions, accruals will be reduced and reflected as a reduction to income tax expense.

The Company believes that it is reasonably possible that a decrease of up to \$4.0 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations. Included in this balance of unrecognized tax benefits are \$0.3 million of tax benefits that, if recognized, would affect the effective tax rate.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Due to net operating losses, all of the Company's federal filings are still subject to tax examinations. With few exceptions, the Company is no longer subject to the foreign income tax examinations by tax authorities for years before 2005.

The IRS is currently performing an audit of the Company's 2013 income tax return. It is expected that the audit and the appeals process, if necessary, will be completed within the next twelve months. The Company does not anticipate any significant assessments as a result of the audit.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 15—Supplemental Quarterly Financial Information (Unaudited)

Summarized quarterly supplemental consolidated financial information for 2015 and 2014 are as follows:

	2015 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
Revenue	\$ 77,650	\$ 75,106	\$ 66,318	\$ 52,186
Operating income (loss)	\$ 2,452	\$ 9,103	\$ (8,226)	\$ (14,681)
Net income (loss)	\$ (942)	\$ 6,120	\$ (10,879)	\$ (10,959)
Net income (loss) attributable to RigNet, Inc. common stockholders	\$ (1,029)	\$ 6,039	\$ (10,944)	\$ (11,040)
Net income (loss) per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.06)	\$ 0.35	\$ (0.62)	\$ (0.63)
Net income(loss) per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.06)	\$ 0.34	\$ (0.62)	\$ (0.63)
Weighted average shares outstanding, basic	17,463	17,499	17,567	17,610
Weighted average shares outstanding, diluted	17,463	17,893	17,567	17,610

	2014 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
Revenue	\$ 75,043	\$ 80,656	\$ 87,819	\$ 86,656
Operating income	\$ 5,353	\$ 9,802	\$ 11,701	\$ 7,228
Net income	\$ 2,308	\$ 5,748	\$ 5,930	\$ 1,997
Net income attributable to RigNet, Inc. common stockholders	\$ 2,195	\$ 5,667	\$ 5,857	\$ 1,916
Net income per share attributable to RigNet, Inc. common stockholders, basic	\$ 0.13	\$ 0.32	\$ 0.34	\$ 0.11
Net income per share attributable to RigNet, Inc. common stockholders, diluted	\$ 0.12	\$ 0.31	\$ 0.33	\$ 0.11
Weighted average shares outstanding, basic	17,267	17,490	17,443	17,454
Weighted average shares outstanding, diluted	17,993	18,108	17,987	17,874

Please refer to the contractual dispute in Note 10, and the property, plant and equipment impairment in Note 1 for material charges in the most recent quarter.

RIGNET, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 16 – Employee Benefits

The Company maintains a 401(k) plan pursuant to which eligible employees may make contributions through a payroll deduction. For the years ended December 31, 2015 and 2014, the Company made matching cash contributions of 100% of each employee's contribution up to 2.0% of that employee's eligible compensation and 50% of each employee's contribution between 2% and 6% of such employee's eligible compensation, up to the maximum amount permitted by law. The Company incurred expenses of \$0.8 million and \$0.6 million for the years ended December 31, 2015 and 2014, respectively, for employer contributions. Effective January 1, 2016, the Company suspended the Company's matching contributions under the 401(k) plan. Under the amended plan, the Company may later approve a discretionary matching contribution. The Company is taking this action in response to reduced oil and gas activity.

Note 17 – Restructuring Costs – Cost Reduction Plans

During the year ended December 31, 2015, the Company instituted certain resource reallocation and additional cost reduction plans to vacate and eliminate redundant facilities and eliminate certain positions in response to deteriorating oil and gas industry market conditions including declining oil and gas prices, increased stacking and scrapping of offshore drilling rigs and declines in the Baker Hughes U.S. land rig count. The Company is undertaking these plans to reduce costs and improve the Company's competitive position.

For the year ended December 31, 2015, the Company incurred pre-tax expense of approximately \$7.4 million in the corporate segment related to restructuring activities. For the year ended December 31, 2015, the restructuring costs included \$4.5 million associated with the reduction of 123 employees, of which \$3.4 million and \$1.1 million were reported as general and administrative expense and cost of revenue, respectively, in the Consolidated Statements of Comprehensive Income (Loss). For the year ended December 31, 2015, the restructuring costs also included \$2.9 million associated with ceasing the use of and vacating nine Company facilities, of which \$1.4 million and \$1.5 million were reported as general and administrative expense and cost of revenue, respectively, in the Consolidated Statements of Comprehensive Income (Loss).

Note 18 – Subsequent Events – Executive Departure costs

On January 7, 2016, Marty Jimmerson, the former CFO, was appointed Interim Chief Executive Officer (CEO) and President, to replace Mark Slaughter, the prior CEO and President effective January 7, 2016. Marty Jimmerson's appointment will continue while the Company searches for a permanent CEO and President. In connection with the executive departure of our prior CEO, the Company will incur a pre-tax executive departure charge of approximately \$1.9 million in the first quarter of 2016.

INDEX TO EXHIBITS

- 2.1 Share Purchase Agreement between the Registrant and the shareholders of Nessco Group Holdings Ltd. dated July 5, 2012 (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 5, 2012, and incorporated herein by reference)
- 3.1 Amended and Restated Certificate of Incorporation (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 3.2 Amended and Restated Bylaws of the Registrant, as amended as of October 31, 2013 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 6, 2013, and incorporated herein by reference)
- 4.1 Specimen certificate evidencing common stock (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 4.2 Amended and Restated Registration Rights Agreement dated effective as of June 20, 2005 among the Registrant and the holders of our preferred stock party thereto (filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.1+ 2006 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.2+ 2010 Omnibus Incentive Plan (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.3+ Form of Option Award Agreement under the 2006 Plan (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.4+ Form of Incentive Stock Option Award Agreement under the 2010 Plan (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.5+ Form of Nonqualified Stock Option Award Agreement under the 2010 Plan (filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.6+ Form of Indemnification Agreement entered into with each director and executive officer (filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.7+ Employment Agreement between the Registrant and Mark Slaughter effective February 20, 2012 (filed as Exhibit 10.7 to the Registrant's annual report on Form 10-K for the period ended December 31, 2011, and incorporated herein by reference)
- 10.8+ Second Amendment to Employment Agreement between the Registrant and Martin Jimmerson dated as of July 1, 2015 (filed as exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2015, and incorporated herein by reference)
- 10.9+ Employment Agreement between the Registrant and Charles Schneider dated November 12, 2015
- 10.10+ Employment Agreement between the Registrant and Morten Hansen dated February 8, 2013 (filed as Exhibit 10.10 to the Registrant's annual report on Form 10-K for the period ended December 31, 2012, and incorporated herein by reference)
- 10.11+ Employment Agreement between the Registrant and William Sutton dated March 14, 2012 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on March 16, 2012, and incorporated herein by reference)
- 10.12+ Employment Agreement between the Registrant and Hector Maytorena dated March 14, 2012 (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on March 16, 2012, and incorporated herein by reference)
- 10.13+ Severance Agreement between Registrant and Mark Slaughter dated January 30, 2016
- 10.14+ Employment Agreement between the Registrant and Martin Jimmerson dated as of January 7, 2016
- 10.15 Second Amended and Restated Credit Agreement, dated as of October 3, 2013 by and among the Registrant and Bank of America, N.A., among others (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 4, 2013, and incorporated herein by reference)
- 10.16 First Amendment to Second Amended and Restated Credit Agreement, dated as of February 24, 2016, but effective as of December 31, 2015
- 10.17 Lease Agreement between the Registrant and KWI Ashford Westchase Buildings, L.P. dated as of June 17, 2003, as amended (filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 [File No. 333-169723], as amended, and incorporated herein by reference)
- 10.18 Eighth Amendment dated September 25, 2012 to the Lease Agreement between the Registrant and KWI Ashford Westchase Buildings, L.P. dated as of June 17, 2003, as amended (filed as Exhibit 10.18 to the Registrant's annual report on Form 10-K for the period ended December 31, 2012, and incorporated herein by reference)
- 10.19 Ninth Amendment dated September 4, 2013 to the Lease Agreement between the Registrant and KWI Ashford Westchase Buildings, L.P. dated as of June 17, 2003 (filed as Exhibit 10.16 to the Registrant's annual report on Form 10-K for the period ended December 31, 2013, and incorporated herein by reference)

[Table of Contents](#)

10.20	Tenth Amendment dated January 12, 2015 to the Lease Agreement between the Registrant and KWI Ashford Westchase Buildings, L.P. dated as of June 17, 2003 (filed as Exhibit 10.17 to the Registrant's annual report on Form 10-K for the period ended December 31, 2014, and incorporated herein by reference)
10.21	Pledge and Assignment Over Accounts between Nessco Invsat, Ltd. And Clydesdale Bank PLC dated September 28, 2012 (filed as Exhibit 10.19 to the Registrant's annual report on Form 10-K for the period ended December 31, 2012, and incorporated herein by reference)
10.22	Non-Disclosure and Standstill agreement dated as of November 5, 2013 by and among the Registrant and Digital Oilfield Investments LP (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 6, 2013, and incorporated herein by reference)
10.23	Registration Rights Agreement dated November 5, 2013 between the Registrant and Digital Oilfield Investments LP (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on November 6, 2013, and incorporated herein by reference)
21.1	Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

+ Indicates management contract or compensatory plan.



November 24, 2015

Via e-mail and courier:

Charles E. ("Chip") Schneider

Re: Offer of Employment

Dear Chip,

I am pleased to confirm our employment offer for you to join RigNet (also referred to as the "Company") as **Senior Vice President and Chief Financial Officer**, based in Houston, Texas, and reporting directly to Mark B. Slaughter, Chief Executive Officer & President. This position will commence with a bi-weekly salary of **\$ 12,500.00**, which equates to **\$325,000.00** annually. You will be entitled to participate in the Company's standard benefits package and to **184 hours** of personal time per calendar year, the latter of which will be prorated should your start date fall within the year. Details on benefits and personal time are included in the accompanying materials.

You will be a participant in the Company's Short-Term Incentive Plan ("STIP") beginning in 2016, with a target payout of **70%** of your base salary. The STIP has historically been funded from the Company's financial performance compared against annual plan targets, with payouts to participants based on financial performance and the degree of achievement of assigned personal objectives. A copy of the STIP will be provided to you upon your commencement of employment.

You will also be recommended to RigNet's Board of Directors at its regularly-scheduled meeting in March, 2016 for participation in the Company's Long-Term Incentive Plan ("LTIP") at **140%** of your annual base salary. LTIP has been historically awarded annually and in a combination of restricted stock and stock options. For Named Executive Officers, including your position, the Company is considering in 2016 the introduction of performance-based incentives that would be part of the mix. Stock options are awarded with a strike price "at the money", vest in equal amounts over four years and have a ten-year life. Restricted stock has restrictions that lapse in equal amounts over four years. As noted above, it is expected that the 2016 LTIP award will include time-based restricted stock and/or stock options as well as performance shares that will have three-year cliff vesting.

As further inducement to join the RigNet team, we are offering you a sign-on bonus of **\$455,000**, with \$330,000 to be provided in equity, and the balance, or \$125,000, to be provided in cash. The equity award will be awarded to you on or shortly after your start date, which you have indicated will be on December 8, 2015. The equity award will be time-based, with 70% of the amount nominated in stock options and 30% in restricted stock or equivalents. Standard vesting will apply as per the preceding paragraph. The cash component of the sign-on will be made in January, 2016.

This offer is contingent upon a clean background check and pre-employment drug screen. Please note you will need to complete the proper paperwork for both pre-employment items within three calendar days of signing the offer letter. Your employment with us is for no set period of time and may be terminated by either you or us, with or without cause, at any time, with or without notice. Further information regarding the Arbitration Agreement, Drug & Alcohol Policy, and Confidentiality Agreement and Invention Assignment Agreement can be found in the attached agreements, which will require your signature before you begin employment.

1880 SOUTH DAIRY ASHFORD, SUITE 300 HOUSTON, TEXAS 77077 PHONE 281.674.0100 FAX 281.674.0101 www.rig.net

On your first day of employment, you will be required to complete an electronic "Employment Eligibility Verification" Form I-9. You will be required to provide proper identification to complete your I-9.

We are also providing you with the exit economics related to your later departure from the Company under standard exit scenarios. Should the Company terminate your employment without "Cause" at any time or should you terminate your employment for "Good Reason" within two years following a "Change in Control", each of these terms as defined in the Annex I to this letter (attached to this letter and incorporated by reference), the Company shall pay you the following severance benefits, in exchange for your execution and delivery of our standard release:

- One and one-half years of annual base salary and target bonus at target, paid as a lump sum
- Benefits coverage under COBRA for a period of up to twelve (12) months. Such coverage shall be included in and part of your maximum COBRA entitlement, and you will be responsible for the employee's portion of premiums; and
- \$20,000 in outplacement services at a provider of your choosing

Please indicate your acceptance by signing and returning a copy of this letter reflecting your desired starting date. This offer of employment is valid through **November 30, 2015**.

Sincerely,

/s/ Charolette Whitley
Charolette Whitley
Manager, Human Resources
RigNet Inc.

CH/

Attachments

/s/ Charles E. ("Chip") Schneider

11/25/15

Acceptance: Charles E. ("Chip") Schneider

Date

Anticipated Start Date: 12/8/15

1880 SOUTH DAIRY ASHFORD, SUITE 300 HOUSTON, TEXAS 77077 PHONE 281.674.0100 FAX 281.674.0101 www.rig.net

Annex I – Defined Terms

The terms “**you**” and “**your**” refer to **Charles Schneider**, as identified in the letter of November 12, 2015.

The terms “**Company**” “**us**” and “**our**” shall mean RigNet, Inc., its subsidiaries and affiliates.

“**Cause**” is defined as any of the following: (i) Employee’s plea of guilty or nolo contendere, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by Employee of fraud or dishonesty with respect to any aspect of Company’s business including, but not limited to, falsification of Company records; (iii) Employee’s failure to perform his duties (other than by reason of an illness or a disability); (iv) Employee’s engagement in misconduct that is materially injurious to the Company (monetarily or otherwise); (v) Employee’s breach any confidentiality, noncompetition or non-solicitation obligations to the Company; Employee’s commencement of employment with an unrelated employer; (vii) material violation by Employee of any of the Company’s written policies, including but not limited to any harassment and/or non-discrimination policies; (viii) Employee’s gross negligence in the performance of his duties.

“**Good Reason**” means (i) a material adverse change in your position, authority, duties or responsibilities, (ii) a reduction in your base salary or the taking of any action by us that would materially diminish your annual bonus opportunities, (iii) the relocation of the principal executive offices by more than 50 miles from where such offices are located on the first day of your employment or your being based at any office other than the principal executive or hemisphere management offices, except for travel reasonably required in the performance of your duties, (iv) a material breach of the agreement by us, or (v) the failure of a successor to us to assume the agreement.

A “**Change of Control**” shall have the same meaning as defined in Section 409A of the Internal Revenue Code.

1880 SOUTH DAIRY ASHFORD, SUITE 300 HOUSTON, TEXAS 77077 PHONE 281.674.0100 FAX 281.674.0101 www.rig.net

SEVERANCE AGREEMENT

This Severance Agreement (this “ **Agreement** ”) is entered into between RigNet, Inc. (“ **Employer** ” or “ **Company** ”) and Mark B. Slaughter (“ **Executive** ”) (Employer and Executive are collectively referred to herein as the “ **Parties** ”) as of January 30, 2016 (the “ **Execution Date** ”).

RECITALS

WHEREAS, this Agreement is executed in connection with the termination of Executive’s employment under that certain Employment Agreement between Employer and Executive dated February 20, 2012 (the “ **Original Employment Agreement** ”), as amended by the First Amendment to Employment Agreement, dated February 11, 2013 (the “ **First Amendment** ”, and collectively with the Original Employment Agreement, the “ **Employment Agreement** ”). Executive’s last day of employment with Employer was January 7, 2016 (the “ **Separation Date** ”);

AGREEMENT

1. Separation. After the Separation Date, Executive will not represent himself as being an Executive, officer, director, attorney, agent or representative of Employer for any purpose. As of the Separation Date the Executive has resigned from all positions with the Company without any further action on his part. Additionally, Executive has resigned from his position as member of the Company’s Board of Directors effective January 31, 2016, and has tendered his executed resignation letter (a form of which is attached hereto as Exhibit A) contemporaneously with execution of this Agreement. Except as otherwise set forth in this Agreement, the Release of Claims Agreement (a form of which is attached hereto as Exhibit B, the “ **Release Agreement** ”), and the Employment Agreement, the Separation Date will be the employment termination date for Executive for all purposes, meaning Executive will no longer be entitled to any further compensation, monies or other benefits from Employer, including coverage under any benefits plans or programs sponsored by Employer, except as otherwise provided in this Agreement or Sections 5, 6, 7 and 8, inclusive of subparts, of the Employment Agreement.

2. Release Agreement. The Release Agreement is incorporated by reference into this Agreement as if the entire Release Agreement were set forth fully herein. Once executed by Executive, the executed Release Agreement shall be incorporated herein by reference.

3. Existing Severance Payments. Pursuant to the Employment Agreement and in consideration for Executive’s agreements stated in this Agreement and the Release Agreement, if Employee signs, delivers to the Company this Agreement and the Release Agreement, and does not revoke either of this Agreement or the Release Agreement, the Company shall pay Executive the following severance payments on and subject to the timing and conditions contained in the Employment Agreement and Release Agreement. As consideration for the waiver of notice contained in Section 6 below, for purposes of these calculations, the date of separation will be January 7, 2016 plus 30 days:

-
- a. Current Severance Payments. Pursuant to Section 8 and subject to Section 22 of the Employment Agreement:
- i. Cash Severance Amount (§8(a)(i) of Employment Agreement): ((annual base salary = \$ 415,000.00) + (Executive's target bonus for the Bonus Period in which his termination occurs = \$ 415,000.00)) x 2 = \$ 1,660,000.00.
 - ii. Pro-rated Annual Bonus Amount (§8(a)(iii) of Employment Agreement). = \$ 42,068.00 (per diem amount is \$1,136.99)
 - iii. Past Unpaid Annual Bonus (§8(a)(iv) of Employment Agreement). = \$0
- b. Other Payments on Termination (§7 of Employment Agreement). Pursuant to Section 7 of the Employment Agreement, Executive shall receive the following:
- i. Earned but unpaid base salary = \$ 33,519.36
 - ii. Accrued but unused vacation (max. 4 weeks + max. allowed carry-over vacation) = \$ 3,058.63
 - iii. Business expenses = \$ 4,201.53
 - iv. Contractual dental and vision expense reimbursements = \$4,040.46

4. Additional Severance Payments. As consideration for Executive's voluntary resignation from the Company's Board of Directors, the Company shall also pay Executive one lump sum cash payment in the amount of \$100,000.00 (" **Additional Separation Benefit** "), less all required withholdings, including federal and state withholding taxes and other deductions Company is required by law to make from the Additional Separation Benefit. The Additional Separation Benefit will be paid on the date that is thirty (30) days after separation from service (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended).

5. COBRA and Placement. Executive shall also receive group medical plan COBRA and outplacement benefits pursuant to the terms and conditions of the Employment Agreement. The Company shall pay any and all premiums for Executive's continued medical plan COBRA benefits directly to the entities providing coverage or benefits for the Company's group medical plans.

6. Waiver of Notice. Executive hereby waives all notice periods and notice requirements for notices from the Company to Executive related to his termination, including, without limitation, the 30 days required notice under Section 7 of the Employment Agreement; provided, however, notwithstanding Executive's waiver of the 30-day notice required under Section 7 of the Employment Agreement, Executive shall be entitled to receive his earned but unpaid base salary, accrued but unused vacation, together with any other employee benefits which he was entitled to receive prior to his termination, through February 6, 2016.

7. Flexible Spending Account. The Company agrees that Executive will be allowed to participate in the Company's Flexible Spending Account ("FSA") in accordance with the FSA plan, which is until December 31, 2016.

8. Exercise Termination Date. Employer and Executive acknowledge and agree that between 2007 and 2015 Employer issued Incentive Stock Options ("ISOs") and Nonqualified Stock Options ("NSOs" and, collectively with the ISOs, the "Options") to Executive under certain of Employer's incentive equity plans (the "Option Plans"), including but not limited to Employer's 2001 Performance Stock Option Plan, Employer's 2006 Long-Term Incentive Plan, and Employer's 2010 Omnibus Incentive Plan. Employer and Executive further acknowledge and agree that the RigNet Account Summary maintained on the Solium Inc. website, a copy of which is attached hereto as Exhibit "C" to this Agreement (the "Account Summary"), is believed to be accurate as to the Options held by Executive, the exercise price of the Options and the number of Options which have vested as of the Separation Date (the "Vested Options").

Notwithstanding anything in the Option Plans or any option award agreements (the "Option Agreements") to the contrary, Executive shall have until 11:59 p.m. central time on August 1, 2016 (the "Exercise Termination Date") to deliver a fully completed and executed notice of exercise (the "Exercise Notice") to the Company exercising all or a portion of the Vested Options along with payment therefor, provided that the exercise date specified in the Exercise Notice can be no later than the Exercise Termination Date. The Company acknowledges and agrees that if the Exercise Termination Date falls within a Blackout Period (as that term is defined in the RigNet Insider Trading Compliance Policy) the Company will ensure that Executive's account on the Solium, Inc. website and network (as applicable) is programmed, effective no later than 8:00 a.m. central time on the Exercise Termination Date, in a manner which will not prevent Executive from the exercise of any and all Vested Options on the Exercise Termination Date regardless of exercise falling within the Blackout Period. In the event of an error or outage in the Solium, Inc. website or network which prevents Executive from exercising his Vested Options on the Exercise Termination Date, the parties agree to extend the Exercise Termination Date to 11:59 pm central time on the next business day following the day the Solium, Inc. network is restored in a manner which would allow Executive to exercise his Vested Options. Further, in the event the Solium, Inc. website will not allow a "cashless" exercise of Options by Executive, Executive will notify the Company, which will use its best efforts to have Solium, Inc. make the necessary modifications to allow such cashless exercise. The parties acknowledge and agree that, to the extent required by the terms of the Option Plans or the Option Agreements, the establishment of the Exercise Termination Date pursuant to this Section 8 shall constitute a written amendment or modification of the applicable Option Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Execution Date above.

RIGNET, INC.

By: /s/ William D. Sutton

Name: William D. Sutton

Title: Senior Vice President

Signature: /s/ Mark B. Slaughter

Mark B. Slaughter

[*Signature Page to Severance Agreement*]

Exhibit A

Resignation Letter

Mark B. Slaughter
807 Creek Wood Way
Houston, TX 77024-3023

January 29, 2016

Board of Directors
RigNet, Inc.
1880 S. Dairy Ashford
Suite 300
Houston, TX 77077-4760

Dear Gentleman:

I hereby resign from the Board of Directors of the RigNet, Inc. effective as of 12:01 a.m. central time on Sunday, January 31, 2016.

My resignation is not the result of any disagreement with the Company on any matter relating to its operations, policies or practices.

Sincerely,

Mark B. Slaughter

Exhibit B

Release of Claims Agreement

RELEASE OF CLAIMS AGREEMENT

This Release of Claims Agreement (this “**Agreement**”) is entered into between RigNet, Inc. (“**Employer**”) and Mark B. Slaughter (“**Executive**”) (Employer and Executive are collectively referred to herein as the “**Parties**”) as of _____, 2016 (the “**Execution Date**”).

This Agreement is executed in connection with the termination of Executive’s employment under that certain Employment Agreement between Employer and Executive dated February 20, 2012 (the “**Original Employment Agreement**”), as amended by the First Amendment to Employment Agreement, dated February 11, 2013 (the “**First Amendment**”), and collectively with the Original Employment Agreement, the “**Employment Agreement**”) and the Severance Agreement, dated _____, 2016 by and between Executive and the Company (the “**Severance Agreement**”). Executive’s last day of employment with Employer is January 7, 2016 (the “**Separation Date**”). After the Separation Date, Executive will not represent himself as being an Executive, officer, director, attorney, agent or representative of Employer for any purpose. Except as otherwise set forth in this Agreement and the Employment Agreement, the Separation Date will be the employment termination date for Executive for all purposes, meaning Executive will no longer be entitled to any further compensation, monies or other benefits from Employer, including coverage under any benefits plans or programs sponsored by Employer, except as otherwise provided in the Severance Agreement and as provided in Sections 5, 6, 7 and 8, inclusive of subparts, of the Employment Agreement.

1. Return of Property. By the date of Executive’s termination from Employer, Executive must return all company property, including identification cards or badges, access codes or devices, keys, laptops, computers, telephones, mobile phones, hand-held electronic devices, credit cards, electronically stored documents or files, physical files and any other Employer property in Executive’s possession.

2. Executive Representations. In exchange for the severance consideration described in the Employment Agreement, which Executive acknowledges to be good and valuable consideration for his obligations hereunder, Executive hereby represents that he intends to irrevocably and unconditionally fully and forever release and discharge any and all claims he may have, has ever had or may in the future have against Employer arising out of or in any way related to his hire, benefits, employment or separation from employment with Employer. Executive specifically represents, warrants and confirms that, other than with respect to Employer’s post-termination obligations under the Severance Agreement and Sections, 5, 6, 7 and 8, inclusive of subparts, of the Employment Agreement: (a) he has no claims, complaints or actions of any kind filed against Employer with any court of law, or local, state or federal government or agency; (b) he has been properly paid for all hours worked for Employer, and that all commissions, bonuses and other compensation due to him has been paid, including his final payroll for his salary and any other unpaid compensation through the Separation Date above, which will be paid on the next regularly scheduled payroll date. Any vested benefits under any of Employer’s Executive benefit plans are excluded and shall be governed by the terms of the applicable plan document, award agreements and applicable provisions of the Severance Agreement. Executive specifically represents, warrants and confirms that he has not engaged in, and is not aware of, any unlawful conduct in relation to the business of Employer. If any of these

statements are not true, Executive cannot sign this Agreement and must notify Employer immediately, in writing, of the statements that are not true. Such notice will not automatically disqualify Executive from receiving these benefits, but will require Employer review and consideration.

3. General Release and Waiver of Claims.

(a) In exchange for the consideration provided in this Agreement, Executive and his heirs, executors, representatives, agents, insurers, administrators, successors and assigns (collectively the “**Releasors**”) irrevocably and unconditionally fully and forever waive, release and discharge Employer and all subsidiaries and affiliates of Employer (collectively, the “**Employer Group**”) from any and all claims, demands, actions, causes of actions, obligations, judgments, rights, fees, damages, obligations, liabilities and expenses (inclusive of attorneys’ fees) of any kind whatsoever, whether known or unknown, (collectively “**Claims**”), including, without limitation, any Claims under any federal, state, local or foreign law, that Releasors may have, have ever had or may in the future have arising out of, or in any way related to (i) Executive’s hire, benefits, employment, termination or separation from employment with Employer Group, except as otherwise provided herein, and (ii) any actual or alleged act, omission, transaction, practice, conduct, occurrence or other matter that existed or arose on or before, and including, the date of his execution of this Agreement, including, but not limited to (A) any claims under Title VII of the Civil Rights Act, as amended, the Americans with Disabilities Act, as amended, the Equal Pay Act, as amended, Employee Retirement Income Security Act, as amended (with respect to unvested benefits), the Civil Rights Act of 1991, as amended, Section 1981 of U.S.C. Title 42, the Sarbanes-Oxley Act of 2002, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Older Workers’ Benefit Protection Act, the Fair Labor Standards Act, the National Labor Relations Act, the Fair Credit Reporting Act, the Texas Commission on Human Rights Act, the Texas Workers’ Compensation Act, any claims arising under the Texas Labor Code that may be legally waived and released including the Texas Payday Act, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code, the Texas Whistleblower Act and amendments to those laws as well as any claims under local statutes and ordinances that may be legally waived and released, and/or any other Federal, state or local law (statutory, regulatory or otherwise) that may be legally waived and released governing Executive’s employment with Employer Group or Executive’s rights, or Employer Group’s obligations, in connection with any of the foregoing; and (B) any tort and/or contract and quasi-contract claims, including, but not limited to, any claims of tortious interference with contract, claims for promissory estoppel or detrimental reliance, claims for wages, bonuses, incentive compensation and severance allowances or entitlements, wrongful discharge, all claims for fraud, slander, libel, defamation, disparagement, intentional infliction of emotional distress, invasion of privacy, non-physical injury, personal injury or sickness or any other harm; negligence, compensatory or punitive damages, or any other claim for damages or injury of any kind whatsoever, and all claims for monetary recovery, including, without limitation, attorneys’ fees, experts’ fees, medical fees or expenses, costs and disbursements. However, this general release of claims excludes and Executive does not waive, release or discharge any (I) right to file an administrative charge or complaint with the Equal Employment Opportunity Commission, the Texas Workforce Commission Civil Rights Division, or other administrative agency, although Executive waives any right to monetary relief related to such a charge; (II) claims under state workers’ compensation or unemployment laws; (III) indemnification rights Executive has against Employer Group, and/or any other claims that cannot be waived by law; or (IV) rights or Claims arising out of the Severance Agreement or Sections 5, 6, 7 or 8 of the Employment Agreement.

(b) In further consideration of the payments and benefits provided to Executive in this Agreement, the Releasers hereby irrevocably and unconditionally fully and forever waive, release and discharge Employer Group from any and all Claims, whether known or unknown, from the beginning of time to the date of Executive's execution of this Agreement arising under the Age Discrimination in Employment Act, including the Older Workers Benefit Protection Act, ("ADEA"), as amended, and its implementing regulations.

4. Knowing and Voluntary Acknowledgement. By signing this Agreement, Executive hereby acknowledges and confirms that: (i) Executive has read this Agreement in its entirety and understands all of its terms; (ii) Executive has been advised of and has availed himself of his right to consult with his attorney prior to executing this Agreement; (iii) Executive knowingly, freely and voluntarily assents to all of the terms and conditions set out in this Agreement including, without limitation, the waiver, release and covenants contained herein; (iv) Executive is executing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which he is otherwise entitled; (v) **Executive was given at least 21 days to consider the terms of this Agreement and consult with an attorney of his choice, although he may sign it sooner if desired;** (vi) **Executive understands that he has seven days from the date he signs this Agreement to revoke the release in this paragraph by delivering notice of revocation in accordance with Section 16 below before the end of such seven-day period;** (vii) Executive understands that the release contained in this Section 4 does not apply to rights and claims that may arise after the date on which Executive signs this Agreement; and (viii) Executive understands that the waiver and release in this Agreement is being requested in connection with the cessation of his employment with Employer Group. **This Agreement shall not become effective, until the eighth day after Executive and Employer execute this Agreement.** Such date shall be the **Effective Date** of this Agreement. No payments due to Executive hereunder shall be made or begin before the Effective Date. In the event of revocation by Executive as described in clause (vi) above, the Employer shall have the option of treating this Agreement as null and void in its entirety.

5. Confidentiality. Executive agrees and covenants that he shall not disclose any of the terms of or amount paid under this Agreement or the Employment Agreement or the negotiation hereof and thereof to any individual or entity; provided, however, that Executive will not be prohibited from making disclosures to his attorney, tax advisors and/or immediate family members, or as may be required by law.

6. Remedies. In the event of a breach or threatened breach by Executive of any of the provisions of this Agreement, Executive hereby consents and agrees that Employer shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damage or other available forms of relief.

Should Executive fail to abide by any of the terms of this Agreement or post-termination obligations contained herein, or if he revokes the ADEA release contained in Section 3(b) within the seven-day revocation period described in Section 4, Employer may, in addition to any other remedies it may have, reclaim any amounts paid to Executive under the provisions of this Agreement or terminate any benefits or payments that are later due under this Agreement, without waiving the releases provided herein.

7. Successors and Assigns.

(a) Assignment by Employer.

To the extent permitted by state law, Employer may assign this Agreement to any subsidiary or corporate affiliate, or to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Employer. This Agreement shall inure to the benefit of Employer and permitted successors and assigns.

(b) No Assignment by Executive.

Executive may not assign this Agreement or any part hereof, it being understood that this Agreement is personal to Executive. Any purported assignment by Executive shall be null and void from the initial date of purported assignment.

8. Arbitration. Any dispute about the validity, interpretation, effect or alleged violation of this Agreement (an "arbitrable dispute") must be submitted to confidential arbitration in Houston, Texas. Arbitration shall take place before an experienced employment arbitrator licensed to practice law in such state and selected in accordance with the Model Employment Arbitration Procedures of the American Arbitration Association. Arbitration shall be the exclusive remedy of any arbitrable dispute. Employer shall bear all fees, costs and expenses of arbitration, including those of Executive unless the arbitrator finds that Executive has acted in bad faith and provides otherwise with respect to the fees, costs and expenses of Executive; provided, however, in no event shall Executive be chargeable with the fees, costs and expenses of Employer or the arbitrator. Should any Party to this Agreement pursue any arbitrable dispute by any method other than arbitration, the other Party shall be entitled to recover from the Party initiating the use of such method all damages, costs, expenses and attorneys' fees incurred as a result of the use of such method. Notwithstanding anything herein to the contrary, nothing in this Agreement shall purport to waive or in any way limit the right of any Party to seek to enforce any judgment or decision on an arbitrable dispute in a court of competent jurisdiction. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts in Houston, Texas, for the purposes of any proceeding arising out of this Agreement.

This agreement to arbitrate is freely negotiated between Executive and Employer and is mutually entered into between the Parties. Both Parties fully understand and agree that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.

9. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Texas without regard to conflicts-of-law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in any state or federal court located in Houston, Texas. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

10. Entire Agreement. Unless specifically provided herein, this Agreement, the Severance Agreement, and the Employment Agreement contain all the understandings and representations between Executive and Employer pertaining to the subject matter hereof and supersede all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The Parties mutually agree that this Agreement, the Severance Agreement, and the Employment Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of this Agreement or the Employment Agreement.

11. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by Executive and Employer. No waiver by either of the Parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the Parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

12. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The Parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the Parties as embodied herein to the maximum extent permitted by law.

The Parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

13. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

15. Nonadmission. Nothing in this Agreement shall be construed as an admission of wrongdoing or liability on the part of Employer.

16. Notices. Notices and all other communications shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail. Notices to Employer shall be sent to 1880 South Dairy Ashford, Suite 300, Houston, Texas 77077 attention: General Counsel. Notices and communications to Executive shall be sent to the address Executive most recently provided to Employer.

17. Section 409A. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (Section 409A) or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, Employer makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall Employer be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

18. Acknowledgment of Full Understanding. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT. EXECUTIVE FURTHER ACKNOWLEDGES THAT HIS SIGNATURE BELOW IS AN AGREEMENT TO RELEASE EMPLOYER FROM ANY AND ALL CLAIMS.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Execution Date above.

RIGNET, INC.

By: _____
Name:
Title:

Signature: /s/ Mark B. Slaughter
Mark B. Slaughter

[*Signature Page to Release Agreement*]

Options (ISO)

Grant Name	Grant Price	Options Granted	Options Exercised	Options Cancelled	Options Outstanding	Options Exercisable	Expire / Cancel Date
<u>ISO - 01/01/2007</u>	\$ 7.00 USD	72,072	0	0	72,072	72,072	01-Jan-2017
<u>ISO - 01/01/2008</u>	\$ 9.64 USD	3,125	0	0	3,125	3,125	01-Jan-2018
<u>ISO - 01/01/2010</u>	\$ 8.48 USD	11,250	0	0	11,250	11,250	01-Jan-2020
<u>ISO - 03/22/2011</u>	\$ 18.00 USD	15,798	0	0	15,798	15,798	22-Mar-2021
<u>ISO - 03/07/2012</u>	\$ 17.08 USD	5,854	0	0	5,854	4,391	07-Mar-2022
<u>ISO - 03/06/2013</u>	\$ 19.96 USD	5,010	0	0	5,010	2,506	06-Mar-2023
<u>ISO - 03/05/2014</u>	\$ 47.17 USD	1,945	0	0	1,945	486	05-Mar-2024
<u>ISO - 03/04/2015</u>	\$ 33.20 USD	27,865	0	0	27,865	0	04-Mar-2025
<u>ISO NEO - 11/03/2015</u>	\$ 33.20 USD	11,942	0	0	11,942	0	03-Nov-2025
		154,861	0	0	154,861	109,628	

Options (NQ)

Grant Name	Grant Price	Options Granted	Options Exercised	Options Cancelled	Options Exercisable	Expire / Cancel Date
<u>NQSO - 01/01/2007</u>	\$ 7.00 USD	121,053	85,500	0	35,553	01-Jan-2017
<u>NQSO - 01/01/2008</u>	\$ 9.64 USD	9,375	0	0	9,375	01-Jan-2018
<u>NQSO - 08/19/2009</u>	\$ 5.32 USD	35,000	35,000	0	0	19-Aug-2019
<u>NQSO - 01/01/2010</u>	\$ 8.48 USD	3,750	0	0	3,750	01-Jan-2020
<u>NQSO - 03/22/2011</u>	\$18.00 USD	31,738	0	0	31,738	22-Mar-2021
<u>NQSO - 03/07/2012</u>	\$17.08 USD	44,254	0	0	33,191	07-Mar-2022
<u>NQSO - 03/06/2013</u>	\$19.96 USD	41,415	0	0	20,709	06-Mar-2023
<u>NQSO - 03/05/2014</u>	\$47.17 USD	19,127	0	0	4,781	05-Mar-2024
<u>NEO - 11/03/2015 - NQ</u>	\$33.20 USD	11,307	0	0	0	03-Nov-2025
		317,019	120,500	0	139,097	



January 7, 2016

Via e-mail and hand delivery:

Marty Jimmerson

Re: Offer of Employment as Interim Chief Executive Officer and President

Dear Marty,

I am pleased to confirm our employment offer for you to join RigNet (also referred to as the "Company") as **Interim Chief Executive Officer and President**, based in Houston, Texas, and reporting directly to the Board of Directors, with your immediate point of contact being Kevin O' Hara, Chairman of the Board. This position will commence with a bi-weekly salary of **\$15,961.54**, which equates to **\$415,000.00** for a full year of service. You will be entitled to participate in the Company's standard benefits package and to **184 hours** of personal time per full calendar year, the latter of which will be prorated should your start date fall within the year.

Your principal duties and responsibilities will include the execution of the Company's 2016 strategic plan, support organic and inorganic growth initiatives as extensions of the 2016 strategic plan, and support the Company as the business leader with the other NEOs as your direct reports. You will also provide insights and recommendations to the Compensation Committee for retention actions for rank and file employees as well as key executives including NEOs. It is contemplated that you will serve in this role for less than one year, and you will be expected to serve at the pleasure of the Board of Directors until a permanent Chief Executive Officer is named and is serving in the role. Should you leave voluntarily before the permanent Chief Executive Officer is named and serving, you will be considered as leaving prematurely for the purposes of the following paragraphs.

Provided that you serve in the role for a minimum of three months, you will be a participant in the Company's Short-Term Incentive Plan ("STIP") beginning in 2016, with a target cash payout of **100%** of your base salary for a full year of service, the payout will be prorated by full months of service if your service is less than a full year term. The STIP has historically been funded from the Company's financial performance compared against annual plan targets, with payouts to participants based on financial performance and the degree of achievement of assigned personal objectives. The performance measurement period will be one year. A copy of the STIP will be provided to you upon determination of the 2016 annual plan targets. This cash STIP award is subject to forfeiture if you leave the Company prematurely or if you are terminated for Cause.

You will also be recommended for two awards to RigNet's Board of Directors at its regularly-scheduled meeting in March, 2016 for participation in the Company's Long-Term Incentive Plan ("LTIP"). The first is a grant of \$300,000 in restricted stock that will fully vest one year from May 15, 2016. These shares will not be subject to any proration or reduction in the event you leave the role for any reason. The second award is a \$300,000 performance based restricted stock units, with a potential 2x multiplier (thereby totaling \$600,000) for exceptional performance, with milestones to be set by the Compensation Committee and approved by the Board of Directors. The performance based restricted stock units are subject to one year vesting, and the entire amount of performance based restricted stock units are subject to forfeiture if you leave the Company prematurely or if you are terminated for Cause. The equity awards shall accelerate and vest in full upon a change of control, but this shall not include any cash STIP award.

Your employment with us is for no set period of time and may be terminated by either you or us, with or without cause, at anytime, with or without notice. Further information regarding the Arbitration Agreement, Drug & Alcohol Policy, and Confidentiality Agreement and Invention Assignment Agreement can be found with the Vice President of Human Resources, which, if not already on file, will require your signature before you begin employment.

The terms of your employment with us are more fully set out, and this letter is qualified by, the Third Amendment to Employment Agreement attached to this letter as Exhibit A.

On your first day of employment, you will be required to complete an electronic "Employment Eligibility Verification" Form 1-9. You will be required to provide proper identification to complete your 1-9.

If not previously accepted, this offer expires January , 2016.

Sincerely,
RigNet, Inc.

/s/ Kevin O' Hara
Kevin O' Hara
Vice Chairman

Accepted this day of January, 2016

/s/ Marty Jimmerson

Marty Jimmerson

Exhibit A to Offer Letter

Third Amendment to Employment Agreement

FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this “*Amendment*”) is entered into as of February 24, 2016, but effective as of December 31, 2015 (the “*Effective Date*”), among RIGNET, INC., a Delaware corporation (“*Borrower*”), certain subsidiaries of Borrower party hereto, as guarantors (“*Guarantors*”), the lenders from time to time party hereto (“*Lenders*”), and BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the “*Agent*”), Swingline Lender and L/C Issuer. Capitalized terms used but not defined in this Amendment have the meaning given them in the Credit Agreement (defined below).

RECITALS

A. Borrower, the Subsidiaries of Borrower party thereto as Guarantors, Agent, Swingline Lender, L/C Issuer and Lenders are parties to that certain Second Amended and Restated Credit Agreement dated as of October 3, 2013 (as amended, restated or supplemented, the “*Credit Agreement*”).

B. Borrower has requested that the Lenders amend the Credit Agreement, and the Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions set out in this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agree as follows:

1. Amendments to Credit Agreement.

(a) *Section 1.01* of the Credit Agreement is hereby amended (i) to delete the defined terms “*BBA LIBOR*”, and “*Eurodollar Base Rate*” in their entirety, (ii) to delete the defined terms “*Consolidated EBITDA*”, “*Consolidated Fixed Charge Coverage Ratio*”, “*Eurodollar Rate*”, “*LIBOR Daily Floating Rate*”, “*Loan Notice*”, “*Responsible Officer*”, and “*Swingline Loan Notice*”, and replace them as follows, and (iii) to add the defined terms “*Notice of Loan Prepayment*”, and “*2015 Special Adjustments*” in their appropriate alphabetical order as follows:

“*Consolidated EBITDA*” means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for Borrower and its Subsidiaries in accordance with GAAP or IFRS, as applicable, (a) Consolidated Net Income for the most recently completed Measurement Period; *plus* (b) the following to the extent deducted in calculating such Consolidated Net Income (without duplication): (i) Consolidated Interest Charges, (ii) the provision for federal, state, local and foreign income Taxes payable, (iii) depreciation and amortization expense, (iv) non-cash charges and losses (excluding any such non-cash charges or losses to the extent (A) there were cash charges with respect to such charges and losses in past accounting periods or (B) there is a reasonable expectation that there will be cash charges with respect to such charges and losses in future accounting periods), and (v) all other non-cash finance expenses (including but not limited to (A) changes in valuations of preferred stock, and (B) non-share based compensation expenses); *plus* (c) transaction costs and expenses incurred by Borrower and its Subsidiaries in connection with this Agreement; *plus* (d) reasonable, non-recurring transaction costs and expenses incurred by Borrower and its Subsidiaries in connection with any Acquisition or other Investment permitted under this Agreement (whether or not consummated); *plus* (e) any adjustments resulting from purchase accounting in accordance with GAAP for any Acquisition or other Investment

permitted under this Agreement; *plus* (f) the amount of any business optimization expense and restructuring charge or reserve deducted (and not added back) in such period in computing Consolidated Net Income, including any restructuring costs incurred in connection with Acquisitions after the Closing Date, costs related to the closure and/or consolidation of facilities, retention charges, systems establishment costs, conversion costs and excess pension charges and consulting fees incurred in connection with the foregoing, *provided* such costs (x) are actual and identifiable, and (y) do not exceed ten percent (10%) of Target EBITDA; *plus* (g) for such applicable periods, to the extent deducted in calculating such Consolidated Net Income, the amount of the 2015 Special Adjustments (*provided that*, any recoveries, or reversals by Borrower of any portion of the 2015 Special Adjustments in any subsequent period shall be deducted in calculating such Consolidated Net Income to the extent that such amount recovered or reversed was included in Consolidated Net Income), *less* (h) without duplication and to the extent reflected as a gain or otherwise included in the calculation of Consolidated Net Income for such period, non-cash gains (excluding any such non-cash gains to the extent (i) there were cash gains with respect to such gains in past accounting periods or (ii) there is a reasonable expectation that there will be cash gains with respect to such gains in future accounting periods). “ **Consolidated EBITDA** ” for any Measurement Period shall be calculated to give pro forma effect to any acquisition or disposition of assets consummated at any time after the first day of such Measurement Period as if each such acquisition or disposition had occurred on the first day of such Measurement Period, *provided* that any such pro forma adjustment shall be (x) made on a basis consistent with GAAP or IFRS, as applicable, and Regulation S-X promulgated under the Securities Act of 1933, and (y) supported by detailed calculations.

“ **Consolidated Fixed Charge Coverage Ratio** ” means, as of any date of determination, the ratio of (a) (without duplication) (i) Consolidated EBITDA, *less* (ii) cash Taxes, *less* (iii) Restricted Payments paid in cash by Borrower to the owners of its Equity Interests, *less* (iv) (x) through the second anniversary of the Closing Date, Unfinanced Capital Expenditures in excess of \$20,000,000, (y) from the second anniversary of the Closing Date through and including December 31, 2016, Unfinanced Capital Expenditures in excess of \$10,000,000, and (z) thereafter, all Unfinanced Capital Expenditures, *plus* (v) any voluntary prepayment of the Obligations, in each case for the applicable Measurement Period, to (b) the sum of (i) current maturities of long term Indebtedness (including, but not limited to, any Subordinated Debt and Capitalized Leases), but in each case excluding the scheduled principal payment due and payable by Borrower on the Maturity Date under any Loan made pursuant to this Agreement, *plus* (ii) Consolidated Interest Charges for the applicable Measurement Period, *plus* (iii) plus principal payments made in respect of Subordinated Debt for the applicable Measurement Period.

“ **Eurodollar Rate** ” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“ **LIBOR** ”), or a comparable or successor rate which rate is approved by Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by Agent from time to time) (in such case, the “ **LIBOR Rate** ”) at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the LIBOR Rate, at or about 11:00 a.m., London time, two (2) Business Days prior to such date for Dollar deposits with a term of one (1) month commencing that day (in such case, the “**LIBOR Daily Floating Rate**”);

provided that: (i) to the extent a comparable or successor rate is approved by Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; *provided, further* that to the extent such market practice is not administratively feasible for Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by Agent; and (ii) if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

“**LIBOR Daily Floating Rate**” has the meaning specified in *clause (b)* of “Eurodollar Rate”.

“**Loan Notice**” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to **Section 2.02(a)**, which, if in writing, shall be substantially in the form of **Exhibit D** or such other form as may be approved by Agent (including any form on an electronic platform or electronic transmission system as shall be approved by Agent), appropriately completed and signed by a Responsible Officer of Borrower.

“**Notice of Loan Prepayment**” means a notice of prepayment with respect to a Loan, which shall be substantially in the form of **Exhibit I** or such other form as may be approved by Agent (including any form on an electronic platform or electronic transmission system as shall be approved by Agent), appropriately completed and signed by a Responsible Officer.

“**Responsible Officer**” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party and, solely for purposes of the delivery of incumbency certificates pursuant to **Section 4.01**, the secretary or any assistant secretary of a Loan Party and, solely for purposes of notices given pursuant to **Article II**, any other officer or employee of the applicable Loan Party so designated by any of the foregoing officers in a notice to Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. To the extent requested by Agent, each Responsible Officer will provide an incumbency certificate and to the extent requested by Agent, appropriate authorization documentation, in form and substance reasonably satisfactory to Agent.

“**Swingline Loan Notice**” means a notice of a Swingline Borrowing pursuant to **Section 2.04(b)**, which, if in writing, shall be substantially in the form of **Exhibit E** or such other form as approved by Agent (including any form on an electronic platform or electronic transmission system as shall be approved by Agent), appropriately completed and signed by a Responsible Officer of Borrower.

“ **2015 Special Adjustments** ” means those certain one-time adjustments in an aggregate amount not to exceed \$16,000,000 taken in the Borrower’s fiscal quarter ended December 31, 2015.

(b) **Section 2.02(a)** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

(a) **Notice of Borrowing**. Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon Borrower’s irrevocable notice to Agent, which may be given by (i) telephone or (ii) a Loan Notice; *provided that*, any telephonic notice must be confirmed immediately by delivery to Agent of a Loan Notice. Each such notice must be received by Agent not later than 12:00 p.m. (i) three (3) Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans, and (ii) on the requested date of any Borrowing of LIBOR Daily Floating Rate Loans or of any conversion of Eurodollar Rate Loans to LIBOR Daily Floating Rate Loans. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$2,000,000 or a whole multiple of \$500,000 in excess thereof. Except as provided in **Sections 2.03(c)** and **2.04(c)**, each Borrowing of or conversion to LIBOR Daily Floating Rate Loans shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof. Each Loan Notice and each telephonic notice shall specify (A) the applicable Facility and whether Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans, as the case may be, under such Facility, (B) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (C) the principal amount of Loans to be borrowed, converted or continued, (D) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (E) if applicable, the duration of the Interest Period with respect thereto. If Borrower fails to specify a Type of Loan in a Loan Notice or if Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, LIBOR Daily Floating Rate Loans. Any such automatic conversion to LIBOR Daily Floating Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month. Notwithstanding anything to the contrary herein, a Swingline Loan may not be converted to a Eurodollar Rate Loan.

(c) **Section 2.04(b)** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

(b) **Borrowing Procedures**. Each Swingline Borrowing shall be made upon Borrower’s irrevocable notice to the Swingline Lender and Agent, which may be given by (A) telephone or (B) a Swingline Loan Notice; *provided that*, any telephonic notice must be confirmed immediately by delivery to the Swingline Lender and Agent of a Swingline Loan Notice. Each such notice must be received by the Swingline Lender and Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of \$250,000, and (ii) the requested date of the Borrowing (which shall be a Business Day). Promptly after receipt by the Swingline Lender of any Swingline Loan Notice, the Swingline Lender will confirm with Agent (by telephone or in writing) that Agent has also received such Swingline Loan

Notice and, if not, the Swingline Lender will notify Agent (by telephone or in writing) of the contents thereof. Unless the Swingline Lender has received notice (by telephone or in writing) from Agent (including at the request of any Revolving Lender) prior to 1:00 p.m. on the date of the proposed Swingline Borrowing (A) directing the Swingline Lender not to make such Swingline Loan as a result of the limitations set forth in the first proviso to the first sentence of **subsection(a)**, or (B) that one or more of the applicable conditions specified in **Article IV** is not then satisfied, then, subject to the terms and conditions hereof, the Swingline Lender will, not later than 2:00 p.m. on the borrowing date specified in such Swingline Loan Notice, make the amount of its Swingline Loan available to Borrower at its office by crediting the account of Borrower on the books of the Swingline Lender in immediately available funds.

(d) **Section 2.05(a)(i)** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

(a) Optional.

(i) Borrower may, upon notice to Agent pursuant to delivery to Agent of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Term Loans and Revolving Loans in whole or in part without premium or penalty; *provided* that (A) such notice must be received by Agent not later than 12:00 p.m. (1) three (3) Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) on the date of prepayment of Base Rate Loans or LIBOR Daily Floating Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof; and (C) any prepayment of Base Rate Loans or LIBOR Daily Floating Rate Loans shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (based on such Lender's Applicable Percentage in respect of the relevant Facility). If such notice is given by Borrower, Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to **Section 3.05**. Each prepayment of the outstanding Term Loans pursuant to this **subsection(a)(i)** shall be applied to the principal repayment installments thereof in the inverse order of maturity. Subject to **Section 2.15**, such prepayments shall be paid to the Lenders in accordance with their respective Applicable Percentages in respect of each of the relevant Facilities.

(ii) Borrower may, upon notice to the Swingline Lender pursuant to delivery to the Swingline Lender of a Notice of Loan Prepayment (with a copy to Agent), at any time or from time to time, voluntarily prepay Swingline Loans in whole or in part without premium or penalty; *provided* that, unless otherwise agreed by the Swingline Lender, (A) such notice must be received by the Swingline Lender and Agent not later than 1:00 p.m. on the date of the prepayment, and (B) any such prepayment shall be in a minimum principal amount of \$250,000 or a whole multiple of \$50,000 in excess hereof (or, if less, the entire principal thereof then outstanding). Each such notice shall specify the date and amount of such prepayment. If such notice is given by Borrower, Borrower shall make

such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to **Section 3.05** .

(e) The last sentence of **Section 3.05** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

For purposes of calculating amounts payable by Borrower to the Lenders under this **Section 3.05** , each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

(f) **Section 6.01(a)** of the Credit Agreement is hereby amended to delete the number “120” in the first line thereof and replace it with “75”.

(g) **Section 6.01(b)** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

(b) Quarterly Financial Statements . As soon as available, but in any event within 45 days after the end of each of the first three (3) fiscal quarters of each fiscal year of Borrower, a Consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related Consolidated statements of income or operations for the portion of Borrower’s fiscal year then ended, all in reasonable detail, such Consolidated statements to be certified by the chief executive officer, chief financial officer, treasurer or controller of Borrower as fairly presenting in all material respects the financial condition and results of operations of Borrower and its Subsidiaries in accordance with, at Borrower’s option, GAAP or IFRS, subject only to normal year-end audit adjustments and the absence of footnotes (*provided* that the requirements of this **subsection (b)** with respect to the delivery of financial statements for any fiscal quarter shall be deemed satisfied by publicly filing Borrower’s Form 10-Q for such fiscal quarter with the SEC, and such financial statements shall be deemed to have been delivered to Agent under this **subsection (b)** on the date such Form 10-Q has been posted on the SEC website accessible through <http://www.sec.gov/edgar/searchedgar/webusers.htm> or such successor webpage of the SEC thereto).

As to any information contained in materials furnished pursuant to **Section 6.02(d)** , Borrower shall not be separately required to furnish such information under **subsection (a)** or **(b)** above, but the foregoing shall not be in derogation of the obligation of Borrower to furnish the information and materials described in **Sections (a)** and **(b)** above at the times specified therein.

(h) **Section 10.09** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

10.09 Appointment of Borrower .

Each of the Guarantors hereby appoints Borrower to act as its agent for all purposes of this Agreement, the other Loan Documents and all other documents and electronic platforms entered into in connection herewith and agrees that (a) Borrower

may execute such documents and provide such authorizations on behalf of such Guarantors as Borrower deems appropriate in its sole discretion and each Guarantor shall be obligated by all of the terms of any such document and/or authorization executed on its behalf, (b) any notice or communication delivered by Agent, L/C Issuer or a Lender to Borrower shall be deemed delivered to each Guarantor, and (c) Agent, L/C Issuer or the Lenders may accept, and be permitted to rely on, any document, authorization, instrument or agreement executed by Borrower on behalf of each Guarantor.

(i) **Section 11.02(e)** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

(e) Reliance by Agent, L/C Issuer and Lenders. Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including, without limitation, telephonic or electronic notices, Loan Notices, Letter of Credit Applications, Notice of Loan Prepayment and Swingline Loan Notices) purportedly given by or on behalf of any Loan Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of a Loan Party. All telephonic notices to and other telephonic communications with Agent may be recorded by Agent, and each of the parties hereto hereby consents to such recording.

(j) **Section 11.18** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

11.18 Electronic Execution.

The words “delivery,” “execute,” “execution,” “signed,” “signature,” and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the Texas Uniform Electronic Transactions Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided* that notwithstanding anything contained herein to the contrary Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by Agent pursuant to procedures approved by it or unless otherwise delivered in accordance with the penultimate sentence of **Section 11.10**; *provided further* without limiting the foregoing, upon the request of Agent, any electronic signature shall be promptly followed by such manually executed counterpart.

(k) **Schedule 1.01(a)** to the Credit Agreement is hereby deleted in its entirety and replaced with **Schedule 1.01(a)** attached to this Amendment.

(l) **Exhibit C** (Form of Compliance Certificate) is hereby deleted in its entirety and replaced with **Exhibit C** attached to this Amendment.

(m) A new **Exhibit I** (Form of Notice of Loan Prepayment) is hereby added to the Credit Agreement in its appropriate alphabetical order in the form of **Exhibit I** attached to this Amendment.

2. **Conditions**. This Amendment shall be effective as of the Effective Date once all of the following have been satisfied or delivered to Agent, in each case in form and substance satisfactory to Agent:

(a) this Amendment executed by Borrower, Guarantors, Agent and at least the Required Lenders;

(b) an Officer's Certificate from each of Borrower and each Guarantor certifying as to incumbency of officers, that since the date of the certificate delivered to Agent and the Lenders in connection with the closing of the Credit Agreement except for Borrower's bylaws that are attached to its Officer's Certificate and LandTel Communications, L.L.C.'s articles of organization attached to its Officer's Certificate under this **Section 2(b)**, no changes to its certificate of incorporation (or equivalent thereof) and its bylaws (or equivalent thereof), and that the resolutions adopted in connection with the closing of the Credit Agreement have not been amended, rescinded or revoked (other than with respect to officer appointments made subsequent to the Closing Date, if applicable) and remain in full force and effect;

(c) Certificates of Existence and Good Standing of Borrower and each Guarantor from its respective jurisdiction of incorporation;

(d) Agent shall have received from Borrower, for the account of each Lender that executes and delivers a signature page hereto to Agent by noon (CST) on or before February 23, 2016 (each such Lender, a "**Consenting Lender**", and collectively, the "**Consenting Lenders**"), an amendment fee in an aggregate amount equal to \$100,000 to be allocated to the Consenting Lenders on a pro rata basis among (i) the aggregate Revolving Commitments of such Consenting Lender and (ii) the outstanding principal amount of the Term Loans held by such Consenting Lender; and

(e) such other documents as Agent may request.

3. **Representations and Warranties**. Borrower and each Guarantor represents and warrants to the Agent and the Lenders on and as of the date hereof that (a) it possesses the requisite power and authority to execute and deliver this Amendment, (b) this Amendment has been duly authorized and approved by the requisite corporate action on the part of Borrower or such Guarantor, (c) no other consent of any Person (other than Agent and the Lenders) that has not been obtained is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate its organizational documents, (e) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date), (f) after giving effect to this Amendment, it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, (g) after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing and (h) that each Loan Document to which it is a party remains in full force and effect and is the legal, valid, and binding

obligations of Borrower or such Guarantor enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and fair dealing.

4. FATCA. For the purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of this Amendment, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the obligations of the Borrower set forth in the Credit Agreement, as modified by this Amendment, as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

5. Scope of Amendment; Reaffirmation. Except as expressly modified by this Amendment, all references to the Credit Agreement shall refer to the Credit Agreement as affected by this Amendment. Except as affected by this Amendment, the Loan Documents are unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as amended by this Amendment) and any other Loan Document, the terms of the Credit Agreement (as amended by this Amendment) shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement (as amended by this Amendment).

6. Miscellaneous.

(a) Binding Effect. The Credit Agreement as amended by this Amendment shall be binding upon and inure to the benefit of each of the undersigned and their respective legal representatives, successors and permitted assigns.

(b) No Waiver of Defaults. This Amendment does not constitute a waiver of, or a consent to, any present or future violation of or default under, any provision of the Loan Documents, or a waiver of Agent's or any Lender's right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(c) Form. Each agreement, document, instrument or other writing to be furnished the Agent or any Lender under any provision of this Amendment must be in form and substance reasonably satisfactory to Agent.

(d) Headings. The headings and captions used in this Amendment are for convenience only and will not be deemed to limit, amplify or modify the terms of this Amendment, the Credit Agreement, or the other Loan Documents.

(e) Costs, Expenses and Attorneys' Fees. Borrower agrees to pay or reimburse Agent on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of Agent's counsel.

(f) Multiple Counterparts. This Amendment may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment, or any certificate delivered hereunder, by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Amendment. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on Borrower, each Guarantor, Agent, and each Lender. Agent may also require that any such documents and signatures be confirmed by a manually-signed original; *provided that*, the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(g) Governing Law. This Amendment and the other Loan Documents shall be construed, and their performance enforced, under Texas law.

7. Entirety. THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG BORROWER, GUARANTORS, LENDERS AND AGENT AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[*Signatures are on the following pages.*]

This Amendment is executed as of the Effective Date.

BORROWER:

RIGNET, INC.,
a Delaware corporation

By: _____
Charles Schneider
Chief Financial Officer

GUARANTORS:

LANDTEL, INC.,
a Delaware corporation

By: _____
Charles Schneider
President

RIGNET SATCOM, INC.,
a Delaware corporation

By: _____
Charles Schneider
Chief Financial Officer

LANDTEL COMMUNICATIONS, L.L.C.,
a Louisiana limited liability company

By: _____
Charles Schneider
President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Denise Jones
Assistant Vice President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

LENDER:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swingline Lender

By: _____
Shelley A. McGregor
Senior Vice President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

LENDER:

COMPASS BANK,
as a Lender

By: _____
Tom Brosig
Senior Vice President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

LENDER:

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as a Lender

By: _____
Michelle C. Tabor
Senior Vice President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

LENDER:

BOKF, NA DBA BANK OF TEXAS,
as a Lender

By: _____
Ralph F. Walker
Vice President

[Signature Page to First Amendment
to Second Amended and Restated Credit Agreement]

SCHEDULE 1.01(a)

CERTAIN ADDRESSES FOR NOTICES

RigNet, Inc.
1880 South Dairy Ashford, Suite 300
Houston, Texas 77077
Attention: Charles Schneider, Chief Financial Officer
Telephone: 281-674-0118
Telecopier: 281-674-0101
Electronic Mail: chip.schneider@rig.net
Website Address: www.rig.net
U.S. Taxpayer Identification Number: 76-0677208

with a copy to:

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201
Attention: Anita M. Tarar
Telephone: 214-855-8235
Telecopier: 214-855-8200
Electronic Mail: anita.tarar@nortonrosefulbright.com

ADMINISTRATIVE AGENT:

Administrative Agent's Office
(for payments and Requests for Credit Extensions):

Bank of America, N.A.
Bank of America Plaza
901 Main Street
Dallas, Texas 75202-3714
Attention: Jennifer Ollek, Credit Service Representative
Telephone: 972-338-3767
Telecopier: 214-290-8374
Electronic Mail: jennifer.a.ollek@bankofamerica.com

Bank of America, N.A.
ABA # 026009593
Dallas, Texas
Acct. # 129-2000-883
Attn: Corporate Credit Services
Ref: RigNet, Inc.

Other Notices as Administrative Agent:

Bank of America, N.A. - Agency Management
Global Commercial Banking
MC# IL4-135-09-61
135 S. LaSalle St.
Chicago, IL 60603
Attention: Denise Jones, Agency Management Officer II
Telephone: 312-828-1846
Telecopier: 877-206-8413
Electronic Mail: denise.j.jones@baml.com

with a copy to:

Bank of America, N.A.
700 Louisiana, 8th Floor
Houston, Texas 77002
Attention: Shelley A. McGregor
Telephone: 713-247-6590
Telecopier: 877-282-7504
Electronic Mail: shelley.a.mcgregor@baml.com

with a copy to:

Haynes and Boone, LLP
1221 McKinney, Suite 2100
Houston, Texas 77010
Attention: Neal M. Kaminsky
Telephone: 713-547-2542
Telecopier: 713-236-5675
Electronic Mail: neal.kaminsky@haynesboone.com

FORM OF COMPLIANCE CERTIFICATE

RIGNET, INC.

Date: _____

This certificate is delivered by RigNet, Inc., a Delaware corporation (“*Borrower*”), pursuant to *Section 6.02* of that certain Second Amended and Restated Credit Agreement dated as of October 3, 2013, among Borrower, the Subsidiaries of Borrower party thereto, as guarantors, Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swingline Lender, and L/C Issuer (as such agreement may have been amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”). Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

The undersigned hereby certifies that he/she is a Responsible Officer of Borrower and further certifies, on behalf of Borrower in such capacity and not individually, as of the date hereof to Administrative Agent and Lenders that:

(a) The financial statements delivered with this certificate in accordance with *Section 6.01(a)* and/or *6.01(b)* of the Credit Agreement fairly present in all material respects the results of operations and financial condition of Borrower and the Subsidiaries as of the dates and the accounting period covered by such financial statements [(subject only to normal year-end adjustments and the absence of footnotes)]¹ ;

(b) The undersigned has reviewed the terms of the Credit Agreement and have made, or caused to be made under his/her supervision, a review in reasonable detail of the transactions and conditions of Borrower and the Subsidiaries during the accounting period covered by such financial statements;

(c) Such review has not disclosed the existence during or at the end of such accounting period, and the undersigned has no knowledge of the existence as of the date hereof, of any condition or event that constitutes a Default or an Event of Default, except as set forth in *Schedule 1* hereto, which includes a description of the nature and period of existence of such Default or an Event of Default and what action Borrower has taken, is undertaking and proposes to take with respect thereto;

(d) Borrower is in compliance with the covenants contained in *Section 7.11* of the Credit Agreement, as demonstrated by the calculation of such covenants below, except as set forth below; and

(e) The Consolidated Leverage Ratio for the period covered by this certificate, as demonstrated by the calculations required by *Section 7.11(a)* attached hereto, is _____ to 1.0. As a result of the foregoing, Level _____ of the Applicable Rate is the applicable Level for purposes of determining the Applicable Rate for all Loans.

¹ _____ Include for Section 6.01(b) financial statements.

IN WITNESS WHEREOF, the undersigned officer has executed and delivered this certificate as of the date first written above.

RIGNET, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Signature Page to Compliance Certificate

CONSOLIDATED LEVERAGE RATIO

Section 7.11(a)

Consolidated Leverage Ratio for the applicable Measurement Period is defined as follows:

Consolidated Funded Indebtedness as of the date of determination \$ _____

Consolidated EBITDA for the most recently completed Measurement Period \$ _____

Consolidated Leverage Ratio (ratio of Consolidated Funded Indebtedness to EBITDA) _____ to 1.0

Maximum Consolidated Leverage Ratio for the Measurement Period per *Section 7.11(a)* _____ to 1.0

In Compliance Yes or No

CONSOLIDATED FIXED CHARGE COVERAGE RATIO

Section 7.11(b)

Consolidated Fixed Charge Coverage Ratio for the applicable Measurement Period is defined as follows:

1. Consolidated EBITDA for the applicable Measurement Period	\$ _____
2. cash Taxes for the applicable Measurement Period	\$ _____
3. Restricted Payments paid in cash by Borrower to the owners of its Equity Interests for the applicable Measurement Period	\$ _____
4. Unfinanced Capital Expenditures [in excess of \$20,000,000] ¹ [in excess of \$10,000,000] ² for the applicable Measurement Period	\$ _____
5. any voluntary prepayment of the Obligations for the applicable Measurement Period	\$ _____
6. line 1 less line 2 less line 3 less line 4 plus line 5	\$ _____
7. current maturities of long term Indebtedness (including, but not limited to, any Subordinated Debt and Capitalized Leases), but in each case excluding the scheduled principal payment due and payable by Borrower on the Maturity Date on any Loan made pursuant to the Credit Agreement	\$ _____
8. Consolidated Interest Charges for the applicable Measurement Period	\$ _____
9. principal payments made in respect of Subordinated Debt for the applicable Measurement Period	\$ _____
10. Sum of Line 7 plus line 8 plus line 9	\$ _____
11. Ratio of Line 6 to Line 10	_____ to 1.00
Minimum Consolidated Fixed Charge Coverage for the Measurement Period	1.25 to 1.00
In compliance?	Yes or No

¹ To be used for any Measurement Period ending on or prior to October 3, 2015. Aggregate amount during such period \$ _____.

² To be used for any Measurement Period ending after October 3, 2015 but on or prior to December 31, 2016 . Aggregate amount during such period \$ _____.

**Schedule 1 to
Compliance Certificate**

[Borrower to list any existing Defaults or Events of Default, specifying the nature and period of existence of each, and the actions Borrower has taken, is undertaking and proposes to take in respect thereof. If no Defaults and no Events of Default are then in existence, such schedule should read "None".]

Schedule 1 to Compliance Certificate

**[Form of]
Notice of Loan Prepayment**

TO: Bank of America, N.A., as [Administrative Agent][Swingline Lender]

RE: Credit Agreement, dated as of October 3, 2013, by and among RigNet, Inc., a Delaware corporation (the “*Borrower*”), the Guarantors, the Lenders and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swingline Lender (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “*Credit Agreement*”; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: [Date]

Borrower hereby notifies the Administrative Agent that on _____¹ pursuant to the terms of **Section 2.05** (Prepayments) of the Credit Agreement, Borrower intends to prepay/repay the following Loans as more specifically set forth below:

Optional prepayment of [Revolving Loans][Term Loans] in the following amount(s):

Eurodollar Rate Loans: \$ _____²
Applicable Interest Period: _____

Base Rate Loans: \$ _____³

LIBOR Daily Floating Rate Loans: \$ _____⁴

Optional prepayment of Swingline Loans in the following amount:

\$ _____⁵

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this notice.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

¹ Specify date of such prepayment.

² Any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

³ Any prepayment of Base Rate Loans or LIBOR Daily Floating Rate Loans shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

⁴ Any prepayment of LIBOR Daily Floating Rate Loans shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

⁵ Any prepayment of Swingline Loans shall be in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

RIGNET, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Signature Page to Notice of Loan Prepayment

RigNet, Inc. Subsidiaries

ComPetro Communications Holdings, L.L.C.
ComPetro Communications, L.L.C.
Competro Comunicações Holdings do Brasil Ltda
Countryflow Limited
LandTel Communications, L.L.C.
LandTel, Inc.
Munaicom Limited Liability Partnership

Nessco Invsat Limited
Nessco Group Holdings
OilCamp UK Limited

RigNet Australia Pty Ltd

RigNet BRN Sdn Bhd.
RigNet (CA), Inc.
RigNet Company for Communications
RigNet E. H. Holding Company AS
RigNet EIS, Inc.

RigNet Global Holdings
RigNet Holdings L.L.C.
RigNet Luxembourg Holdings S. à r.l.
RigNet de Mexico S de R.L.
RigNet Middle East LLC
RigNet Mobile Solutions Limited
RigNet Newco, Inc.
RigNet Pte Ltd
RigNet Qatar W.L.L.
RigNet Satcom, Inc.
RigNet Sdn Bhd.
RigNet Servicos de Telecominçacoes Brasil Ltda.

RigNet Scotland Limited
RigNet UK Holdings Limited
RigNet UK Limited
RNet Properties, L.L.C.
RNSAT Servicos de Mexico S de R.L.

Shabakat Rafedain Al Iraq Al Jadeed for Trade in
Communication Equipment and Devices LLC.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-171278 on Form S-8 and Registration Statement No. 333-178506 on Form S-3, of our reports dated February 29, 2016, relating to the consolidated financial statements of RigNet, Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's adoption of Accounting Standards Update No. 2015-17, Income Taxes (Topic740)), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of RigNet, Inc. for the year ended December 31, 2015.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 29, 2016

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF RIGNET, INC.
PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Martin Jimmerson, certify that:

1. I have reviewed this Annual Report on Form 10-K of RigNet, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ MARTIN JIMMERSON

Martin Jimmerson

Interim Chief Executive Officer and President

Date: February 29, 2016

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RIGNET, INC.
PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Charles E. Schneider, certify that:

1. I have reviewed this Annual Report on Form 10-K of RigNet, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By: /s/ Charles E. Schneider
Charles E. Schneider
Chief Financial Officer

Date: February 29, 2016

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF RIGNET, INC.
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K for the period ended December 31, 2015 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin Jimmerson, Interim Chief Executive Officer of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2016

/s/ MARTIN JIMMERSON

Martin Jimmerson

Interim Chief Executive Officer and President

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RIGNET, INC.
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K for the period ended December 31, 2015 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Schneider, Chief Financial Officer of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2016

/s/ Charles E. Schneider

Charles E. Schneider
Chief Financial Officer