

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, 2016

or

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

For the transition period from _____ to _____

Commission file number 001-35003

RigNet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

15115 Park Row Blvd, Suite 300
Houston, Texas
(Address of principal executive offices)

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

77084-4947
(Zip Code)

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

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

Title of each class
Common Stock, \$0.001 par value

Name of each exchange on which registered
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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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, 2016, 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 \$237.4 million. For purposes of this calculation, only executives and directors are deemed to be affiliates of the registrant. At February 20, 2017, there were outstanding 17,983,887 shares of the registrant’s Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Commission within 120 days of December 31, 2016 are incorporated herein by reference in Part III of this Annual Report.

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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 customized systems and solutions serving customers with complex data networking and operational requirements. We provide solutions ranging from fully-managed voice and data networks to more advanced applications that include video conferencing and monitoring, crew welfare, asset and weather monitoring and real-time data services under a multi-tenant revenue model. Our customers use our 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 for their remote operations, including offshore and land-based drilling rigs, offshore and onshore production facilities, maritime vessels and regional support offices. As of December 31, 2016, we were the primary provider of remote communications and collaborative services to approximately 500 customers reaching approximately 900 remote sites located in approximately 50 countries on six continents. For the year ended December 31, 2016, our revenue generated from countries outside of the U.S. represented 70.1% of total revenue.

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

- managed services solutions offered at a subscription rate generally through contracts with terms that typically range from one month to three years;
- secure end-to-end Multiprotocol Label Switching (MPLS) global network to ensure greater network availability, faster troubleshooting and service restoration time, rapid integration of plug-and-play components and quality of service for various forms of data traffic;
- a network designed to accommodate multiple customer groups resident at a site, including drilling contractors, exploration and production operators and oilfield service providers;
- value-added services, such as wide-area network acceleration, asset and weather monitoring, Adaptive Video Intelligence supporting monitoring and remote presence and Wi-Fi hotspots, benefiting multiple tenants and customer groups at one site;
- proactive network monitoring and management through network operations centers that actively manage network availability at all times and serve as in-bound call centers for troubleshooting, 24 hours per day, 365 days per year;
- engineering and design services to develop solutions for customers;
- systems integration services to design, assemble, install and commission turn-key solutions for customer communications systems; and
- maintenance and support through geographically deployed engineering and service support teams as well as warehoused spare equipment inventories.

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. This allows RigNet to provide Hybrid Network solutions which greatly improves network up-time by using multiple and diverse sources of bandwidth. We generally own the network infrastructure and communications equipment we install at remote sites as well as equipment co-located in third-party teleport facilities and data centers, all of which we procure through various equipment providers. By owning the network infrastructure and communications equipment on the customer premises, we are better able to select the optimal equipment for each customer solution as well as ensure the quality of our services.

Our Industry

The remote telecommunications industry is highly competitive with a variety of companies and potential new entrants from adjacent vertical markets and the broader value chain. Within the remote telecommunications industry, we serve oil and gas companies that connect to remote locations via global “always-connected” networks, driving demand for reliable, managed communications services in a variety of environmental conditions.

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

- our customers 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 maintain safety standards and optimize performance; and
- transmission of increased data volumes and real-time data management and access to key decision makers enable customers to maximize safety, operational results 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, engineered telecommunications solutions and applications dedicated to promoting greater workforce collaboration. Our business operations are divided into two reportable segments: Managed Services and Systems Integration and Automation (SI&A). For financial information about our reportable segments, see Note 12 — “Segment Information” in our consolidated financial statements included in this Annual Report on Form 10-K.

- **Managed Services.** Our Managed Services segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Managed Services segment primarily operates out of our United States, United Kingdom, Norway, Qatar, UAE, Singapore, Brazil and Mexico based offices for customers globally.
- **Systems Integration and Automation (SI&A).** Our SI&A segment provides customized solutions for customer telecommunications systems. SI&A solutions are delivered based on the customer’s specifications, in addition to international industry standards and best practices. SI&A project elements may include consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and maintenance services. Our SI&A segment primarily operates out of our Aberdeen, Houston and Monterrey offices for customers globally.

We previously operated our business under three reportable segments: Eastern Hemisphere, Western Hemisphere and Telecoms Systems Integration (TSI). During the fourth quarter of 2016 we reorganized our business and reportable segments on a products and services basis. The former TSI segment was renamed the Systems Integration and Automation (SI&A) segment. The Managed Services segment consists of the remote communication services that were common between the former Eastern Hemisphere and Western Hemisphere segments as well as certain global Managed Services specific costs including our Global Network Operations Center (GNOC) and engineering costs that in prior years were included in the Corporate segment. We now operate Managed Services as one global segment. All historical segment financial data included herein has been recast to conform to the current year presentation.

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As of December 31, 2016 and 2015, we were serving the following sites listed in the table below:

	December 31,	
	2016	2015
Selected Operational Data:		
Offshore drilling rigs (1)	175	238
Offshore Production	280	283
Maritime	122	121
International Land	104	115
Other sites (2)	240	373
Total	<u>921</u>	<u>1,130</u>

(1) Includes jack up, semi-submersible and drillship rigs

(2) Includes U.S. onshore drilling and production sites, completion sites, man-camps, remote offices, and supply bases and offshore-related supply bases, shore offices, tender rigs and platform rigs

Our Strategy

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

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

Expand our market share of offshore and onshore drilling rigs: We intend to expand our drilling rig market share by increasing our penetration of the market for drilling rigs, capturing existing rigs from competitors, pursuing fleet-wide opportunities with major drilling contractors, pursuing opportunities made available as a result of industry consolidation and increasing penetration in new and underserved geographic markets. Because of established relationships with our customers, reliable and robust service offerings and high quality 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.

Increase secondary and tertiary customer penetration: We intend to continue to scale our initial capital investment with drilling contractors by using our incumbent position at remote sites to serve the other users on the rig: the exploration and production operators and oilfield service providers. 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 drilling contractors, operators and services companies.

Develop and market additional value-added services: We intend to continue to serve our customers' needs by commercializing additional services that complement our wide array of available remote communications services. These value-added solutions provide content Over-the-Top (OTT) of the Managed Service offering. These solutions include Software-as-a-Service (SaaS), IP enabled device connectivity or Internet of Things (IoT), including leveraging our Supervisory Control and Data Acquisitions (SCADA) installed base and cyber security. We expect that over the next several years our customer base will require a variety of advanced services including solutions that improve safety, increase efficiency and enhance crew welfare. These services are complemented by our customized Managed Services offerings and SI&A solutions designed to meet the communication 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

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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 such as aviation, government and mining.

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 services and solutions, we intend to pursue selective acquisitions of companies and/or technologies that would be complementary to our existing business.

In 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 expanded 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 Worldwide Interoperability for Microwave Access (WiMAX) networks in the U.S. Gulf of Mexico serving drilling contractors, producers and energy vessel owners, Very Small Aperture Terminal (VSAT) interests in Canada, a machine-to-machine (M2M) SCADA VSAT network in the continental U.S. serving the pipeline industry, a worldwide SI&A business and a global L-band Mobile Satellite Services (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.

Competitive Strengths

As a leading global provider of customized systems and solutions serving customers with complex data networking and operational requirements, our competitive strengths include:

- secure 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 MPLS global platform;
- scalable telecoms systems using standardized equipment that leverage our global infrastructure;
- customized SI&A 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 availability 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 effective way to prioritize network traffic. 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 and drilling 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 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, 2016, we had 41 service operations centers and warehouses to support and service our customers' remote sites. Global Network Operations Centers (GNOC) are staffed 24 hours per day, 365 days per year. We maintain field technicians as well as adequate spare parts and equipment inventory levels in these service operations centers. 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.

Operational leverage and multiple paths to growth supported by a plug-and-play MPLS platform: Our scalable, standardized communications platform provides us with plug-and-play capabilities to easily expand or improve service offerings. Our 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 drilling contractors, operators and service companies. We expect this operating leverage to increase profitability as we grow. Our MPLS global platform provides an important advantage by offering higher availability, 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, 2016, we leased capacity from 37 satellites, and are co-located in 30 teleports and 34 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 systems integration solutions provided by expert telecoms systems engineers: Through the acquisition of Nessco Group Holdings Ltd (Nessco), Inmarsat's Enterprise Energy business unit and the acquisition of TECNOR we provide global customized systems integration solutions through our SI&A business. As the demand for additional telecommunications products and telecoms systems increase with each new technological advance, the need for well-designed, efficient and reliable network infrastructures becomes increasingly vital to remote communications customers. Our 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. 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 drilling contractors around the world, 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 have 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 frequency 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 network availability while factoring in 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 and secure voice-over-Internet-protocol (VoIP) data and high-speed Internet access. In addition, we increasingly provide other value-added services, such as video conferencing solutions, wide area network (WAN) acceleration solutions, real-time data management solutions, Wi-Fi hotspots, 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.

Systems Integration and Automation (SI&A)

As the demand for additional telecommunications products and telecoms systems increase with each new technological advance, the need for well-designed, efficient and reliable network infrastructures becomes increasingly vital to our customers. Our SI&A solutions provide a complete package of communications infrastructure required to support onshore and offshore facilities for the oil and gas industry. SI&A services include the design, procurement, assembly and test, installation and commissioning of communications systems which can include WAN/LAN connectivity, Closed Circuit Television (CCTV) for monitoring and security, access control, public address (PAGA) systems, microwave systems and monitoring and control systems. SI&A also offers a complete package of on-site and remote support and on-going maintenance capabilities in support of our customer's installed infrastructure.

In order to service customers on a globally, SI&A Engineering and Procurement (EP) services are provided from facilities in Aberdeen, Houston and Monterrey. SI&A has the ability to facilitate the end-to-end process of telecoms systems mechanical fabrication, build and assembly through to final testing and Factory Acceptance Testing (FAT). Our 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 the engineering and quality of all the processes involved in the completion of each project.

Combining the engineering and service capabilities of SI&A with our other services and solutions such as the GNOC services, OTT offerings, and other managed services allows us to offer our SI&A customers a long-term package of maintenance and support options. These offerings will provide oil and gas customers an opportunity to reduce their operational and support costs while ensuring a highly reliable communications infrastructure.

Adaptive Video Intelligence (AVI) and Video Collaboration Solutions

Our two Adaptive Video Intelligence services increase situational awareness, which supports a live viewing application and our Collaboration Service Offering, which utilizes wearable remote presence devices. These offerings enhance the safety and efficiency of our customers. These video services allow drilling contractors, operators and service companies' experts to monitor the performance of key functions and to collaborate with crews at remote sites to troubleshoot equipment, which can save customers time and money. Remote presence devices such as the RigNet Helmet Cam, patent pending, can send video from remote locations to onshore engineers and experts. This allows for real-time decision making that reduces operational downtime, saves travel costs and improves productivity. We continue to explore additional video-based service offerings supporting remote telemedicine, which supports crew well-being and welfare.

Supervisory Control and Data Acquisition (SCADA)

SCADA systems provide the ability to monitor, gather and process data while interacting with machines and devices such as oil and gas pipelines, valves, pumps and motors. SCADA systems are connected to Human-Machine-Interface (HMI) software and logs events. Our customers deploy SCADA solutions to closely monitor operations when the cost, location and complexity or frequency requirements make technology the best and most practical means of monitoring operations.

Wi-Fi Hotspot

We offer Wi-Fi hotspot solutions that facilitate access to the Internet by rig-based personnel. This is advantageous for drilling contractors 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 Wi-Fi hotspot solutions provide ready access with a familiar user interface without requiring specialized equipment to connect to the service.

Secure Oil Information Link (SOIL)

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 drilling contractors, service companies and application service providers, to connect and collaborate on a high-speed, secure and reliable basis. 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. Customers use SOIL services in the North Sea to collaborate with partners and suppliers or for internal company communications.

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 contracts 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 2016, our top 5 customers accounted for 28.6% of our total revenue for 2016.

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.

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Our primary global competitor in upstream oil and gas communications is Speedcast International Ltd., which in 2016 purchased Cap Rock Communications from Harris Corporation. 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 availability 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 availability, quality and continuity of products and service. Established relationships with customers and proven performance serve as significant barriers to entry.

Government Regulation

The telecommunications industry 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 of 1934, as amended, 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.

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, 2016, we had approximately 508 full time employees consisting of 61 employees in sales and marketing, 80 employees in finance and administration, 349 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 2.0% and 6.0% 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 took this action in response to reduced oil and gas activity.

Geographic Information

See Note 12—“Segment Information,” in our consolidated financial statements included 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 2016, with the acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR), we expanded our services to include a wide array of equipment, voice and data services, satellite coverage and bandwidth options in Mexico serving military, government, maritime, oil and gas customers. 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 drilling contractors, 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 SI&A business; and a global L-band MSS retail energy business.

Principal Executive Offices

In January 2017, we signed and announced an eight-year lease for new headquarters space located at 15115 Park Row Blvd, Suite 300, Houston, Texas. 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. This information can also be found on the SEC website at www.sec.gov.

In addition, in the “Governance” section of the Investors page on our web site, we make available our code of ethics and business conduct, our corporate governance guidelines, the charters for our audit, compensation, and corporate governance and nominating committees and various other corporate governance policies and documents.

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 services and solutions;
- the advantages of our services compared to others;
- changes in technology and customer preferences and our ability to adapt our product and services offerings;
- our ability to develop and maintain positive relationships with our customers;

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- 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 and expanding our business into remote communication market adjacencies;
- our strategy;
- our ability to pursue, consummate and integrate merger and acquisition opportunities successfully;
- our resource reallocation activities and related expenses; and
- our financial performance, including our ability to expand Adjusted EBITDA through our operational leverage

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 SEC.

A large portion of our business is subject to the volatility of the global oil and gas industry and the addressable market of offshore drilling rigs and our business is likely to fluctuate with the level of global 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, demand and price expectations for oil and natural gas;
- capital expenditure levels of customers;
- the addressable market and utilization rate for drilling rigs and oilfield services;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) or non-OPEC countries to influence and maintain production levels and pricing;
- the worldwide political, regulatory and economic environment; and
- advances in exploration, development and production technology.

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.

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. Our business may be harmed if our competitors are more successful than us in using Ka-band services to meet customer needs.

If alternative telecommunications services to remote locations become 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 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 solutions offered by competitors. In addition, our efforts to respond to technological innovations and competition may require significant capital investments and resources.

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 inadequate, our systems may be damaged which could harm our business, financial conditions and results of operations.

Cyber security failure 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.

The inability to maintain appropriate staffing, including highly qualified personnel, could compromise our ability to effectively manage our business and pursue our growth strategy.

Our operations depend on a highly qualified executive, sales, technical, development, service and management team. Failure to attract, recruit, retain and develop qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

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, so the loss of a microwave site or any business interruption could harm our business, financial conditions and results of operations.

We have contracted to purchase significant volumes of Global Xpress (GX) space segment, and in the event that the GX service is materially delayed, 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 sell the capacity 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, may reduce the Company's obligations below \$65.0 million. 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 timely come to market, 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.

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 contracts 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, some of our contracts may be terminated by our customers for no reason and upon short notice. Terms of contracts typically vary with a range from short-term call out work to three 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 contracts. 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 on a site can also result in the loss of other customers on the affected site.

SI&A projects are heavily dependent on cost, productivity, schedule and performance management

SI&A 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 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.

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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 changes to previously recorded revenues or profits.

Under our accounting policies, we measure and recognize a large portion of our SI&A profits and revenues under the percentage-of-completion accounting methodology. This methodology is dependent on significant estimates of costs to complete the project. Changes in estimated costs to complete will result in adjustments to revenue. These adjustments can occur at any time and could result in a material change to previously recorded revenues or profits.

Restructuring activities may negatively impact the Company.

Reductions in or redeployment of resources may adversely affect or delay various sales, marketing, product development and operational activities, which could have a material adverse effect on our financial results. Additionally, restructuring activities could have negative effects on our internal control over financial reporting.

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

- our successful execution of marketing and sales strategies, including perception of our brand, 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;
- actual or perceived quality and coverage of our networks;
- 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, services and solutions 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.

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. Our primary global competitor is Speedcast International Ltd, which in 2016 purchased Cap Rock Communications from Harris Corporation. Recently Panasonic, through its ITC Global subsidiary, as well as Tampnet have begun to expand their presence as active providers of communications services to the oil and gas, mining and maritime markets. We also compete with regional competitors in the countries in which we operate. 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 we may experience increased competition from

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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., LOS 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 services and solutions 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' services or in sourced solutions. Our failure to successfully respond to these competitive challenges 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 providers may choose not to adopt new solutions and technology, such as our remote communications and collaboration applications solutions, which may limit our growth potential.

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 including our enterprise resource planning (ERP) system that was fully implemented in 2016, 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, generate management reports, 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 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.

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

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 at competitive prices to conduct our operations at current rates or levels going forward. The inability to obtain sufficient satellite bandwidth on commercially reasonable terms and pricing 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.

We rely on third parties to provide products and services for the operation of our business. Failures by third-party providers could cause service interruptions, 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, satellite manufacturing, equipment or control system errors, faults or failures;
- saturation of communication connection points, networks and third-party facilities;

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- in-orbit risks for satellites including malfunctions, commonly referred to as anomalies, and collisions with meteoroids, decommissioned spacecraft or other space debris;
- lack of communication service alternatives, including failure of satellite providers to timely replace aging satellites with more modern technology and updated capacities;
- human error;
- natural disasters;
- 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.

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. 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. 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 in which 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 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 and services 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, Ensc0 Plc, Noble Corporation Plc, Bechtel Corporation, Seadrill Ltd., Chevron 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.

Some of our stockholders could exert control over our Company.

As of February 20, 2017, funds associated with Kohlberg Kravis Roberts & Co. L.P., or KKR, owned in the aggregate shares representing approximately 27.9% of our outstanding voting power. Additionally, as of February 20, 2017, funds associated with Arrowpoint Asset Management, LLC, owned in the aggregate shares representing approximately 16.5% 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.

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

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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 any 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.

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 Multiprotocol 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 these proceedings. 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.

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.

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 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 many 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, because operations in some countries may be temporary, the total number of countries in which we operate 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:

- legal, regulatory and cultural differences that may be vague or arbitrary, lack traditional concepts of due process or awareness of United States laws, resulting in difficulty enforcing contracts or timely collection of receivables and may be subject to unexpected changes or interpretations;

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- tariffs, import and export restrictions and other trade barriers;
- difficulty in staffing and managing geographically dispersed operations and culturally diverse work forces in countries with varying employment laws and practices including restrictions on terminating employees;
- increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- differing technology standards;
- currency exchange rate fluctuation and currency controls;
- potential political and economic instability, which may include military conflict, nationalization or expropriation;
- potentially adverse tax consequences;
- difficulties and expense of maintaining international sales distribution channels; and
- difficulties in maintaining and protecting our intellectual property.

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.

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.

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.

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 and may include but would not be limited to: Foreign Corrupt Practice Act (FCPA) matters, regulatory approvals or restrictions, pending litigation, deficiencies or weaknesses in internal controls, inaccuracies in 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.

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 services and solutions.

During the year ended December 31, 2016, 14.6% 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 services and solutions 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.

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;
- 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, services and solutions 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 and oil and gas industries, the U.S. economy and global market conditions.

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 services and solutions are distributed. With respect to maintaining our trade secrets, we have entered into confidentiality agreements with most of our employees, contractors, and 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.

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Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Facilities

In January 2017, we signed and announced an eight-year lease for new headquarters space, comprised of 28,808 square feet located at 15115 Park Row Blvd, Suite 300, Houston, Texas. The term of this lease runs through June 2025. We also own a custom built, approximately 26,000 square foot facility in Aberdeen, Scotland which hosts operations for both Managed Services and SI&A.

We have other 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, Mexico, 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, 2016		
Fourth Quarter	\$23.15	\$14.20
Third Quarter	\$15.12	\$11.31
Second Quarter	\$17.10	\$11.15
First Quarter	\$21.62	\$11.69
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

There were approximately 207 holders of RigNet's common stock on record as of February 20, 2017.

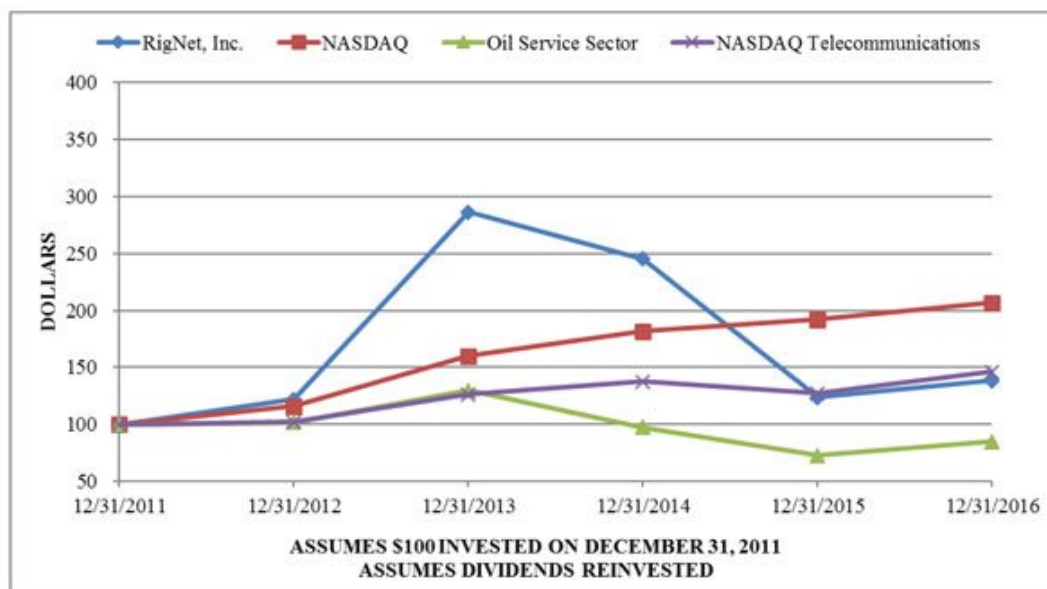
Dividends

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 31, 2011 (the first day our stock began trading on NASDAQ) through December 31, 2016, 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, oilfield equipment, support services, and geophysical/reservoir services. The comparison assumes that \$100 was invested on December 31, 2011 in our common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.

Comparison of Cumulative Total Return



	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
RigNet, Inc. (1)	\$ 100	\$ 122	\$ 286	\$ 245	\$ 124	\$ 138
NASDAQ	\$ 100	\$ 116	\$ 160	\$ 182	\$ 192	\$ 207
Oil Service Sector	\$ 100	\$ 102	\$ 130	\$ 97	\$ 73	\$ 85
NASDAQ Telecommunications	\$ 100	\$ 102	\$ 126	\$ 138	\$ 127	\$ 146

(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 sale 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.

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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,				
	2016	2015	2014	2013	2012
(in thousands, except per share amounts)					
Consolidated Statements of Comprehensive Income (Loss) Data:					
Revenue	\$220,623	\$271,260	\$330,174	\$220,710	\$161,669
Expenses:					
Cost of revenue (excluding depreciation and amortization)	129,759	163,238	188,209	118,881	81,071
Depreciation and amortization	33,556	32,471	29,462	21,049	17,534
Impairment of goodwill, intangibles, and property, plant and equipment	397	14,262	2,719	—	—
Selling and marketing	7,172	9,449	9,298	5,829	4,197
General and administrative	52,190	63,192	66,402	46,726	36,068
Total expenses	<u>223,074</u>	<u>282,612</u>	<u>296,090</u>	<u>192,485</u>	<u>138,870</u>
Operating income (loss)	(2,451)	(11,352)	34,084	28,225	22,799
Interest expense	(2,708)	(2,054)	(2,185)	(2,283)	(1,552)
Other expense, net	(313)	(845)	(516)	(240)	(493)
Income (loss) before income taxes	(5,472)	(14,251)	31,383	25,702	20,754
Income tax expense	(5,825)	(2,409)	(15,400)	(9,158)	(8,733)
Net income (loss)	(11,297)	(16,660)	15,983	16,544	12,021
Less: Net income attributable to:					
Non-redeemable, non-controlling interest	210	314	348	208	139
Net income (loss) attributable to RigNet, Inc. stockholders	<u>\$ (11,507)</u>	<u>\$ (16,974)</u>	<u>\$ 15,635</u>	<u>\$ 16,336</u>	<u>\$ 11,882</u>
Net income (loss) per share attributable to RigNet, Inc. common stockholders:					
Basic	<u>\$ (0.65)</u>	<u>\$ (0.97)</u>	<u>\$ 0.90</u>	<u>\$ 1.00</u>	<u>\$ 0.76</u>
Diluted	<u>\$ (0.65)</u>	<u>\$ (0.97)</u>	<u>\$ 0.87</u>	<u>\$ 0.93</u>	<u>\$ 0.70</u>
Weighted average shares outstanding:					
Basic	<u>17,768</u>	<u>17,534</u>	<u>17,321</u>	<u>16,268</u>	<u>15,591</u>
Diluted	<u>17,768</u>	<u>17,534</u>	<u>17,899</u>	<u>17,557</u>	<u>17,017</u>
Other Non-GAAP Data:					
Unlevered Free Cash Flow	\$ 21,984	\$ 14,217	\$ 33,333	\$ 25,085	\$ 22,500
Adjusted EBITDA	\$ 37,181	\$ 46,907	\$ 73,735	\$ 56,178	\$ 43,583

	December 31,				
	2016	2015	2014	2013	2012
(in thousands)					
Consolidated Balance Sheets Data:					
Cash and cash equivalents	\$ 57,152	\$ 60,468	\$ 66,576	\$ 59,822	\$ 59,744
Restricted cash - current	139	543	1,200	509	987
Restricted cash - long-term	1,514	—	62	1,321	1,809
Total assets	230,972	258,116	299,837	238,803	215,932
Current maturities of long-term debt	8,478	8,421	8,405	8,388	9,422
Long-term debt	52,990	69,238	77,706	51,175	51,871
Long-term deferred revenue	254	359	516	621	302

Non-GAAP Financial Measures

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 the TECNOR earn-out, stock-based compensation, merger/acquisition costs, 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;
- 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 credit 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 and 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 change in fair value of the TECNOR earn-out;
- 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.

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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;
- 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 and 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 change in fair value of the TECNOR earn-out;
- 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.

Adjusted EBITDA and Unlevered Free Cash Flow 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 and Unlevered Free Cash Flow may not be comparable to similarly titled measures of other companies because other companies may not calculate Adjusted EBITDA, Unlevered Free Cash Flow or similarly titled measures in the same manner as we do. We prepare Adjusted EBITDA and Unlevered Free Cash Flow 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.

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

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Reconciliation of Net Income (Loss) to Adjusted EBITDA and Unlevered Free Cash Flow:					
Net income (loss)	\$(11,297)	\$(16,660)	\$15,983	\$16,544	\$12,021
Interest expense	2,708	2,054	2,185	2,283	1,552
Depreciation and amortization	33,556	32,471	29,462	21,049	17,534
Impairment of goodwill, intangibles, and property, plant and equipment	397	14,262	2,719	—	—
Foreign exchange impact of intercompany financing activities	—	—	856	—	—
(Gain) loss on sales of property, plant and equipment, net of retirements	(153)	(41)	(44)	66	(131)
Stock-based compensation	3,389	3,660	4,252	2,963	2,502
Restructuring costs	1,911	7,410	—	—	—
Change in fair value of TECNOR earn-out	(1,279)	—	—	—	—
Executive departure costs	1,884	1,000	—	—	—
Acquisition costs	240	342	2,922	4,115	1,372
Income tax expense	5,825	2,409	15,400	9,158	8,733
Adjusted EBITDA (non-GAAP measure)	<u>\$ 37,181</u>	<u>\$ 46,907</u>	<u>\$73,735</u>	<u>\$56,178</u>	<u>\$43,583</u>
Adjusted EBITDA (non-GAAP measure)	<u>\$ 37,181</u>	<u>\$ 46,907</u>	<u>\$73,735</u>	<u>\$56,178</u>	<u>\$43,583</u>
Capital expenditures	15,197	32,690	40,402	31,093	21,083
Unlevered Free Cash Flow (non-GAAP measure)	<u>\$ 21,984</u>	<u>\$ 14,217</u>	<u>\$33,333</u>	<u>\$25,085</u>	<u>\$22,500</u>

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 are a leading global provider of customized systems and solutions serving customers with complex data networking and operational requirements. The Company provides solutions ranging from fully-managed voice and data networks to more advanced applications that include video conferencing, crew welfare, asset and weather monitoring and real-time data services under a multi-tenant revenue model. Customers use our private extranet to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unavailable or unreliable. The Company offers customers what is often the sole means of communications for their remote operations, including offshore and land-based drilling rigs, offshore and onshore production facilities, maritime vessels and regional support offices. As of December 31, 2016, the Company was serving approximately 900 remote sites.

Our Operations

Our 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.

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.

We previously operated our business under three reportable segments: Eastern Hemisphere, Western Hemisphere and Telecoms Systems Integration (TSI). During the fourth quarter of 2016, we reorganized our business and reportable segments on a products and services basis. The former TSI segment was renamed the Systems Integration and Automation (SI&A) segment. The Managed Services segment consists of the remote communication services that were common between the former Eastern Hemisphere and Western Hemisphere segments as well as certain global Managed Services specific costs including our Global Network Operations Center (GNOC) and engineering costs that in prior years were included in the Corporate segment. We now operate Managed Services as one global segment. All historical segment financial data included herein has been recast to conform to the current year presentation. We now operate two reportable segments, which are managed as distinct segments by our chief operating decision-maker.

- **Managed Services.** Our Managed Services segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. Our Managed Services segment primarily operates out of our United States, United Kingdom, Norway, Qatar, UAE, Singapore, Brazil and Mexico based offices for customers globally.
- **Systems Integration and Automation (SI&A).** Our SI&A segment provides customized solutions for customer telecommunications systems. SI&A solutions are delivered based on the customer's specifications, in addition to international industry standards and best practices. SI&A project elements may include consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and maintenance services. Our SI&A segment primarily operates out of our Aberdeen, Houston and Monterrey 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 \$11.4 million. Of this aggregate purchase price, at closing we paid \$4.8 million of cash, paid \$0.1 million in escrow and expected to pay an additional \$6.5 million contingent consideration earn-out, estimated as of the date of acquisition. The initial estimate of the earn-out payable was preliminary and remains subject to change based on the achievement of certain post-closing performance targets under the acquisition agreement. The maximum earn-out is \$21.3 million. There was a \$1.3 million reduction in fair value to the TECNOR earn-out in the third quarter of 2016 recorded as a reduction of other liabilities and a decrease to general and administrative expense in the Corporate segment. The change in fair value is due to a change in forecast of TECNOR's future achievement of the post-closing performance targets. 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. The acquisition of TECNOR, including goodwill, is included in the Managed Services segment.

Between January 7, 2016 and May 31, 2016, Marty Jimmerson, our former CFO, served as Interim Chief Executive Officer (CEO) and President, replacing Mark Slaughter, our prior CEO and President. Mr. Jimmerson departed the Company on June 1, 2016. In connection with the departure of Mr. Slaughter, in the first quarter of 2016 we incurred a pre-tax executive departure expense of \$1.9 million in the Corporate segment. On May 31, 2016, Steven E. Pickett was named Chief Executive Officer (CEO) and President of the Company.

Restructuring Costs

During the year ended December 31, 2016, we incurred net pre-tax restructuring expense of \$1.9 million consisting of \$3.3 million associated with the reduction of 148 employees partially offset by a net \$1.4 million release of previously accrued restructuring charges.

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 declined significantly throughout 2015 and into 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 international countries. Generally, a prolonged lower oil price environment decreases 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 2017 capital budgets compared to 2016, 2015 and 2014 as a result of lower oil prices.

Although management has observed a recent and sustained decline in demand and an increase in cold-stacking and scrapping of rigs, 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. Management plans to aggressively pursue opportunities to provide our services on the higher specification new build offshore rigs.

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As of December 31, 2016 and 2015, we were serving the following sites listed in the table below:

	December 31,	
	2016	2015
Selected Operational Data:		
Offshore drilling rigs (1)	175	238
Offshore Production	280	283
Maritime	122	121
International Land	104	115
Other sites (2)	240	373
Total	<u>921</u>	<u>1,130</u>

(1) Includes jack up, semi-submersible and drillship rigs

(2) Includes U.S. onshore drilling and production sites, completion sites, man-camps, remote offices, and supply bases and offshore-related supply bases, shore offices, tender rigs and platform rigs

Drilling rig owners have 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 106 offshore drilling rigs we served will be cold-stacked or scrapped. Revenue earned in 2016 from these 106 offshore drilling rigs was \$7.3 million. Revenue earned in 2015 from these 106 offshore drilling rigs was \$24.5 million. Revenue earned in the recent peak year of 2014 from these 106 offshore drilling rigs was \$32.4 million. As of December 31, 2016, we have stopped providing communication services on 92 of the 106 offshore drilling rigs as a result of being cold-stacked or scrapped. Revenue earned in 2016, 2015 and 2014 from these 92 offshore drilling rigs was \$4.4 million, \$19.0 million and \$26.6 million, respectively. The Baker Hughes U.S. land rig count, a recognized source of oil and gas exploration industry data, declined approximately 79.1% to 404 units in May 2016 since its most recent peak of 1,931 in late September 2014. After declining to a low of 404 in May 2016, the Baker Hughes U.S. land rig count has increased approximately 85.9% to 751 as of February 2017. It is uncertain if rig counts will recover to 2014 levels.

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.

Sales Tax Audit

We are undergoing a routine sales tax audit in a state where we have operations for the period from August of 2011 to May of 2015. It is expected that the audit and the appeals process, if necessary, will be completed within the next twelve months. We do not believe that the outcome of the audit will result in a material impact to the consolidated financial statements.

Contractual Dispute

Our SI&A business reached a settlement in the first quarter of 2016 related to a contract dispute associated with a percentage of completion project. The dispute related to the payment for work related to certain change orders. As of December 31, 2015 we had a \$14.3 million loss representing the then total evident probable and estimable loss for the project. After the settlement, we recognized \$2.3 million of gain in the first quarter of 2016. In the fourth quarter of 2016, we issued additional billings for approximately \$1.0 million related to work performed in prior years under the contract. After the collection of this final billing in the fourth quarter of 2016, we received the certificate of final acceptance from the customer acknowledging completion of the project. The total loss incurred over the life of this project amounted to \$11.2 million.

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 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 –SI&A

Revenue related to long-term SI&A 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, 2016 and 2015, the amount of costs and estimated earnings in excess of billings on uncompleted contracts related to SI&A projects was \$2.4 million and \$6.8 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.

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 SI&A contractual dispute issue discussed above, there were no other material contract penalties, claims, settlements or changes in contract estimates and no amounts were netted in revenue during the years ended 2016, 2015, and 2014.

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 the value of property, plant and equipment for impairment when we determine that events and circumstances indicate that the recorded carrying value may not be recoverable. An impairment is determined by comparing estimated future net undiscounted cash flows to the carrying value at the time of the assessment. No impairment to property, plant and equipment was recorded in the year ended December 31, 2016. During the year ended December 31, 2015, we impaired property, plant and equipment by \$1.7 million, as the carrying value exceeded fair value, as a result of declines in the U.S. land rig counts. No impairment to property, plant and equipment was recorded in the year ended December 31, 2014.

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, brand name, backlog and licenses acquired as part of our acquisitions. Intangibles also include internal-use software. Intangibles have useful lives ranging from 1.7 to 7.0 years and are amortized on a straight-line basis. We assess the value of intangibles for impairment when we determine that events and circumstances indicate that the recorded carrying value may not be recoverable. An impairment is determined by comparing estimated future net undiscounted cash flows to the carrying value at the time of the assessment.

In June 2016, we identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections, which resulted in a \$0.4 million impairment of licenses in the Corporate segment, which was the full amount of intangibles within Kazakhstan.

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 Managed Services reportable segment.

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 31, with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable.

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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.

We recorded no goodwill impairments in 2016. No impairment indicators have been identified in any reporting unit as of December 31, 2016.

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 Managed Services reportable segment. Our North America Land reporting unit was adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline 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.

In 2014, we recognized \$2.7 million in impairment of goodwill related to the SI&A 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 SI&A segment was impacted by declining contracted backlog, which reduced the estimated fair value of our SI&A 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.

Stock-Based Compensation

We have two stock-based compensation plans: the 2010 Omnibus Incentive Plan (2010 Plan) and the RigNet, Inc. 2006 Long-Term Incentive Plan (2006 Plan). All equity instruments granted under either 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, 2016 may be settled in stock or cash and may be classified as equity or liability instruments, as determined by the type of award granted.

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.

The fair value of each option award is estimated on the grant date using a Black-Scholes option valuation model, which requires judgement in using 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

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- **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 do 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 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. 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 2016, the Company adjusted deferred tax assets and liabilities because of legislation in Norway and the UK, which will decrease corporate income tax rates by 1.0% in each country in 2017.

New Accounting Pronouncements

No standard implemented during 2016 or 2015 had a material effect on our financial position, cash flow or results of operations. See our audited consolidated financial statements and the notes thereto included in this Annual Report on Form 10-K for more details regarding our implementation and assessment of new accounting standards.

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Results of Operations

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

	Year Ended December 31,			Percentage Change	
	2016	2015	2014	2015 to 2016	2014 to 2015
	(in thousands, except percentages)				
Revenue	\$ 220,623	\$ 271,260	\$ 330,174	(18.7)%	(17.8)%
Expenses:					
Cost of revenue (excluding depreciation and amortization)	129,759	163,238	188,209	(20.5)%	(13.3)%
Depreciation and amortization	33,556	32,471	29,462	3.3%	10.2%
Impairment of goodwill, intangibles, and property, plant and equipment	397	14,262	2,719	(97.2)%	424.5%
Selling and marketing	7,172	9,449	9,298	(24.1)%	1.6%
General and administrative	52,190	63,192	66,402	(17.4)%	(4.8)%
Total expenses	<u>223,074</u>	<u>282,612</u>	<u>296,090</u>	<u>(21.1)%</u>	<u>(4.6)%</u>
Operating income (loss)	(2,451)	(11,352)	34,084	(78.4)%	(133.3)%
Other expense, net	(3,021)	(2,899)	(2,701)	4.2%	7.3%
Income (loss) before income taxes	(5,472)	(14,251)	31,383	(61.6)%	(145.4)%
Income tax expense	(5,825)	(2,409)	(15,400)	141.8%	(84.4)%
Net income (loss)	(11,297)	(16,660)	15,983	(32.2)%	(204.2)%
Less: Net income attributable to non-controlling interests	210	314	348	(33.1)%	(9.8)%
Net income (loss) attributable to RigNet, Inc. stockholders	<u>\$ (11,507)</u>	<u>\$ (16,974)</u>	<u>\$ 15,635</u>	<u>(32.2)%</u>	<u>(208.6)%</u>
Other Non-GAAP Data:					
Unlevered Free Cash Flow	\$ 21,984	\$ 14,217	\$ 33,333	54.6%	(57.3)%
Adjusted EBITDA	\$ 37,181	\$ 46,907	\$ 73,735	(20.7)%	(36.4)%

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Our business operations are managed through two reportable segments: Managed Services and SI&A. The following represents selected financial operating results for our segments:

	Year Ended December 31,			Percentage Change	
	2016	2015	2014	2015 to 2016	2014 to 2015
(in thousands, except percentages)					
Managed Services:					
Revenue	\$ 199,033	\$ 249,721	\$ 276,891	(20.3)%	(9.8)%
Cost of revenue (excluding depreciation and amortization)	114,749	132,476	145,565	(13.4)%	(9.0)%
Depreciation and amortization	26,581	26,967	24,510	(1.4)%	10.0%
Impairment of goodwill, intangibles, property, plant and equipment	—	14,262	—	*	*
Selling, general and administrative	28,690	36,055	38,490	(20.4)%	(6.3)%
Managed Services operating income	<u>\$ 29,013</u>	<u>\$ 39,961</u>	<u>\$ 68,326</u>	<u>(27.4)%</u>	<u>(41.5)%</u>
Systems Integration and Automation (SI&A):					
Revenue	\$ 21,590	\$ 21,539	\$ 53,283	0.2%	(59.6)%
Cost of revenue (excluding depreciation and amortization)	15,010	30,762	42,644	(51.2)%	(27.9)%
Depreciation and amortization	2,712	3,104	3,806	(12.6)%	(18.4)%
Impairment of goodwill	—	—	2,719	*	*
Selling, general and administrative	2,665	4,120	3,829	(35.3)%	7.6%
Systems Integration and Automation operating income (loss)	<u>\$ 1,203</u>	<u>\$ (16,447)</u>	<u>\$ 285</u>	<u>(107.3)%</u>	<u>(5,870.9)%</u>

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

Years Ended December 31, 2016 and 2015

Revenue. Revenue decreased by \$50.6 million, or 18.7%, to \$220.6 million for the year ended December 31, 2016 from \$271.3 million for the year ended December 31, 2015. The Managed Services segment decreased \$50.7 million, or 20.3%, which was primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease of 63 offshore drilling sites served during the year was primarily due to offshore drilling rigs we previously served being cold-stacked or scrapped partially offset by new sales wins. 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. The Managed Services segment was also adversely impacted by decreased U.S. land activity partially offset by \$8.3 million of revenue from the acquisition of TECNOR. The Managed Services decrease was amid a backdrop of lower oil prices, decreased oil and gas activity and reduced offshore and onshore drilling budgets. SI&A segment revenue increased \$0.1 million, or 0.2%, due to the timing of SI&A projects and prior year contractual dispute.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for SI&A 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 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 (excluding depreciation and amortization) decreased by \$33.5 million, or 20.5%, to \$129.8 million for the year ended December 31, 2016 from \$163.2 million for the year ended December 31, 2015. Cost of revenue (excluding depreciation and amortization) decreased in both segments due to 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 \$1.1 million, or 3.3%,

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to \$33.6 million for the year ended December 31, 2016 from \$32.5 million for the year ended December 31, 2015. This increase is primarily attributable to accelerated depreciation on tenant improvements in space abandoned as part of our corporate office lease restructuring coupled with additions to property, plant and equipment and intangibles from the acquisition of TECNOR and capital expenditures.

Impairment of goodwill, intangibles, and property, plant and equipment. We recognized \$0.4 million in impairment for the year ended December 31, 2016. In June 2016, we identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections, which resulted in a \$0.4 million impairment of licenses in the Corporate segment, which was the full amount of intangibles within Kazakhstan.

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 Managed Services 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.

Selling and Marketing. Selling and marketing expenses consist primarily of salaries and commissions, travel costs and marketing communications. Selling and marketing expenses were \$7.2 million and \$9.4 million for the years ended December 31, 2016 and 2015, respectively. The decrease is due to cost reduction plans.

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 \$11.0 million, or 17.4%, to \$52.2 million for the year ended December 31, 2016 from \$63.2 million for the year ended December 31, 2015. General and administrative costs decreased in both segments in 2016 due to cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third party spend.

Income Tax Expense. Our effective income tax rate was (106.5)% and (16.9)% for the years ended December 31, 2016 and 2015, 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 13 — “Income Taxes,” to our consolidated financial statements included in this Annual Report on Form 10-K for more information regarding the items comprising our effective tax rates.

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 both reportable segments. SI&A segment revenue decreased \$31.7 million, or 59.6%, due to a \$17.6 million decrease in revenue from the SI&A project that was under contractual dispute coupled with decreased demand for our SI&A service. The Managed Services segment decreased \$27.2 million, or 9.8%. The decreased revenue in the Managed Services segment 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, the Managed Services segment revenue decreased due to decreased U.S. 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 (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for SI&A 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 satellites. Direct service labor consists of field technicians, our Network Operations Center employees, and

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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 (excluding depreciation and amortization) decreased in all segments primarily due to declining SI&A segment costs associated with decreased demand for SI&A 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.

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 Managed Services 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 SI&A reporting unit resulting from declining contracted backlog that reduced the estimated fair value of our SI&A 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 13 — "Income Taxes," to our consolidated financial statements included 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, 2016, we had working capital, including cash, of \$83.9 million.

Over the past three years, annual capital expenditures have ranged from \$13.6 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 in, businesses, products, services or technologies complementary to our current business, through mergers, acquisitions, joint ventures or otherwise, or to pay down outstanding debt.

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Cash in foreign subsidiaries that is available for repatriation to our domestic parent, after settlement of intercompany payables and notes, is \$10.0 million at December 31, 2016. If the entire \$10.0 million were repatriated, we would be liable for an additional \$2.1 million of taxes. A federal deferred tax liability of \$2.1 million has already been recognized as of December 31, 2016 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 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, and 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 elect 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,		
	2016	2015	2014
	(in thousands)		
Consolidated Statements of Cash Flows Data:			
Cash and cash equivalents, January 1,	\$ 60,468	\$ 66,576	\$ 59,822
Net cash provided by operating activities	39,174	37,034	43,763
Net cash used in investing activities	(19,398)	(33,325)	(65,334)
Net cash provided by (used in) financing activities	(15,352)	(7,247)	30,536
Changes in foreign currency translation	(7,740)	(2,570)	(2,211)
Cash and cash equivalents, December 31,	<u>\$ 57,152</u>	<u>\$ 60,468</u>	<u>\$ 66,576</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, 2016, 2015 and 2014, 85.4%, 84.6% and 78.7% of our revenue was denominated in U.S. dollars, respectively.

Operating Activities

Net cash provided by operating activities was \$39.2 million for the year ended December 31, 2016 compared to \$37.0 million for the year ended December 31, 2015. The increase in cash provided by operating activities during 2016 of \$2.1 million was primarily due to the timing of collection of our accounts receivable and paying our accounts payable coupled with a lower operating loss in 2016.

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.

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 \$19.4 million, \$33.3 million and \$65.3 million in the years ended December 31, 2016, 2015 and 2014, respectively. Of these amounts \$13.6 million, \$34.3 million, and \$40.2 million, respectively, were for capital expenditures, a decrease of \$20.6 million and \$5.9 million for the years ended December 31, 2016 and 2015, respectively, compared to each of the respective prior periods. We expect our 2017 capital expenditures will be lower than previous years due to continued low oil and gas drilling activity.

Net Cash used in investing activities during the year ended December 31, 2016 included \$4.8 million paid in connection with the acquisition of TECNOR.

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 \$15.4 million and \$7.2 million in the years ended December 31, 2016 and 2015, respectively. Net cash provided by financing activities was \$30.5 million in the year ended December 31, 2014.

Cash used in financing activities for the year ended December 31, 2016 includes \$16.6 million in principal payments on our long-term debt consisting of \$8.6 million of principal payments on the Term Loan and \$8.0 million on the revolving credit facility. This was partially offset by \$1.7 million in proceeds from the issuance of common stock upon the exercise of stock options.

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 a \$75.0 million revolving credit facility (RCF), 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 Consolidated EBITDA, a non-GAAP financial measure defined in the credit agreement. Interest is

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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, 2016 and 2015 was 2.5% and 2.0%, respectively, with an interest rate of 2.8% at December 31, 2016. The Term Loan is secured by substantially all the assets of the Company. As of December 31, 2016, the outstanding principal amount of the Term Loan was \$34.3 million.

The 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, 2016, \$27.0 million in draws on the facility remain outstanding. The weighted average interest rate for the years ended December 31, 2016 and 2015 was 2.5% and 2.0%, respectively, with an interest rate of 2.8% at December 31, 2016.

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.

In December 2016, we amended our credit agreement with the most significant changes being voluntarily reducing the revolving credit facility from \$125 million to \$75 million, changing the definition of Consolidated EBITDA and certain definitions contained in the credit agreement.

Our credit agreement imposes certain restrictions including limitations on 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 Consolidated 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.

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

At December 31, 2016, we had contractual obligations and commercial commitments as follows:

	Total	2017	2018 - 2019	2020 - 2021	2022 and Beyond
	(in thousands)				
Contractual Obligations:					
Debt obligations					
Term loan	\$ 34,053	\$ 8,399	\$ 25,654	\$ —	\$ —
Revolving loan	27,000	—	27,000	—	—
Capital leases	415	79	336	—	—
Interest (1)	2,329	1,592	737	—	—
Operating leases	5,520	3,384	1,823	313	—
Tecnor Earnout	6,360	—	6,360	—	—
Commercial Commitments:					
Satellite and network services	84,106	24,133	29,591	30,382	—
	<u>\$ 159,783</u>	<u>\$ 37,587</u>	<u>\$ 91,501</u>	<u>\$ 30,695</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, 2016.

As of December 31, 2016, the Company's other noncurrent liabilities in the Consolidated Balance Sheet consist primarily of deferred tax liabilities (\$0.3 million), gross unrecognized tax benefits (\$21.8 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 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. We have voluntarily self-reported the potential violations to the 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 and submitted a report to OFAC and BIS.

We incurred legal expenses of \$0.1 million in connection with the investigation for the years ended December 31, 2016 and 2015.

In the third quarter of 2016, we received a letter from BIS notifying the Company that it had concluded its investigation. BIS assessed no fines or penalties on us in connection with the matter. We do not anticipate any additional penalties or fines will be assessed as a result of the matter. As such, we have released the previously accrued estimated liability of \$0.8 million resulting in a decrease of general and administrative expense for the year ended December 31, 2016 in the Managed Services segment.

Non-GAAP Measures

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

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net income (loss)	\$(11,297)	\$(16,660)	\$15,983
Interest expense	2,708	2,054	2,185
Depreciation and amortization	33,556	32,471	29,462
Impairment of goodwill, intangibles, and property, plant and equipment	397	14,262	2,719
Foreign exchange impact of intercompany financing activities	—	—	856
Gain on sales of property, plant and equipment, net of retirements	(153)	(41)	(44)
Stock-based compensation	3,389	3,660	4,252
Restructuring	1,911	7,410	—
Change in fair value of TECNOR earn-out	(1,279)	—	—
Executive departure costs	1,884	1,000	—
Acquisition costs	240	342	2,922
Income tax expense	5,825	2,409	15,400
Adjusted EBITDA (non-GAAP measure)	<u>\$ 37,181</u>	<u>\$ 46,907</u>	<u>\$73,735</u>
Adjusted EBITDA (non-GAAP measure)	\$ 37,181	\$ 46,907	\$73,735
Capital expenditures	<u>15,197</u>	<u>32,690</u>	<u>40,402</u>
Unlevered Free Cash Flow (non-GAAP measure)	<u>\$ 21,984</u>	<u>\$ 14,217</u>	<u>\$33,333</u>

We evaluate Adjusted EBITDA and Unlevered Free Cash Flow 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.

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During the year ended December 31, 2016, Adjusted EBITDA decreased by \$9.7 million, or 20.7%, from \$46.9 million in 2015 to \$37.2 million in 2016. The decreases resulted primarily from lower revenue partially offset by cost containment actions.

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 SI&A contractual dispute partially offset by cost savings from the cost reduction plans and separate cost savings initiatives focused on reducing third-party spend.

Unlevered Free Cash Flow was \$22.0 million for the year ended December 31, 2016, an increase of \$7.8 million, or 54.6%, over the prior year. The increase in Unlevered Free Cash Flow was due to a decline in capital expenditures partially offset by decreased Adjusted EBITDA.

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 executed on an increased capital discipline initiative.

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, 2016 and 2015, 14.6% and 15.4%, respectively of our revenues were earned in non-U.S. currencies. At December 31, 2016 and 2015, 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, 2016 and 2015, assuming those liabilities were outstanding for the entire year.

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Effect on Net Income (Loss) and Equity - Increase/Decrease:		
1% Decrease/increase in rate	\$ 615	\$ 777
2% Decrease/increase in rate	\$ 1,229	\$ 1,553
3% Decrease/increase in rate	\$ 1,844	\$ 2,330

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, 2016. 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, 2016, our Chief Executive Officer and 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, 2016 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

During the year ended December 31, 2016, we completed the implementation of an ERP system, SAP (B1), concluding a multi-year plan to integrate and upgrade our systems and processes.

As the phased implementation of this system is now complete, we have experienced certain changes to our processes and procedures which, in turn, resulted in changes to our internal control over financial reporting. While SAP (B1) has strengthened 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, 2016, 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, 2016, based on those criteria.

Management included in its assessment of internal control over financial reporting all consolidated entities, but excluded certain acquiree processes related to operations from Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR) acquired by the Company in February 2016. TECNOR represents 10% and 8% of net and total assets, respectively, 4% of revenues and 3% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2016. Management determined that the internal controls of TECNOR would be excluded from the internal control assessment as of December 31, 2016, due to the timing of the closing of the acquisition in February 2016 and as permitted by the rules and regulations of the Securities and Exchange Commission.

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, 2016 which is included in Item 8. Financial Statements and Supplementary Data.

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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 2017 Annual Meeting of Stockholders (the “2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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/ STEVEN E. PICKETT
Steven E. Pickett
Chief Executive Officer and President

March 6, 2017

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/ STEVEN E. PICKETT</u> Steven E. Pickett	Chief Executive Officer and President (Principal Executive Officer)	March 6, 2017
<u>/s/ CHARLES E. SCHNEIDER</u> Charles E. Schneider	Senior Vice President and Chief Financial Officer (Principal Financial & Accounting Officer)	March 6, 2017
<u>/s/ JAMES H. BROWNING</u> James H. Browning	Chairman of the Board	March 6, 2017
<u>/s/ MATTIA CAPRIOLI</u> Mattia Caprioli	Director	March 6, 2017
<u>/s/ CHARLES L. DAVIS IV</u> Charles L. Davis IV	Director	March 6, 2017
<u>/s/ DITLEF DE VIBE</u> Ditlef de Vibe	Director	March 6, 2017
<u>/s/ KEVIN MULLOY</u> Kevin Mulloy	Director	March 6, 2017
<u>/s/ KEVIN J. O'HARA</u> Kevin J. O'Hara	Director	March 6, 2017
<u>/s/ KEITH OLSEN</u> Keith Olsen	Director	March 6, 2017
<u>/s/ BRENT K. WHITTINGTON</u> Brent K. Whittington	Director	March 6, 2017

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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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

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, 2016, 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 March 6, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 6, 2017

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, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Orgtec S.A.P.I. de C.V., d.b.a TECNOR (“Tecnor”), which was acquired on February 4, 2016 and whose financial statements constitute 10% and 8% of net and total assets, respectively, 4% of revenues, and 3% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2016. Accordingly, our audit did not include the internal control over financial reporting at Tecnor. 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, 2016, 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, 2016 of the Company and our report dated March 6, 2017 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 6, 2017

RIGNET, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2016	2015
(in thousands, except share amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,152	\$ 60,468
Restricted cash	139	543
Accounts receivable, net	48,672	62,105
Costs and estimated earnings in excess of billings on uncompleted contracts	2,382	6,757
Prepaid expenses and other current assets	10,379	7,142
Total current assets	118,724	137,015
Property, plant and equipment, net	59,757	72,547
Restricted cash	1,514	—
Goodwill	21,998	18,058
Intangibles, net	16,028	18,974
Deferred tax and other assets	12,951	11,522
TOTAL ASSETS	\$ 230,972	\$ 258,116
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 9,057	\$ 6,849
Accrued expenses	12,835	19,946
Current maturities of long-term debt	8,478	8,421
Income taxes payable	877	3,091
Deferred revenue	3,625	4,670
Total current liabilities	34,872	42,977
Long-term debt	52,990	69,238
Deferred revenue	254	359
Deferred tax liability	256	220
Other liabilities	30,022	22,009
Total liabilities	118,394	134,803
Commitments and contingencies (Note 9)		
Equity:		
Stockholders' equity		
Preferred stock - \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at December 31, 2016 and 2015	—	—
Common stock - \$0.001 par value; 191,000,000 shares authorized; 17,932,598 and 17,757,945 shares issued and outstanding at December 31, 2016 and 2015, respectively	18	18
Additional paid-in capital	147,906	143,012
Accumulated deficit	(17,550)	(6,043)
Accumulated other comprehensive loss	(17,971)	(13,836)
Total stockholders' equity	112,403	123,151
Non-redeemable, non-controlling interest	175	162
Total equity	112,578	123,313
TOTAL LIABILITIES AND EQUITY	\$ 230,972	\$ 258,116

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

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

	Year Ended December 31,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Revenue	\$ 220,623	\$ 271,260	\$ 330,174
Expenses:			
Cost of revenue (excluding depreciation and amortization)	129,759	163,238	188,209
Depreciation and amortization	33,556	32,471	29,462
Impairment of goodwill, intangibles, and property, plant and equipment	397	14,262	2,719
Selling and marketing	7,172	9,449	9,298
General and administrative	52,190	63,192	66,402
Total expenses	223,074	282,612	296,090
Operating income (loss)	(2,451)	(11,352)	34,084
Other expense:			
Interest expense	(2,708)	(2,054)	(2,185)
Other expense, net	(313)	(845)	(516)
Income (loss) before income taxes	(5,472)	(14,251)	31,383
Income tax expense	(5,825)	(2,409)	(15,400)
Net income (loss)	(11,297)	(16,660)	15,983
Less: Net income attributable to:			
Non-redeemable, non-controlling interest	210	314	348
Net income (loss) attributable to RigNet, Inc. stockholders	\$ (11,507)	\$ (16,974)	\$ 15,635
COMPREHENSIVE INCOME (LOSS)			
Net income (loss)	\$ (11,297)	\$ (16,660)	\$ 15,983
Foreign currency translation	(4,135)	(7,154)	(7,117)
Comprehensive income (loss)	(15,432)	(23,814)	8,866
Less: Comprehensive income attributable to non-controlling interest	210	314	348
Comprehensive income (loss) attributable to RigNet, Inc. stockholders	\$ (15,642)	\$ (24,128)	\$ 8,518
INCOME (LOSS) PER SHARE - BASIC AND DILUTED			
Net income (loss) attributable to RigNet, Inc. common stockholders	\$ (11,507)	\$ (16,974)	\$ 15,635
Net income (loss) per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.65)	\$ (0.97)	\$ 0.90
Net income (loss) per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.65)	\$ (0.97)	\$ 0.87
Weighted average shares outstanding, basic	17,768	17,534	17,321
Weighted average shares outstanding, diluted	17,768	17,534	17,899

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

RIGNET, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	\$(11,297)	\$(16,660)	\$ 15,983
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization	33,556	32,471	29,462
Impairment of goodwill and intangibles	397	12,592	2,719
Stock-based compensation	3,389	3,660	4,252
Amortization of deferred financing costs	135	171	197
Deferred taxes	(1,830)	(1,995)	(2,664)
Change in fair value of contingent consideration and accretion of discount for acquisition of Tecnor	(781)	—	—
Impairment of property, plant and equipment	—	1,670	—
Gain on sales of property, plant and equipment, net of retirements	(153)	(41)	(44)
Changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable	18,347	10,868	(15,054)
Costs and estimated earnings in excess of billings on uncompleted contracts	4,378	3,803	6,631
Prepaid expenses and other assets	392	(769)	(4,908)
Accounts payable	129	(4,916)	(7,643)
Accrued expenses	(8,579)	(1,404)	11,260
Deferred revenue	(1,150)	(82)	(1,549)
Other liabilities	2,241	(2,334)	5,121
Net cash provided by operating activities	39,174	37,034	43,763
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(4,841)	—	(26,483)
Capital expenditures	(13,641)	(34,262)	(40,173)
Proceeds from sales of property, plant and equipment	194	280	754
(Increase) decrease in restricted cash	(1,110)	657	568
Net cash used in investing activities	(19,398)	(33,325)	(65,334)
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,680	1,055	1,585
Subsidiary distributions to non-controlling interest	(197)	(314)	(294)
Proceeds from borrowings	—	—	35,000
Repayments of long-term debt	(16,560)	(8,623)	(8,649)
Payments of financing fees	(100)	—	—
Excess tax benefits from stock-based compensation	(175)	635	2,894
Net cash provided by (used in) financing activities	(15,352)	(7,247)	30,536
Net change in cash and cash equivalents	4,424	(3,538)	8,965
Cash and cash equivalents:			
Balance, January 1,	60,468	66,576	59,822
Changes in foreign currency translation	(7,740)	(2,570)	(2,211)
Balance, December 31,	\$ 57,152	\$ 60,468	\$ 66,576
Supplemental disclosures:			
Income taxes paid	\$ 5,337	\$ 9,766	\$ 10,596
Interest paid - other	\$ 2,032	\$ 1,862	\$ 2,004
Property, plant and equipment acquired under capital leases	\$ 335	\$ —	\$ —
Non-cash investing - capital expenditures accrued	\$ 2,046	\$ 824	\$ 2,396
Non-cash investing - contingent earn-out liability for Tecnor acquisition	\$ 5,673	\$ —	\$ —
Liabilities assumed - Tecnor and Inmarsat's Enterprise Energy business unit acquisitions	\$ 2,408	\$ —	\$ 10,969

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

RIGNET, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u> (in thousands)	<u>Total Stockholders' Equity</u>	<u>Non-Redeemable, Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>						
Balance, January 1, 2014	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	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
Issuance of common stock upon the exercise of stock options	223	—	1,680	—	—	1,680	—	1,680
Restricted common stock cancellations	(48)	—	—	—	—	—	—	—
Stock-based compensation	—	—	3,389	—	—	3,389	—	3,389
Excess tax benefits from stock-based compensation	—	—	(175)	—	—	(175)	—	(175)
Foreign currency translation	—	—	—	—	(4,135)	(4,135)	—	(4,135)
Non-controlling owner distributions	—	—	—	—	—	—	(197)	(197)
Net income (loss)	—	—	—	(11,507)	—	(11,507)	210	(11,297)
Balance, December 31, 2016	17,933	\$ 18	\$ 147,906	\$ (17,550)	\$ (17,971)	\$ 112,403	\$ 175	\$ 112,578

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) is a leading global provider of customized systems and solutions serving customers with complex data networking and operational requirements. The Company provides solutions ranging from fully-managed voice and data networks to more advanced applications that include video conferencing, crew welfare, asset and weather monitoring and real-time data services under a multi-tenant model. RigNet's customers use a private extranet to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unavailable or unreliable. RigNet offers clients what is often the sole means of communications for their remote operations, including offshore and land-based drilling rigs, offshore and onshore production facilities, maritime vessels and regional support offices in approximately 50 countries. The Company's corporate offices are located in Houston, Texas.

Basis of Presentation

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

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, 2016, 2015 and 2014, 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, 2016, the Company had restricted cash of \$0.1 million and \$1.5 million, in current and long-term assets, respectively. As of December 31, 2015, the Company had restricted cash of \$0.5 million in current assets. The restricted cash in long-term assets is primarily used to collateralize a performance bond in the Managed Services segment. The restricted cash in current assets as of December 31, 2016 is an escrowed portion of the purchase price for the acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR). The restricted cash in current assets as of December 31, 2015 was primarily being used to collateralize outstanding performance bonds, related to Nessco Group Holdings Ltd. (Nessco)'s SI&A projects which were in effect prior to RigNet acquiring Nessco (see Note 6 – “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 the value of property, plant and equipment for impairment when the Company determines that events and circumstances indicate that the recorded carrying value may not be recoverable. An impairment is determined by comparing estimated future net undiscounted cash flows to the carrying value at the time of the assessment. No impairment to property, plant and equipment was recorded in the year ended December 31, 2016. During the year ended December 31, 2015, the Company impaired property, plant and equipment by \$1.7 million, as the carrying value exceeded fair value, as a result of declines in the U.S. land rig counts. No impairment to property, plant and equipment was recorded in the year ended December 31, 2014.

Maintenance and repair costs are charged to expense when incurred.

Intangibles

Intangibles consist of customer relationships, brand name, backlog and licenses acquired as part of the Company's acquisitions. Intangibles also include internal-use software. The Company's intangibles have useful lives ranging from 1.7 to 7.0 years and are amortized on a straight-line basis. The Company assesses the value of intangibles for impairment when the Company determines that events and circumstances indicate that the recorded carrying value may not be recoverable. An impairment is determined by comparing estimated future net undiscounted cash flows to the carrying value at the time of the assessment.

In June 2016, the Company identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections, which resulted in a \$0.4 million impairment of licenses in the Corporate segment, which was the full amount of the Company's intangibles within Kazakhstan.

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 Managed Services reportable segment.

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 31, with the most recent annual test being performed as of July 31, 2016. The July 31, 2016 test resulted in no impairment as the fair value of each reporting unit exceeded the carrying value plus goodwill of that reporting unit. No impairment indicators have been identified in any reporting unit as of December 31, 2016.

As a result of the July 2015 annual impairment test, the Company recognized \$10.9 million of impairment of goodwill, the full amount within the North America Land reporting unit, which reports through the Managed Services reportable segment. The North America Land reporting unit was adversely impacted by a significant decline in U.S. land rig counts since December 2014. This decline 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.

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 SI&A segment was impacted by declining contracted backlog, which reduced the estimated fair value of the SI&A reporting unit below its carrying value. The Company recognized a \$2.7 million impairment of goodwill within the SI&A reporting unit as a result of such test.

As of December 31, 2016 and 2015, goodwill was \$22.0 million and \$18.1 million, respectively. In addition to the impact of acquisitions and impairments, 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 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 –SI&A

Revenues related to long-term, fixed-price SI&A 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. The Company had \$14.3 million of anticipated loss recognized in the year ended December 31, 2015 for the contract that was under contractual dispute (see Note 9—“Commitments and Contingencies”). 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, 2016 and 2015, the amount of costs and estimated earnings in excess of billings on uncompleted contracts related to SI&A projects was \$2.4 million and \$6.8 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 SI&A contractual dispute issue discussed in Note 9, there were no other material contract penalties, claims, settlements or changes in contract estimates and no amounts were netted in revenue during the years ended 2016, 2015, and 2014.

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

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 of the Company's stock and dividend yield of the option. Fair value of restricted stock and Restricted Stock Units 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. 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 2016, the Company adjusted deferred tax assets and liabilities because of legislation in Norway and the UK, which will decrease corporate income tax rates by 1.0% in each country in 2017.

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. The functional currency of all the Company's other subsidiaries is the 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 May 2014, the Financial Accounting Standards Board (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. In March 2016, the FASB issued Accounting Standards Update

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No. 2016-08 (ASU 2016-08), Revenue from Contracts with Customers: Principal versus Agent Considerations. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April and May of 2016, the FASB issued Accounting Standards Update No. 2016-10 (ASU 2016-10) and Accounting Standards Update No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606), respectively, that provide scope amendments, performance obligations clarification and practical expedients. These ASUs allow for the use of either the full or modified retrospective transition method and are 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. The Company adopted ASU 2015-03 as of January 1, 2016. The adoption of this ASU did not have any 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 adopted this ASU as of January 1, 2016. The adoption of this ASU did not have any 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, 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).

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), 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.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 (ASU 2016-09), Share Based Compensation. The new ASU simplifies several aspects of share based compensation including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for reporting periods beginning after December 15, 2016. The Company adopted ASU 2016-09 in the second quarter of 2016 and has applied the guidance as of January 1, 2016. The adoption of this ASU did not have any material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new ASU reduces diversity of practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics, including the treatment of contingent consideration

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payments made after a business combination. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. 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 November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18), which includes restricted cash in the cash and cash equivalents balance in the statement of cash flows. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. 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—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 6—"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.

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 Norwegian kroner, the British pound sterling and the Australian dollar are the currencies that could materially impact the Company's financial position and results of operations. The Company presently does not hedge these risks, but evaluates financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. Foreign currency translations are reported as accumulated other comprehensive income (loss) 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 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,		
	2016	2015	2014
	(in thousands)		
Accounts receivable	\$52,996	\$66,077	\$78,201
Allowance for doubtful accounts, January 1,	(3,972)	(3,576)	(1,847)
Current year provision for doubtful accounts	(1,095)	(912)	(1,819)
Write-offs	743	516	90
Allowance for doubtful accounts, December 31,	(4,324)	(3,972)	(3,576)
Accounts receivable, net	<u>\$48,672</u>	<u>\$62,105</u>	<u>\$74,625</u>

Although during 2016, 2015 and 2014 no single customer comprised greater than 10% of revenue, the top 5 customers generated 28.6%, 21.3% and 22.9% of the Company's 2016, 2015 and 2014 revenue, respectively.

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

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 2016, 2015 or 2014. 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 6 —“Long-Term Debt”).

Note 3—Business Combinations

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 aggregate purchase price of \$11.4 million. Of this aggregate purchase price, at closing RigNet paid \$4.8 million in cash, paid \$0.1 million in escrow and expected to pay an additional \$6.5 million contingent consideration earn-out, estimated as of the date of acquisition. The initial estimate of the earn-out payable was preliminary and remains subject to change based on the achievement of certain post-closing performance targets under the acquisition agreement. The maximum earn-out is \$21.3 million. 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 including mission critical military and government applications, oil and gas operations, commercial fishing and leisure. TECNOR is based in Monterrey, Mexico.

The assets and liabilities of TECNOR have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the underlying net tangible and identifiable intangible assets and liabilities has been recorded as goodwill.

The earn-out for TECNOR is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Consolidated Statements of Comprehensive Income (Loss) in each reporting period. As of December 31, 2016, the fair value of the earn-out was \$5.7 million, and is reported in other liabilities in the consolidated balance sheets. There was a \$1.3 million reduction in fair value to the TECNOR earn-out in the third quarter of 2016 recorded as a reduction of other liabilities and a decrease to general and administrative expense in the Corporate segment. The change in fair value was due to a change in forecast of TECNOR’s future achievement of the post-closing performance targets in the third quarter of 2016. Additionally, during the year ended December 31, 2016, RigNet recognized accreted interest expense on the TECNOR earn-out liability of \$0.5 million with corresponding increases to other liabilities. The earn-out is payable in 2018.

The goodwill of \$6.5 million arising from the acquisition consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company and TECNOR, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. The acquisition of TECNOR, including goodwill, is included in the Company’s consolidated financial statements as of the acquisition date and is reflected in the Managed Services segment.

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

	<u>Weighted Average Estimated Useful Life (Years)</u>	<u>Fair Market Values</u> (in thousands)
Accounts Receivable		\$ 2,672
Other assets		1,280
Property and equipment		809
Backlog	2	366
Customer Relationships	7	<u>2,210</u>
Total identifiable intangible assets		2,576
Goodwill		6,465
Accounts Payable		(1,914)
Accrued Expenses		<u>(494)</u>
Total purchase price		<u>\$11,394 (a)</u>

(a) Includes \$0.1 million of escrow and a \$6.5 million contingent consideration earn-out, estimated as of the date of acquisition.

For the year ended December 31, 2016 and 2015, RigNet incurred \$0.2 million and \$0.3 million, respectively, on acquisition-related costs, which are reported as general and administrative expense in the Consolidated Statements of Comprehensive Income (Loss).

Actual and Pro Forma Impact of the TECNOR Acquisition

TECNOR's revenue and net loss included in the Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2016 are presented in the following table. These amounts represent actual amounts commencing immediately after the acquisition, February 4, 2016, through the year ended December 31, 2016 (in thousands):

	<u>Year Ended December 31, 2016</u>
Revenue	<u>8,299</u>
Net loss	(287)

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

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

	Year Ended December 31,	
	2016	2015
	(in thousands)	
Revenue	\$ 221,658	\$ 285,329
Expenses	232,752	299,879
Net loss	<u>\$ (11,094)</u>	<u>\$ (14,550)</u>
Net loss attributable to RigNet, Inc. common stockholders	<u>\$ (11,304)</u>	<u>\$ (14,864)</u>
Net loss per share attributable to RigNet, Inc. common stockholders:		
Basic	<u>\$ (0.64)</u>	<u>\$ (0.85)</u>
Diluted	<u>\$ (0.64)</u>	<u>\$ (0.85)</u>

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 drilling contractors, 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 SI&A business operating worldwide; and a global L-band MSS retail energy business.

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

	Weighted Average Estimated Useful Life (Years)	Fair Market Values (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 borrowings under its credit facility (see Note 6—Long-Term Debt), and existing cash on hand.

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

For the year ended December 31, 2014, RigNet spent \$2.9 million on acquisition-related costs, which are reported as general and administrative expense in the Consolidated Statements of Comprehensive Income (Loss).

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 (Loss) 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):

	Year Ended December 31, 2014
Revenue	\$ 80,159
Net Income	\$ 4,204

For the year ended December 31, 2014, RigNet’s supplemental pro forma revenue was \$335.9 million 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 year ended December 31, 2014 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.

Note 4—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 acquired companies 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, 2016 and 2015 are presented below.

	Managed Services	Systems Integration and Automation	Total
	(in thousands)		
Balance, January 1, 2015	\$ 30,128	\$ —	\$ 30,128
Impairment of Goodwill	(10,893)	—	(10,893)
Foreign currency translation	(1,177)	—	(1,177)
Balance, December 31, 2015	18,058	—	18,058
Acquisition of Tecnor	6,465	—	6,465
Foreign currency translation	(2,525)	—	(2,525)
Balance, December 31, 2016	\$ 21,998	\$ —	\$ 21,998

The impairment loss of \$10.9 million in the Managed Services segment 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. 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 assumptions in the fair value analysis was forecasted future cash flows and an EBITDA multiple.

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

Intangibles

Intangibles consist of customer relationships, brand name, backlog and licenses acquired as part of the Company’s acquisitions. Intangibles also include internal-use software. The following table reflects intangibles activities for the years ended December 31, 2016 and 2015:

	Brand Name	Backlog	Customer Relation- ships	Software	Licenses	Total
	(in thousands, except estimated lives)					
Intangibles Acquired	4,353	2,916	21,724	7,207	2,400	38,600
Accumulated amortization and foreign currency translation, January 1, 2015	(1,563)	(1,941)	(11,619)	(2,159)	(267)	(17,549)
Balance, January 1, 2015	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	2,065	75	5,729	9,229	1,876	18,974
Additions	—	366	2,210	1,144	—	3,720
Impairment	—	—	—	—	(397)	(397)
Amortization expense	(490)	(224)	(1,646)	(2,550)	(313)	(5,223)
Foreign currency translation	(342)	(4)	(901)	201	—	(1,046)
Balance, December 31, 2016	<u>\$ 1,233</u>	<u>\$ 213</u>	<u>\$ 5,392</u>	<u>\$ 8,024</u>	<u>\$ 1,166</u>	<u>\$ 16,028</u>
Weighted average estimated lives (years)	7.0	1.7	7.0	5.0	7.0	

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

2017	4,328
2018	4,176
2019	2,969
2020	2,240
2021	1,947
Thereafter	368
	<u>\$16,028</u>

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

Note 5—Property, Plant and Equipment

Property, plant and equipment consists of the following:

	Estimated Lives (in years)	December 31,	
		2016	2015
		(in thousands)	
Telecommunication and computer equipment	1 - 5	\$ 131,401	\$ 164,204
Furniture and other	5 - 7	6,968	8,753
Building	10	3,901	4,597
Land	—	1,240	1,463
		143,510	179,017
Less: Accumulated depreciation		(83,753)	(106,470)
		<u>\$ 59,757</u>	<u>\$ 72,547</u>

Depreciation expense associated with property, plant and equipment was \$28.3 million, \$27.1 million and \$24.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. No impairment to property, plant and equipment was recorded in the year ended December 31, 2016. During the year ended December 31, 2015, the Company impaired property, plant and equipment by \$1.7 million, as the carrying value exceeded fair value, as a result of declines in the U.S. land rig counts. No impairment to property, plant and equipment was recorded in the year ended December 31, 2014.

Note 6—Long-Term Debt

As of December 31, 2016 and 2015, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	December 31,	
	2016	2015
		(in thousands)
Term loan, net of unamortized deferred financing costs	\$34,053	\$42,536
Revolving loan	27,000	35,000
Capital lease	415	123
	61,468	77,659
Less: Current maturities of long-term debt	(8,399)	(8,421)
Current maturities of capital lease	(79)	—
	<u>\$52,990</u>	<u>\$69,238</u>

Term Loan

The Company has a term loan (Term Loan) issued under the amended and restated credit agreement with four participating financial institutions (credit agreement). 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.

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 Consolidated 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, 2016 and 2015 were 2.5% and 2.0%, respectively, with an interest rate of 2.8% at December 31, 2016.

The Term Loan is secured by substantially all the assets of the Company. As of December 31, 2016, the Term Loan had an outstanding principal balance of \$34.3 million.

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

Revolving Loans

Under the amended credit agreement, the Company maintains a \$75.0 million revolving credit facility, which includes a \$15 million sublimit for the issuance of standby letters of credit. During the year ended December 31, 2016, RigNet made principal payments of \$8.0 million on the revolving credit facility. As of December 31, 2016, \$27.0 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 3 – 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 Consolidated EBITDA, a non-GAAP financial measure as defined in the agreement. The weighted average interest rate for the years ended December 31, 2016 and 2015 were 2.5% and 2.0%, respectively, with an interest rate of 2.8% at December 31, 2016.

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 Consolidated 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, 2016. 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, 2016 and 2015, 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.

In December 2016, the Company amended its credit agreement with the most significant changes being voluntarily reducing the revolving credit facility from \$125 million to \$75 million, changing the definition of Consolidated EBITDA and certain definitions contained in the credit agreement.

Performance Bonds

On September 14, 2012, NesscoInvsat Limited, a subsidiary of RigNet, secured a performance bond facility with a lender in the amount of £4.0 million, or \$4.9 million. This facility has a maturity date of June 30, 2017. As of December 31, 2016, the amount available under this facility was £1.9 million, or \$2.3 million. The Company can be required to either cash collateralize the aforementioned performance bond or issue letters of credit against such performance bonds, if the bank requests.

In June 2016, the Company secured a performance bond facility with a lender in the amount of \$1.5 million for its Managed Services segment. This facility has a maturity date of June 2021. The Company maintains restricted cash on a dollar for dollar basis to secure this facility.

Certain legacy Nessco performance bonds also had required 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, 2016 and 2015, the Company had restricted cash of none and \$0.5 million in current assets, respectively, to satisfy this requirement.

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, 2016 and 2015, deferred financing cost amortization of \$0.2 million is included in interest expense in the Company's consolidated financial statements.

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

Debt Maturities

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

2017	8,478
2018	52,914
2019	76
Total debt, including current maturities	<u>\$61,468</u>

Note 7—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 none, \$0.3 million and \$0.5 million from KKR Capstone during the years ended December 31, 2016, 2015 and 2014, respectively.

Note 8—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.

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.

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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, 2016 or 2015.

The Company’s non-financial assets, such as goodwill, intangible assets 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.

The earn-out for TECNOR is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Consolidated Statements of Comprehensive Income (Loss) in each reporting period. During the third quarter of 2016, the Company recognized a \$1.3 million reduction in fair value to the TECNOR earn-out recorded as a reduction of other liabilities and a decrease to general and administrative expense in the Corporate segment. As of December 31, 2016, the fair value of the earn-out was \$5.7 million (see Note 3—“Business Combinations”).

Note 9—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 \$4.7 million, \$3.7 million and \$2.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, future minimum lease obligations were as follows (in thousands):

2017	3,384
2018	1,279
2019	544
2020	313
2021	—
Thereafter	—
	<u>\$5,520</u>

Commercial Commitments

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

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As of December 31, 2016, the Company had the following commercial commitments related to satellite and network services (in thousands):

2017	24,133
2018	13,549
2019	16,042
2020	16,700
2021	13,682
	<u>\$84,106</u>

RigNet has agreed, under certain conditions, to purchase up to \$65.0 million of capacity from the high-throughput Inmarsat's Global Express (GX) network during the five years after it becomes operational. The Company expects to utilize GX across RigNet's legacy operations as well as the operations acquired from Inmarsat. The portion of this agreement expected to be committed through 2021 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.

Sales Tax Audit

The company is undergoing a routine sales tax audit in a state where it has operations for the period from August of 2011 to May of 2015. It is expected that the audit and the appeals process, if necessary, will be completed within the next twelve months. The Company does not believe that the outcome of the audit will result in a material impact to the consolidated financial statements.

Contractual Dispute

The Company's SI&A business reached a settlement in the first quarter of 2016 related to a contract dispute associated with a percentage of completion project. The dispute related to the payment for work related to certain change orders. As of December 31, 2015 the Company had a \$14.3 million loss representing the then total evident probable and estimable loss for the project. After the settlement, the Company recognized \$2.3 million of gain in the first quarter of 2016. In the fourth quarter of 2016, the Company issued additional billings for approximately \$1.0 million related to work performed in prior years under the contract. After the collection of this final billing in the fourth quarter of 2016, the Company received the certificate of final acceptance from the customer acknowledging completion of the project. The total loss incurred over the life of this project amounted to \$11.2 million.

The Company has incurred legal expense of \$0.2 million and \$0.5 million in connection with the dispute for the years ended December 31, 2016 and 2015, respectively.

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 the 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 incurred legal expenses of \$0.1 million in connection with the investigation during the years ended December 31, 2016 and 2015.

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

In the third quarter of 2016, the Company received a letter from BIS notifying the Company that it had concluded its investigation. BIS assessed no fines or penalties on the Company in connection with the matter. The Company does not anticipate any penalties or fines will be assessed as a result of the matter. As such, the Company released the previously accrued estimated liability of \$0.8 million resulting in a decrease of general and administrative expense for the year ended December 31, 2016 in the Managed Services segment.

Note 10—Stock-Based Compensation

The Company has two 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 four 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 (RSUs), (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, 2016, the Company granted a total of 640,843 RSUs to certain directors, officers and employees of the Company under the 2010 Plan. Of these, the Company granted (i) 339,963 RSUs to certain officers and employees that generally vest over a four year period of continued employment, with 25% of the RSUs vesting on each of the first four anniversaries of the grant date, (ii) 156,430 RSUs to certain officers and employees that generally cliff vest on the third anniversary of the grant date, subject to continued employment, (iii) 65,084 RSUs to outside directors that vest in May 2017, and (iv) 79,366 performance based RSUs to certain officers that generally cliff vest on the third anniversary of the grant date and are subject to continued employment and certain performance based targets. The ultimate number of performance based RSUs issued is based on a multiple determined by certain performance based targets. As of December 31, 2016, 340,391 RSUs and shares of restricted stock have vested, 339,400 RSUs and shares of restricted stock have been forfeited and 495,235 unvested RSUs and shares of restricted stock were outstanding.

During the year ended December 31, 2016, the Company also granted 111,500 stock options to certain officers under the 2010 Plan. Options granted during this period have an exercise price of \$12.60 to \$14.55, a contractual term of ten years and vest over a four year period of continued employment, with 25% of the 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 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, 2016, the Company has issued 981,125 options under the 2006 Plan, of which 707,803 options have been exercised, 216,247 options have been returned or forfeited and 57,075 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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Stock-based compensation expense related to the Company's stock-based compensation plans for the years ended December 31, 2016, 2015 and 2014 was \$3.4 million, \$3.7 million and \$4.3 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, 2016, 2015 and 2014. As of December 31, 2016 and 2015, there were \$5.9 million and \$6.0 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, 2016, 2015 and 2014 were as follows:

	Year Ended December 31,		
	2016	2015	2014
Expected volatility	49%	44 - 47%	43%
Expected term (in years)	7	7	7
Risk-free interest rate	1.6 - 1.7%	1.9 - 2.0%	1.9 - 2.2%
Dividend yield	—	—	—

Based on these assumptions, the weighted average fair value of options granted, per share, for the years ended December 31, 2016, 2015 and 2014 was \$6.56, \$13.22 and \$25.78, respectively.

The fair value of each RSU and 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 RSUs and restricted stock granted, per share, for the years ended December 31, 2016 and 2015 was \$12.45 and \$30.68, respectively.

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

The following table summarizes the Company’s stock option activity as of and for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,					
	2016		2015		2014	
	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,	992	\$ 20.40	947	\$ 18.47	998	\$ 13.79
Granted	112	\$ 12.80	244	\$ 31.73	127	\$ 47.09
Exercised	(223)	\$ 8.73	(80)	\$ 12.54	(155)	\$ 10.55
Forfeited	(382)	\$ 26.29	(119)	\$ 30.62	(23)	\$ 28.04
Expired	—	\$ —	—	\$ —	—	\$ —
Balance, December 31,	<u>499</u>	<u>\$ 20.77</u>	<u>992</u>	<u>\$ 20.40</u>	<u>947</u>	<u>\$ 18.47</u>
Exercisable, December 31,	<u>240</u>	<u>\$ 18.02</u>	<u>579</u>	<u>\$ 13.75</u>	<u>539</u>	<u>\$ 11.83</u>

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Intrinsic value of options exercised	\$ 591	\$ 2,850	\$ 7,872
Fair value of options vested	\$ 1,455	\$ 884	\$ 1,558

The following table summarizes the Company’s RSU and restricted stock activity as of and for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
	(in thousands)	
Balance, January 1,	143	172
Granted	641	92
Vested	(55)	(77)
Forfeited	(235)	(44)
Balance, December 31,	<u>494</u>	<u>143</u>

The weighted average remaining contractual term in years for equity awards outstanding as of and for the years ended December 31, 2016, 2015 and 2014 was 2.8 years, 3.7 years and 4.6 years, respectively. At December 31, 2016 equity awards vested and expected to vest totaled 2.5 million with awards available for grant of approximately 2.6 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, 2016, 2015 and 2014:

	Number of Underlying Shares <small>(in thousands)</small>	Weighted Average Grant Date Fair Value
Unvested equity awards, January 1, 2014	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	506	\$ 21.48
Granted	753	\$ 11.57
Vested	(169)	\$ 18.34
Forfeited	(617)	\$ 13.97
Unvested equity awards, December 31, 2016	<u>473</u>	\$ 16.62

Note 11—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 RSUs. 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:

	Year Ended December 31,		
	2016	2015	2014
	<small>(in thousands)</small>		
Net income (loss) attributable to RigNet, Inc. common stockholders	<u>\$ (11,507)</u>	<u>\$ (16,974)</u>	<u>\$ 15,635</u>
Weighted average shares outstanding, basic	17,768	17,534	17,321
Effect of dilutive securities	—	—	578
Weighted average shares outstanding, diluted	<u>17,768</u>	<u>17,534</u>	<u>17,899</u>

As of December 31, 2016, there were approximately 1,120,400 potentially issuable shares excluded from the Company's calculation of diluted EPS. Of these, 861,337 shares were excluded due to the antidilutive position of the security. The remaining 259,063 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.

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.

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

Note 12—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.

The Company previously operated under three reportable segments: Eastern Hemisphere, Western Hemisphere and Telecoms Systems Integration (TSI). During the fourth quarter of 2016 the Company reorganized its business and reportable segments on a products and services basis. The former TSI segment was renamed the Systems Integration and Automation (SI&A) segment. The Managed Services segment consists of the remote communication services that were common between the former Eastern Hemisphere and Western Hemisphere segments as well as certain global Managed Services specific costs including the Global Network Operations Center (GNOC) and engineering costs that in prior years were included in the Corporate segment. The Company now operates Managed Services as one global segment. All historical segment financial data included herein has been recast to conform to the current year presentation.

RigNet considers its business to consist of two reportable segments:

- **Managed Services.** The Managed Services segment provides remote communications services for offshore and onshore drilling rigs and production facilities, as well as, support vessels and other remote sites. The Managed Services segment primarily operates out of the Company's United States, United Kingdom, Norway, Qatar, UAE, Singapore, Brazil and Mexico based offices for customers globally.
- **Systems Integration and Automation (SI&A).** The SI&A segment provides customized solutions for customer's telecommunications systems. SI&A solutions are delivered based on the customer's specifications, in addition to international industry standards and best practices. SI&A project elements may include consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and maintenance services. The SI&A segment primarily operates out of the Company's Aberdeen, Houston and Monterrey 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, 2016, 2015 and 2014 is presented below.

	Managed Services	Systems Integration and Automation	Corporate and Eliminations	Consolidated Total
	(in thousands)			
2016				
Revenue	\$ 199,033	\$ 21,590	\$ —	\$ 220,623
Cost of revenue (excluding depreciation and amortization)	114,749	15,010	—	129,759
Depreciation and amortization	26,581	2,712	4,263	33,556
Impairment of intangibles	—	—	397	397
Selling, general and administrative	28,690	2,665	28,007	59,362
Operating income (loss)	<u>\$ 29,013</u>	<u>\$ 1,203</u>	<u>\$ (32,667)</u>	<u>\$ (2,451)</u>
Total assets	203,048	26,169	1,755	230,972
Capital expenditures	13,794	—	1,403	15,197
2015				
Revenue	\$ 249,721	\$ 21,539	\$ —	\$ 271,260
Cost of revenue (excluding depreciation and amortization)	132,476	30,762	—	163,238
Depreciation and amortization	26,967	3,104	2,400	32,471
Impairment of goodwill, intangibles, property, plant and equipment	14,262	—	—	14,262
Selling, general and administrative	36,055	4,120	32,466	72,641
Operating income (loss)	<u>\$ 39,961</u>	<u>\$ (16,447)</u>	<u>\$ (34,866)</u>	<u>\$ (11,352)</u>
Total assets	254,443	42,850	(39,177)	258,116
Capital expenditures	27,099	227	5,364	32,690
2014				
Revenue	\$ 276,891	\$ 53,283	\$ —	\$ 330,174
Cost of revenue (excluding depreciation and amortization)	145,565	42,644	—	188,209
Depreciation and amortization	24,510	3,806	1,146	29,462
Impairment of goodwill	—	2,719	—	2,719
Selling, general and administrative	38,490	3,829	33,381	75,700
Operating income (loss)	<u>\$ 68,326</u>	<u>\$ 285</u>	<u>\$ (34,527)</u>	<u>\$ 34,084</u>
Total assets	293,806	46,989	(40,958)	299,837
Capital expenditures	35,219	432	4,751	40,402

The following table presents revenue earned from the Company's domestic and international operations for the years ended December 31, 2016, 2015 and 2014. 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.

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

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Domestic	\$ 66,028	\$ 80,134	\$ 91,247
International	154,595	191,126	238,927
Total	<u>\$220,623</u>	<u>\$271,260</u>	<u>\$330,174</u>

The following table presents goodwill and long-lived assets for the Company's domestic and international operations as of December 31, 2016 and 2015.

	December 31,	
	2016	2015
	(in thousands)	
Domestic	\$27,682	\$ 36,506
International	70,101	73,073
Total	<u>\$97,783</u>	<u>\$109,579</u>

Note 13—Income Taxes

Income Tax Expense

The components of the income tax expense are:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Current:			
Federal	\$ 23	\$ 305	\$ 2,852
State	43	141	174
Foreign	4,386	7,619	11,272
Total current	<u>4,452</u>	<u>8,065</u>	<u>14,298</u>
Deferred:			
Federal	458	(5,456)	740
State	419	(288)	61
Foreign	496	88	301
Total deferred	<u>1,373</u>	<u>(5,656)</u>	<u>1,102</u>
Income tax expense	<u>\$5,825</u>	<u>\$ 2,409</u>	<u>\$15,400</u>

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

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Income (loss) before income taxes:			
United States	\$(18,361)	\$(27,741)	\$(10,685)
Foreign	12,889	13,490	42,068
	<u>\$ (5,472)</u>	<u>\$(14,251)</u>	<u>\$ 31,383</u>

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,		
	2016	2015	2014
	(in thousands)		
United States statutory federal income tax rate	\$(1,915)	\$ (4,988)	\$10,984
Non-deductible expenses	290	131	548
Non-taxable financial income and expense	—	(1,498)	(1,701)
Noncash compensation	761	349	(97)
U.S. tax on foreign earnings, net of tax credits	587	50	230
Changes in valuation allowances	6,681	10,358	11,646
Tax credits	(4,403)	410	(3,213)
State taxes	53	(130)	36
Effect of operating in foreign jurisdictions	1,818	1,216	(944)
Changes in prior year estimates	293	(58)	(2,576)
Changes in uncertain tax benefits	1,243	(3,430)	1,478
Revisions of deferred tax accounts	313	98	(1,088)
Other	104	(99)	97
Income tax expense	<u>\$ 5,825</u>	<u>\$ 2,409</u>	<u>\$15,400</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,	
	2016	2015
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$ 16,474	\$ 14,101
Federal, state and foreign tax credits	21,972	16,581
Depreciation and amortization	17,907	16,231
Unrealized loss on functional currency	444	566
Allowance for doubtful accounts	1,390	1,615
Accruals not currently deductible	2,101	2,934
Stock-based compensation	1,012	1,127
Intercompany Interest	2,044	2,112
Other	78	170
Valuation allowance	(50,298)	(43,825)
Total deferred tax assets	<u>13,124</u>	<u>11,612</u>
Deferred tax liabilities:		
Depreciation and amortization	(1,055)	(1,968)
Tax on foreign earnings	(2,140)	(1,553)
Other	(142)	(135)
Total deferred tax liabilities	<u>(3,337)</u>	<u>(3,656)</u>
Net deferred tax assets	<u>\$ 9,787</u>	<u>\$ 7,956</u>

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

At December 31, 2016, on an as filed basis, the Company has U.S. domestic net operating loss carry forwards of approximately \$9.5 million which will expire in 2036, state net operating loss carry forwards of approximately \$1.9 million which will expire in varying amounts beginning in 2023, and foreign net operating losses of \$50.9 million which can be carried forward for an unlimited period. As of December 31, 2016, the Company, on an as filed basis, has U.S. domestic foreign tax credit carry forwards of \$12.2 million which begin expiring in varying amounts in 2020. 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, 2016, a valuation allowance of \$50.3 million had been recorded. \$35.0 million related to US federal and local deferred tax assets, \$11.0 million related to Norway assets and \$4.3 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 \$2.1 million have been provided on the Qatar subsidiary for which the undistributed earnings as of December 31, 2016, were no longer considered permanently reinvested due to non-controlling ownership issues. In December of 2012, the Company restructured its foreign legal entities. This restructuring provides the Company with a vehicle whereby cash may be moved amongst the foreign entities efficiently. Therefore, all other foreign subsidiaries' undistributed earnings are considered permanently reinvested and the Company removed any deferred tax liability previously recognized. As of December 31, 2016, the Company has not recognized \$ 10.4 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, 2016 and 2015, no amount has been included in the income tax payable accounts or in the income tax expense not related to uncertain tax benefits.

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, 2016, 2015 and 2014, the Company's uncertain tax benefits totaling \$21.8 million, \$19.3 million and \$22.8 million, respectively, are reported as other liabilities in the consolidated balance sheets. Changes in the Company's gross unrecognized tax benefits are as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Balance, January 1,	\$15,718	\$15,454	\$13,222
Additions for the current year tax	794	1,501	2,668
Additions related to prior years	602	—	—
Reductions related to settlements with taxing authorities	(3,701)	(154)	—
Reductions related to lapses in statute of limitations	(169)	(1,083)	(384)
Reductions related to prior years	—	—	(52)
Balance, December 31,	<u>\$13,244</u>	<u>\$15,718</u>	<u>\$15,454</u>

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

As of December 31, 2016, the Company's gross unrecognized tax benefits which would impact the annual effective tax rate upon recognition were \$13.2 million. In addition, as of December 31, 2016, the Company has recorded related assets, net of a valuation allowance of \$7.0 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, 2016, 2015 and 2014, the Company has accrued penalties and interest of approximately \$8.8 million, \$7.3 million and \$7.3 million, respectively. The Company has recognized \$1.6 million, \$0.1 million and \$1.3 million of interest and penalties in income tax expense for the years ended December 31, 2016, 2015 and 2014, 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 \$1.1 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. 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 2006.

The IRS finalized an audit of the Company's 2013 income tax return in March 2016. There were no assessments or material impact to the company's Consolidated Financial Statements.

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

Note 14—Supplemental Quarterly Financial Information (Unaudited)

Summarized quarterly supplemental consolidated financial information for 2016 and 2015 are as follows:

	2016 Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share data)			
Revenue	\$ 62,341	\$ 54,911	\$ 50,612	\$ 52,759
Operating income (loss)	\$ 589	\$ (3,294)	\$ 247	\$ 7
Net loss	\$ (1,267)	\$ (4,856)	\$ (1,448)	\$ (3,726)
Net loss attributable to RigNet, Inc. common stockholders	\$ (1,333)	\$ (4,751)	\$ (1,658)	\$ (3,765)
Net loss per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.08)	\$ (0.27)	\$ (0.09)	\$ (0.21)
Net loss per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.08)	\$ (0.27)	\$ (0.09)	\$ (0.21)
Weighted average shares outstanding, basic	17,613	17,634	17,782	17,833
Weighted average shares outstanding, diluted	17,613	17,634	17,782	17,833

	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

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

Note 15 – 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 2.0% and 6.0% of such employee's eligible compensation, up to the maximum amount permitted by law. 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. The Company incurred expenses of none, \$0.8 million and \$0.6 million for the years ended December 31, 2016, 2015 and 2014, respectively, for employer contributions.

Note 16 – Restructuring Costs – Cost Reduction Plans

During the year ended December 31, 2016, the Company incurred net pre-tax restructuring expense of \$1.9 million reported as general and administrative expense in the Corporate segment consisting of \$3.3 million associated with the reduction of 148 employees partially offset by a net \$1.4 million release of previously accrued restructuring charges.

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 undertook 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 17 – Executive Departure costs

Marty Jimmerson, the Company's former CFO, served as Interim CEO and President from January 7, 2016 to May 31, 2016, to replace Mark Slaughter, the prior CEO and President. Mr. Jimmerson departed the Company on June 1, 2016. In connection with the departure of Mr. Slaughter, in the first quarter of 2016 the Company incurred a pre-tax executive departure expense of \$1.9 million in the Corporate segment. On May 31, 2016, Steven E. Pickett was named Chief Executive Officer (CEO) and President of the Company.

INDEX TO EXHIBITS

- 2.1 Share Purchase Agreement between RigNet, Inc. and the shareholders of Orgtec S.A.P.I. de C.V., d.b.a. TECNOR dated November 3, 2015 (filed as Exhibit 2.2 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2016, and incorporated herein by reference)
- 3.1 Amended and Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
- 3.2 Amendment to Amended and Restated Certificate of Incorporation, effective May 18, 2016. (filed as Exhibit 3.2 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
- 3.3 Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.3 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
- 3.4 Amendment to the Amended and Restated Bylaws of RigNet, Inc., effective May 18, 2016 (filed as Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 24, 2016, 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+ Amendment to the 2010 Omnibus Incentive Plan (filed as Exhibit 99.2 to the Registrant’s Registration Statement on Form S-8 [File No. 333-211471], as amended, and incorporated herein by reference)
- 10.4+ 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)
- 10.5+ 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)
- 10.6+ 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)
- 10.7+ Form of Restricted Stock Unit Award Agreement under the 2010 Omnibus Incentive Plan (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.8+ Form of Performance Unit Award Agreement under the 2010 Omnibus Incentive Plan (filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.9+ Form of Incentive Stock Option Award Agreement under the 2010 Omnibus Incentive Plan (filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.10+ Form of Nonqualified Stock Option Award Agreement under the 2010 Omnibus Incentive Plan (filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.11+ Form of Restricted Stock Award Agreement under the 2010 Omnibus Incentive Plan (filed as Exhibit 10.5 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.12+ 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)
- 10.13+ 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)
- 10.14+ Employment Agreement between the Registrant and Charles Schneider dated November 12, 2015 (filed as Exhibit 10.9 to the Registrant’s Annual Report on Form 10-K filed with the SEC on February 28, 2016, and incorporated herein by reference)
- 10.15+ Amendment to Employment Agreement between the Registrant and Charles Schneider dated April 20, 2016 (filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 25, 2016, and incorporated herein by reference)

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10.16+	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 filed with the SEC on March 7, 2013, and incorporated herein by reference)
10.17+	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)
10.18+	Severance Agreement between Registrant and Mark Slaughter dated January 30, 2016 (filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 28, 2016, and incorporated herein by reference)
10.19+	Employment Agreement between the Registrant and Martin Jimmerson dated as of January 7, 2016 (filed as Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 28, 2016, and incorporated herein by reference)
10.20+	Performance Unit Award Agreement by and between the Registrant and Martin Jimmerson effective January 1, 2016 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 10, 2016, and incorporated herein by reference)
10.21+	Employment Agreement between the Registrant and Steven E. Pickett dated May 31, 2016 (filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2016, and incorporated herein by reference)
10.22	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)
10.23	First Amendment to Second Amended and Restated Credit Agreement, dated as of February 24, 2016, but effective as of December 31, 2015 (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 28, 2016, and incorporated herein by reference)
10.24	Second Amendment to Second Amended and Restated Credit Agreement, dated as of December 16, 2016 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on December 20, 2016, and incorporated herein by reference)
10.25	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)
10.26	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)
10.27	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)
10.28	Lease agreement between the Registrant and Park 10 Tenant LLC for 15115 Park Row Boulevard, Suite 300, Houston, Texas 77084-4947
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.

OFFICE LEASE
BETWEEN
PARK 10 TENANT LLC
as Landlord
AND
RIGNET, INC.
as Tenant
Dated: January 26, 2017

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OFFICE LEASE

Park Ten Plaza – RigNet, Inc.

LIST OF EXHIBITS

Exhibit A-1	Plan Showing Premises
Exhibit A-2	Legal Description of Land
Exhibit B-1	Work Agreement
Exhibit C	Rules and Regulations
Exhibit D	Secretary's Certificate
Exhibit E	Confirmation of Commencement Date
Exhibit F	DTPA Provisions
Exhibit G	License Agreement to Install a Satellite Antennae
Exhibit H	Right of First Refusal Space
Exhibit I	Form of Subordination, Non-Disturbance, and Attornment Agreement
Exhibit J	Generator Area
Exhibit K	Signage
Exhibit L	Janitorial Specifications
Exhibit M	Reserved Parking Spaces

OFFICE LEASE

Park Ten Plaza – RigNet, Inc.

OFFICE LEASE

THIS OFFICE LEASE (“Lease”) is made as of the 26th day of January, 2017 (“Date of Lease”), by and between PARK 10 TENANT LLC, Delaware limited liability company, as successor-in-interest to Park Ten Owner LLC, a Texas limited liability company under that certain Master Lease Agreement dated May 17, 2013 (“Landlord”), and RIGNET, INC., a Delaware corporation (“Tenant”).

I. BASIC LEASE PROVISIONS AND DEFINITIONS

1.1 Premises. Approximately 28,808 Rentable Square Feet known as Suite 300 and located on the third (3rd) floor of the Building as depicted on **Exhibit A-1** attached hereto and made a part hereof.

1.2 Building. The building located at 15115 Park Row Boulevard, Houston, Texas 77084.

1.3 Project. The development known as Park Ten Plaza consisting of the real property and all improvements built thereon, including, without limitation, the Land, Building, Common Area, and Parking Facilities, containing approximately 155,140 Rentable Square Feet.

1.4 Land. The parcel of land on which the Project is located, as more particularly described on **Exhibit A-2** attached hereto and made a part hereof, and all rights, easements and appurtenances thereunto belonging or pertaining.

1.5 Common Area. All areas from time to time designated by Landlord for the general and nonexclusive common use or benefit of Tenant, other tenants of the Project, and Landlord, including, without limitation, roadways, entrances and exits, loading areas, landscaped areas, open areas, park areas, service drives, walkways, atriums, courtyards, concourses, ramps, hallways, stairs, washrooms, lobbies, elevators, common trash areas, vending or mail areas, common pipes, conduits, wires and appurtenant equipment within the Building, maintenance and utility rooms and closets, exterior lighting, exterior utility lines, and Parking Facilities.

1.6 Parking Facilities. All parking areas now or hereafter designated by Landlord for use by tenants of the Project and/or their guests and invitees, including, without limitation, surface parking, parking decks, parking structures and parking areas under or within the Project whether reserved, exclusive, non-exclusive or otherwise.

1.7 Rentable Square Feet (Foot) or Rentable Area. The rentable area within the Premises, Building or Project are deemed to be the amounts set forth in this **Article I**. Landlord and Tenant stipulate and agree that the Rentable Square Footage of the Premises, Building and Project are correct.

1.8 Permitted Use. Tenant may use the Premises subject to and in accordance with the terms, covenants and conditions set forth in this Lease, and applicable governmental regulations, restrictions and permitting (without the necessity of obtaining any zoning changes, conditional use permits or other special permits), solely for general business office purposes and uses incidental thereto.

1.9 Commencement Date. July 1, 2017, subject to adjustment as specified in **Article III**.

1.10 Expiration Date. June 30, 2025, subject to adjustment as specified in **Article III**.

1.11 Term. Ninety-six (96) months, beginning on the Commencement Date and expiring on the Expiration Date, subject to adjustment as specified in **Article III**.

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1.12 Basic Rent. The amount set forth in the following schedule, subject to adjustment as specified in **Article IV**. If the total Basic Rent payable during the Term is less than \$500,000.00, then Tenant shall execute Exhibit E.

<u>Period</u>	<u>Monthly Basic Rent</u>	<u>Period Basic Rent</u>
1 – 24	\$36,010.00	\$864,240.00*
25 – 36	\$37,210.33	\$446,524.00
37 – 48	\$38,410.67	\$460,928.00
49 – 60	\$39,611.00	\$475,332.00
61 – 72	\$40,811.33	\$489,736.00
73 – 84	\$42,011.67	\$504,140.00
85 – 96	\$43,212.00	\$518,544.00

* The Basic Rent and Tenant’s Proportionate Share of Operating Expense Rental and Real Estate Tax Rental shall be abated for the first twelve (12) months of the Term of this Lease (the “Abatement Period”). Commencing with the first day of the thirteenth (13th) month of the Term, Tenant shall make Basic Rent payments and Tenant’s Proportionate Share of Operating Expense Rental and Real Estate Tax Rental payments as otherwise provided in this Lease. All of the terms and conditions of this Lease shall remain in full force and effect during the Abatement Period.

1.13 Reserved.

1.14 Lease Year. Each consecutive 12 month period elapsing after: (i) the Commencement Date if the Commencement Date occurs on the first day of a month; or (ii) the first day of the month following the Commencement Date if the Commencement Date does not occur on the first day of a month. Notwithstanding the foregoing, the first Lease Year shall include the additional days, if any, between the Commencement Date and the first day of the month following the Commencement Date, in the event the Commencement Date does not occur on the first day of a month.

1.15 Calendar Year. For the purpose of this Lease, Calendar Year shall be a period of 12 months commencing on each January 1 during the Term, except that the first Calendar Year shall be that period from and including the Commencement Date through December 31 of that same year, and the last Calendar Year shall be that period from and including the last January 1 of the Term through the earlier of the Expiration Date or date of Lease termination.

1.16 Tenant’s Proportionate Share. Tenant’s Proportionate Share of the Project is 18.56% (determined by dividing the Rentable Square Feet of the Premises by the Rentable Square Feet of the Project and multiplying the resulting quotient by 100 and rounding to the second decimal place).

1.17 Parking Space Allocation. Tenant shall have the right to one hundred seventy-three (173) parking spaces within the Parking Facilities of which one hundred fifty (150) shall be unreserved parking spaces and twenty-three (23) of which shall be reserved parking spaces., which spaces are identified on Exhibit M. The parking rental for each of the unreserved parking spaces shall be \$0.00 per month per space and the parking rental for each of the reserved parking spaces shall be \$0.00 per month per space. Tenant’s Parking Space Allocation shall include Tenant’s Proportionate Share of visitor and handicapped parking.

1.18 Security Deposit. \$0.00.

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1.19 Brokers :

Landlord's :
Stream Realty Partners – Houston, L.P.

Tenant's :
Cushman & Wakefield of Texas, Inc.

1.20 Guarantor(s). None.

1.21 Landlord's Notice Address.

c/o USAA Real Estate Company
9830 Colonnade Boulevard, Suite 600
San Antonio, Texas 78230-2239
Attention: Head of Office Asset Management
Attention: General Counsel

With copies at the same time to.

Crimson Services, LLC
1980 Post Oak Boulevard, Suite 1600
Houston, Texas 77056
T: 713-840-2700
M:

Attn: Donald G. Thomas, II

1.22 Tenant's Notice Address.

Prior to the Commencement Date:

1880 S. Dairy Ashford, Suite 300
Houston, Texas 77077
Attention: General Counsel
Telephone: (281) 674-0713
Facsimile: (281) 674-0101

After the Commencement Date:

The Premises, Attention: General Counsel

With a copy to:

P.O. Box 941629
Houston, Texas 77094
Attention: General Counsel
Telephone: (281) 674-0713
Facsimile: (281) 674-0101

1.23 Interest Rate. The per annum interest rate of 10% per annum, but in no event greater than the maximum rate permitted by law.

1.24 Agents. Officers, partners, members, owners, directors, employees, agents, licensees, contractors, customers and invitees; to the extent customers and invitees are under the principal's control or direction.

II. PREMISES

2.1 Lease of Premises. In consideration of the agreements contained herein, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term and upon the terms and conditions set forth in this Lease. As an appurtenance to the Premises, Tenant shall have the general and nonexclusive right, together with Landlord and the other tenants of the Project, to use the Common Area subject to the terms and conditions of this Lease; provided, however, except to the extent Landlord's prior written approval is obtained, Landlord excepts and reserves exclusively to itself the use of (i) roofs (subject to the provisions of **Section 12.5** and **Article XXVI**); (ii) maintenance and utility equipment rooms and closets (provided, Tenant may access such spaces in connection with the performance of the Tenant Work and the maintenance, repair, and replacement of Tenant's voice and data cabling, subject to the terms of this Lease), and (iii) conduits, wires and appurtenant equipment within the Building and equipment rooms and closets, and exterior utility lines.

2.2 Landlord's Reservations. Provided Tenant's use of and access to the Premises is not materially adversely affected, Landlord reserves the right from time to time to: (i) install, use, maintain, repair, replace and relocate pipes, ducts, conduits, wires and appurtenant meters and equipment above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas of the Building; (ii) make changes to the design and layout of the Project, including, without limitation, changes to buildings, driveways, entrances, loading and unloading areas, direction of traffic, landscaped areas and walkways, parking spaces and parking areas; and (iii) use or close temporarily the Common Areas, and/or other portions of the Project while engaged in making improvements, repairs or alterations to the Building, the Project or any portion thereof. In addition, Landlord expressly reserves the right to change the name of the Building or the Project.

III. TERM

3.1 Commencement Date. Subject to the earlier termination or extension as otherwise provided in this Lease, the Term shall commence on the Commencement Date and expire at midnight on the Expiration Date. Promptly following the request of either party, Landlord and Tenant shall enter into an agreement confirming the Commencement Date and the Expiration Date, and certain other information, in the form of the Confirmation of Commencement Date attached hereto as **Exhibit E**.

3.2 Early Possession. Tenant may occupy the Premises for the purpose of constructing the Tenant Work upon (i) full execution of this Lease by Landlord and Tenant, and (ii) delivery by Tenant and all Tenant contractors of the insurance required by this Lease. Such possession shall be subject to the terms and conditions of this Lease; however, Tenant shall not be required to pay Rent (as defined in **Section 4.2**) for any days of possession before the Commencement Date during which Tenant is in possession of the Premises for the sole purpose of installing furniture, equipment or other personal property with the prior written approval of Landlord.

IV. RENT

4.1 Basic Rent. Tenant shall pay to Landlord the Basic Rent as specified in **Section 1.12**. Basic Rent shall be payable in monthly installments as specified in **Section 1.12**, in advance, without demand, notice, deduction, offset or counterclaim, on or before the first day of each and every calendar month during the Term. Any payment made by Tenant to Landlord on account of Basic Rent may be credited by Landlord to the payment of any late charges then due and payable and to any Basic Rent or Additional Rent (as defined in **Section 4.2**) then past due before being credited to Basic Rent currently due. Tenant shall pay Basic Rent and all Additional Rent electronically via automatic debit, ACH credit or wire transfer to such account as Landlord designates in writing to Tenant. Landlord may, in its sole discretion, designate an address for payment in lawful U.S. Dollars. If the Term commences on a day

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other than the first day of a calendar month or terminates on a day other than the last day of a calendar month, the monthly Basic Rent and Additional Rent shall be prorated based upon the number of days in such calendar month. Tenant's covenant to pay Rent and the obligation of Tenant to perform Tenant's other covenants and duties hereunder constitute independent, unconditional obligations to be performed at all times provided for hereunder, save and except only when an abatement thereof or reduction therein is expressly provided for in this Lease and not otherwise.

4.2 Additional Rent; Rent. All sums payable by Tenant under this Lease, other than Basic Rent, shall be deemed "Additional Rent," and, unless otherwise set forth herein, shall be payable in the same manner as set forth above for Basic Rent. Basic Rent and Additional Rent shall jointly be referred to as "Rent".

4.3 Operating Expense Rental and Real Estate Tax Rental. Tenant shall pay to Landlord throughout the remainder of the Term, as Additional Rent, (i) Tenant's Proportionate Share of the Operating Expenses (as defined in Section 6.1) during each Calendar Year ("Operating Expense Rental"); and (ii) Tenant's Proportionate Share of the Real Estate Taxes (as defined in Article VII) during each Calendar Year ("Real Estate Tax Rental"). In the event the Expiration Date is other than the last day of a Calendar Year, Operating Expense Rental and Real Estate Tax Rental for the applicable Calendar Year shall be appropriately prorated. Landlord shall submit to Tenant at the beginning of each Calendar Year, or as soon thereafter as reasonably possible, a statement of Landlord's estimate of Operating Expense Rental and Real Estate Tax Rental due from Tenant during such Calendar Year. In addition to Basic Rent, Tenant shall pay to Landlord on or before the first day of each month during such Calendar Year an amount equal to 1/12th of Landlord's estimated Operating Expense Rental and estimated Real Estate Tax Rental as set forth in Landlord's statement. If Landlord fails to give Tenant notice of its estimated payments due for any Calendar Year, then Tenant shall continue making monthly estimated Operating Expense Rental and Real Estate Tax Rental payments in accordance with the estimate for the previous Calendar Year until a new estimate is provided. If Landlord determines that, because of unexpected increases in Operating Expenses or Real Estate Taxes, Landlord's estimate of the Operating Expense Rental or Real Estate Tax Rental was too low, then Landlord shall have the right to give a new statement of the estimated Operating Expense Rental and estimated Real Estate Tax Rental due from Tenant for the balance of such Calendar Year and bill Tenant for any deficiency. Tenant shall thereafter pay monthly estimated payments based on such new statement.

Within 90 days after the expiration of each Calendar Year, or as soon thereafter as is practicable, Landlord shall submit a statement to Tenant showing the actual Operating Expenses Rental and the actual Real Estate Tax Rental due from Tenant for such Calendar Year. If for any Calendar Year, Tenant's estimated Operating Expense Rental payments exceed the actual Operating Expense Rental due from Tenant, then Landlord shall give Tenant a credit in the amount of the overpayment toward Tenant's next monthly payment of Basic Rental and estimated Operating Expense Rental, or, in the event this Lease has expired or terminated and no Event of Default (as defined in Section 20.1) exists, Landlord shall pay Tenant the total amount of such excess upon delivery of the reconciliation to Tenant. If for any Calendar Year, Tenant's estimated Operating Expense Rental payments are less than the actual Operating Expense Rental due from Tenant, then Tenant shall pay the total amount of such deficiency to Landlord within 30 days after receipt of the reconciliation from Landlord. If for any Calendar Year, Tenant's estimated Real Estate Tax Rental payments exceed the actual Real Estate Tax Rental due from Tenant, then Landlord shall give Tenant a credit in the amount of the overpayment toward Tenant's next monthly payment of Basic Rental and estimated Real Estate Tax Rental, or, in the event this Lease has expired or terminated and no Event of Default exists, Landlord shall pay Tenant the total amount of such excess upon delivery of the reconciliation to Tenant. If for any Calendar Year, Tenant's estimated Real Estate Tax Rental payments are less than the actual Real Estate Tax Rental due from Tenant, then Tenant shall pay the total amount of such deficiency to Landlord within 30 days after receipt of the reconciliation from Landlord. Landlord's and Tenant's obligations with respect to any overpayment or underpayment of Operating Expense Rental and Real Estate Tax Rental shall survive the expiration or termination of this Lease.

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4.4 Sales or Excise Taxes. Tenant shall pay to Landlord, as Additional Rent, concurrently with payment of Basic Rent all taxes, including, but not limited to any and all sales, rent or excise taxes (but specifically excluding income taxes calculated upon the net income of Landlord) on Basic Rent, Additional Rent or other amounts otherwise benefiting Landlord, as levied or assessed by any governmental or political body or subdivision thereof against Landlord on account of such Basic Rent, Additional Rent or other amounts otherwise benefiting Landlord, or any portion thereof.

4.5 Method of Calculation. Tenant is knowledgeable and experienced in commercial transactions and does hereby acknowledge and agree that the provisions of this Lease for determining charges and amounts payable by Tenant are commercially reasonable and valid and constitute satisfactory methods for determining such charges and amounts as required by Section 93.012 of the Texas Property Code. TENANT FURTHER VOLUNTARILY AND KNOWINGLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ALL RIGHTS AND BENEFITS OF TENANT UNDER SUCH SECTION, AS IT NOW EXISTS OR AS IT MAY BE HEREAFTER AMENDED OR SUCCEEDED.

V. SECURITY DEPOSIT

INTENTIONALLY OMITTED.

VI. OPERATING EXPENSES

6.1 Operating Expenses Defined. As used herein, the term “Operating Expenses” shall mean all expenses, costs and disbursements of every kind and nature, except as specifically excluded otherwise herein, which Landlord incurs because of or in connection with the ownership, maintenance, management and operation of the Project, and, if the Project is less than 100% occupied, all additional costs and expenses of ownership, operation, management and maintenance of the Project which Landlord determines that it would have paid or incurred during any Calendar Year as if the Project had been 100% occupied. Operating Expenses may include, without limitation, all costs, expenses and disbursements incurred or made in connection with the following:

(i) Commercially reasonable wages and salaries of all employees, whether employed by Landlord or the Project’s management company, at or below the grade of senior building manager, to the extent engaged in the operation and maintenance of the Project, and all costs related to or associated with such employees or the carrying out of their duties, including uniforms and their cleaning, taxes, auto allowances, training and insurance and benefits (including, without limitation, contributions to pension and/or profit sharing plans and vacation or other paid absences);

(ii) A management fee payable to Landlord or the company or companies managing the Project, if any, and the costs of equipping and maintaining a management office, including, but not limited to, rent, accounting and legal fees, supplies and other administrative costs for services specifically allocated to the Building, but in any event, not to exceed three percent (3%) of the gross revenues of the Project;

(iii) All supplies, tools, equipment and materials, including janitorial and lighting supplies, used directly in the operation and maintenance of the Project, including any lease payments therefor;

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(iv) All utilities, including, without limitation, electricity, water, sewer and gas, for the Project (except the cost of utilities reimbursable to the Landlord by the Project's tenants other than pursuant to a provision similar to this Section);

(v) All maintenance, operation and service agreements for the Project, and any equipment related thereto, including, without limitation, service and/or maintenance agreements for the Parking Facilities, energy management, HVAC, plumbing and electrical systems, and for window cleaning, elevator maintenance, janitorial service, groundskeeping, interior and exterior landscaping and plant maintenance;

(vi) Premiums and deductibles paid for insurance relating to the Project including, without limitation, fire and extended coverage, boiler, earthquake, windstorm, rental loss, and commercial general liability insurance;

(vii) All repairs to the Project, including interior, exterior, structural or nonstructural repairs, and regardless of whether foreseen or unforeseen; provided, however, any structural repairs which under generally accepted accounting principles should be classified as capital improvements shall be subject to inclusion pursuant to the terms of **Section 6.1 (ix)** and otherwise excluded pursuant to **Section 6.2(v)** below;

(viii) All maintenance of the Project, including, without limitation, repainting Common Areas, replacing Common Area wall coverings, window coverings and carpet, ice and snow removal, window washing, landscaping, groundskeeping, trash removal and the patching, painting, resealing and complete resurfacing of roads, driveways and parking lots;

(ix) Any capital improvements made to the Project for the purpose of reducing Operating Expenses or which are required under any governmental law or regulation that was not applicable to the Project as of the Date of Lease, the cost of which shall be amortized on a straight-line basis over the improvement's useful life, not to exceed the Project's useful life, together with interest on the unamortized balance of such cost at the Interest Rate, or such higher rate as may have been paid by Landlord on funds borrowed for the purposes of constructing such capital improvements, or, at Landlord's election in the case of capital improvements that lower operating costs, the amortization amount will be Landlord's reasonable estimate of annual cost savings;

(x) All amounts paid under easements, declarations, or other agreements or instruments affecting the Project, including, without limitation, assessments paid to property owners' or similar associations or bodies; and

(xi) Margin taxes on revenue or income derived from the Project ("Margin Tax").

6.2 Operating Expense Exclusions. Operating Expenses shall not include:

(i) the cost of improvements to tenant spaces including "tenant allowances", "tenant concessions", work letters, and other costs or expenses (including permit, license and inspection fees) incurred in completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants or other occupants of the Building, or vacant, leasable space in the Project, including space planning/interior design fees for same;

(ii) the cost of capital improvements other than as provided in **Section 6.1(ix)**;

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- (iii) interest and principal payments on mortgages or rental payments on any ground lease of the Project;
- (iv) leasing commissions and any costs for marketing, solicitation, negotiation and execution of leases;
- (v) legal fees, space planner fees and advertising expenses incurred with regard to leasing the Project or parts thereof and similar costs incurred in connection with disputes with and/or enforcement of any leases with tenants, other occupants, or prospective tenants or other occupants of the Building;
- (vi) any cost or expenditure for which Landlord is reimbursed, by insurance or condemnation proceeds or otherwise, except by Operating Expenses;
- (vii) costs in connection with services, items or other benefits of a type which are not standard for the Building and which are not available to Tenant without specific charge therefor, but which are provided to another tenant or occupant of the Building, whether or not such other tenant or occupant is specifically charged therefor by Landlord;
- (viii) depreciation and amortization (except on any capital items mentioned above);
- (ix) the cost of correcting defects in initial construction of the Project (as opposed to the cost of normal repair, maintenance and replacement expected for the construction materials and equipment installed in the Project in light of their specifications);
- (x) legal and auditing fees which are for the benefit of Landlord as opposed to the operation of the Project, such as collecting delinquent rents, preparing tax returns and other financial statements, and audits;
- (xi) compensation in the form of wages, salaries and such other compensation and benefits, as well as any adjustments thereto, for all employees and personnel of Landlord above the level of the senior building manager;
- (xii) fines, penalties and interest;
- (xiii) an equitable allocation of the wages, salaries and other compensation and benefits of Landlord's employees and personnel that work on other projects, including, without limitation, those being periodically developed, managed and/or operated by Landlord, in addition to the Building and/or the Project, among all such projects in proportion to their time spent in performing services other than for the Building;
- (xiv) costs of repairs, replacements or other work occasioned by fire, windstorm or other casualties covered by fire and extended coverage insurance required to be maintained hereunder, or the exercise by governmental authorities of the right of eminent domain;
- (xv) compensation paid to clerks, attendants or other persons in commercial concessions (such as a snack bar, restaurant or newsstand), if any, operated by Landlord or any subsidiary or affiliate of Landlord;
- (xvi) costs directly resulting from the negligence or willful misconduct of Landlord, its employees, agents and/or contractors;

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- (xvii) real estate taxes allocable solely to the leasehold improvements of other tenants in the Building;
- (xviii) management fees in excess of three percent (3%) of the gross revenues collected by Landlord for the Project;
- (xix) costs relating to the abatement or remediation of any hazardous substance or material in the Project as defined under any applicable laws;
- (xx) any increase in the Landlord's insurance premiums caused by a specific use of another tenant or by Landlord;
- (xxi) costs (including penalties, interest, fines and legal fees) incurred due to violation by Landlord of the terms and conditions of this Lease or any other lease or due to violations by Landlord, its agents, contractors or assigns, of any governmental rule or authority;
- (xxii) fees and other compensation paid to subsidiaries or other affiliates of Landlord for services on or to the Project, to the extent that the costs of such services exceed competitive costs of such services were they not so rendered by a subsidiary or affiliate of Landlord;
- (xxiii) federal and state taxes on income; death, estate or inheritance taxes, franchise or gross margin taxes and any taxes imposed or measured on or by the income of Landlord from the operation of the Project (other than the franchise tax set forth in V.T.C.A. Tax Code section 171.0001 et seq., as the same may be amended or recorded from time to time) or imposed in connection with any change of ownership of the Project;
- (xxiv) Landlord's general overhead and administrative expenses;
- (xxv) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature except in the case of emergency and except equipment which is used in providing janitorial services and which is not fixed to the Building;
- (xxvi) all extra janitorial and/or cleaning costs for specific tenants or related to construction of improvements to tenant spaces;
- (xxvii) costs incurred in installing, operating, maintaining and owning any specialty items or services not normally installed, operated and maintained in buildings comparable to the Building and not necessary for Landlord's operation, repair and maintenance of, and the providing of required services for, the Building and/or any associated parking facilities, including, but not limited to, an observatory, beacon(s), broadcasting facilities (other than the Building's music system, and life support and security systems), luncheon club, athletic or recreational club, helicopter pad, child care center, etc.;
- (xxviii) costs or expenses for sculpture, paintings or other works of art, including costs incurred with respect to the purchase, ownership, leasing, showing, promotion, repair and/or maintenance of same;
- (xxix) contributions to Operating Expense reserves;
- (xxx) contributions to charitable organizations;

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(xxxix) costs or fees relating to the defense of Landlord's title to or interest in the Building and/or the Land, or any part thereof.

(xxxix) Interest or penalties due to late payments of Taxes, utility bills and other costs;

(xxxix) Advertising and promotional expenses; and

(xxxix) Costs of restoration or repair of the Building as a result of total or partial destruction or condemnation thereof (other than any deductible related thereto).

6.3 Tenant's Right to Audit. Tenant shall have a right, at Tenant's sole cost and expense, to audit Landlord's Operating Expense Rental reconciliation statement upon the following terms and conditions. Tenant shall notify Landlord in writing that it is exercising its right to audit within 120 days following delivery of the Operating Expense Rental reconciliation statement, indicating in such notice with reasonable specificity those cost components of Operating Expense Rental to be subject to audit. The audit shall take place at the Building at a time mutually convenient to Landlord and Tenant (but not later than 60 days after receipt of Tenant's notice to audit). Except as Landlord may consent in writing, the audit shall be completed within 10 days after commencement. No copying of Landlord's books or records will be allowed. The audit may be accomplished by either Tenant's own employees with accounting experience reasonably sufficient to conduct such review, or a nationally or regionally recognized public accounting firm mutually acceptable to Landlord and Tenant that is engaged on either a fixed price or hourly basis, and is not compensated on a contingency or bonus basis. Under no circumstances shall Landlord be required to consent to an accounting firm that is also a tenant of Landlord (or any Landlord affiliate) in the Building or any building in the city or metropolitan area in which the Building is located. The records reviewed by Tenant shall be treated as confidential and prior to commencing the audit, Tenant and any other person which may perform such audit for Tenant, shall execute a Confidentiality Agreement in a form reasonably acceptable to Landlord. A copy of the results of the audit shall be delivered to Landlord within 30 days after the completion of the audit. If Landlord and Tenant determine that Operating Expense Rental for the Calendar Year is less than reported, Landlord shall give Tenant a credit in the amount of the overpayment toward Tenant's next monthly payment of estimated Operating Expense Rental, or, in the event this Lease has expired or terminated and no Event of Default exists, Landlord shall pay Tenant the total amount of such overpayment within 30 days. If Landlord and Tenant determine that Operating Expense Rental for the Calendar Year is more than reported, Tenant shall pay Landlord the amount of any underpayment within 30 days. **Failure by Tenant to timely request an audit, or to timely deliver to Landlord the results of the audit, or to follow any of the procedures set forth in this Section 6.3 is deemed a waiver of the applicable audit right and any right to contest Operating Expense Rental for the applicable Calendar Year and is deemed acceptance of the Operating Expense Rental contained in the Operating Expense Rental reconciliation statement for the applicable Calendar Year.** Any audit review by Tenant shall not postpone or alter the liability and obligation of Tenant to pay any Operating Expense Rental due under the terms of this Lease. Tenant shall not be entitled to conduct such an audit if any Event of Default exists under this Lease. No subtenant shall have any right to conduct an audit except for a permitted assignee or sublessee under **Article X** of this Lease occupying the entire Premises and no assignee or sublessee shall conduct an audit for any period during which such assignee or sublessee was not in possession of the Premises or for any period in which Tenant has conducted an audit. Furthermore, if, following the completion of the audit, Landlord and Tenant determine that the actual Operating Expense Rental for the Calendar Year was overstated by more than 5%, then a credit in the amount of all reasonable out of pocket third party expenses incurred by Tenant in conducting such review, which amount shall not exceed \$10,000.00, shall be applied towards Tenant's next monthly payments of estimated Operating Expense Rental or, if this Lease has expired or terminated and no Event of Default exists, Landlord shall pay Tenant such expenses to Tenant within 30 days after receipt of Tenant's invoice.

6.4 L imitations on Operating Expense Rental. Notwithstanding anything in this Lease to the contrary, including, without limitation, this **Article VI**, for purposes of determining Tenant's Operating Expense Rental, in no event shall Controllable Operating Expenses (as hereinafter defined) be deemed to have increased during any Calendar Year (or prorated portion thereof) following 2017 by more than an amount equal to Controllable Operating Expenses for 2017 increased by five percent (5%) per annum, compounded annually on a cumulative basis. For purposes of this **Section 6.4**, "Controllable Operating Expenses" shall mean all Operating Expenses other than taxes and assessments, insurance, utilities, costs of unionized janitorial services, security costs, snow removal, and costs to comply with government requirements, including costs resulting from changes in applicable laws, rules, regulations or ordinances.

VII. REAL ESTATE TAXES

Real Estate Taxes shall be defined as (i) all real property taxes and assessments levied by any public authority against the Project; (ii) all personal property taxes levied by any public authority on personal property of Landlord used in the management, operation, maintenance and repair of the Project, (iii) all taxes, assessments and reassessments of every kind and nature whatsoever levied or assessed in lieu of or in substitution for existing or additional real or personal property taxes and assessments on the Project, or (iv) amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits or any other purposes which are assessed, levied, confirmed, imposed or become a lien upon the Premises or Project or become payable during the Term. Further, for the purposes of this **Article VII**, Real Estate Taxes shall include the reasonable expenses (including, without limitation, attorneys' fees) incurred by Landlord in challenging or obtaining or attempting to obtain a reduction of such Real Estate Taxes, regardless of the outcome of such challenge, and any costs incurred by Landlord for compliance, review and appeal of tax liabilities. Notwithstanding the foregoing, Landlord shall have no obligation to challenge Real Estate Taxes. If as a result of any such challenge, a tax refund is made to Landlord, then provided no Event of Default exists under this Lease, the amount of such refund less the expenses of the challenge shall be deducted from Real Estate Taxes due in the Calendar Year such refund is received. In the case of any Real Estate Taxes which may be evidenced by improvement or other bonds or which may be paid in annual or other periodic installments, Landlord shall elect to cause such bonds to be issued or cause such assessment to be paid in installments over the maximum period permitted by law. **Except for the Margin Tax included in Operating Expenses, nothing contained in this Lease shall require Tenant to pay any franchise, gift, estate, inheritance or succession transfer tax of Landlord, or any income, profits or revenue tax or charge, upon the net income of Landlord from all sources. Tenant hereby waives any and all rights under Section 41.413 of the Texas Tax Code and any other applicable laws to protest appraised values or to receive notice of reappraised values regarding the Project or other property of Landlord.**

VIII. PARKING

During the Term, Tenant shall have the right in common with other tenants in the Building to rent/use the Parking Space Allocation (as defined in **Section 1.17**). Tenant shall pay to Landlord as Additional Rental on the first day of each calendar month during the Term the parking space rental specified in **Section 1.17**, whether or not Tenant actually uses all of the parking stalls allocated to Tenant. All parking rights are subject to the Rules and Regulations (as defined in **Article XVIII**), validation, key-card, sticker or other identification systems set forth by Landlord from time to time. Landlord may restrict certain portions of the Parking Facilities for the exclusive use of one or more tenants of the Building and may designate other areas to be used at large only by customers and visitors of tenants of the Building so long as Tenant's parking ratio (6 spaces per 1,000 RSF) is not reduced. Except in connection with an assignment or sublease that is expressly permitted under this Lease, Tenant's parking rights and

privileges described herein are personal to Tenant and may not be assigned or transferred. Landlord shall have the right to cause to be removed any vehicles of Tenant or its Agents that are parked in violation of this Lease or in violation of the Rules and Regulations of the Building, without liability of any kind to Landlord.

IX. USE AND REQUIREMENTS OF LAW

9.1 **Use**. The Premises will be used only for the Permitted Use. Tenant and Tenant's Agents will not: (i) do or permit to be done in or about the Premises, nor bring to, keep or permit to be brought or kept in the Premises, anything which is prohibited by or will in any way conflict with any law, statute, ordinance or governmental rule or regulation which is now in force or which may be enacted or promulgated after the Date of Lease; (ii) do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants of the Building or Project; (iii) do or permit anything to be done in or about the Premises which is dangerous to persons or property; or (iv) cause, maintain or permit any nuisance in, on or about the Premises or commit or allow to be committed any waste in, on or about the Premises. At its sole cost and expense, Tenant will promptly comply with (a) all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or in force after the Commencement Date of this Lease regarding the operation of Tenant's business and the use, condition, configuration and occupancy of the Premises (except to the extent of Landlord's obligations under **Section 9.3** and **Exhibit B-1** with respect to the Tenant Work); (b) the certificate of occupancy issued for the Building and the Premises; and (c) any recorded covenants, conditions and restrictions, if any, which affect the use, condition, configuration and occupancy of the Premises. The term "Permitted Use" specifically excludes any use as a call center or similar high-density use; as an employment agency for day labor; by a governmental agency; or that is inconsistent with the Building being a Class A professional office building consistent with other Class A office buildings in the submarket in which the Building is located.

9.2 **Hazardous Materials**. Tenant shall not bring or allow any of Tenant's Agents to bring on the Premises or the Project, any asbestos, petroleum or petroleum products, used oil, explosives, toxic materials or substances defined as hazardous wastes, hazardous materials or hazardous substances under any federal, state or local law or regulation ("**Hazardous Materials**"), except for routine office and janitorial supplies used on the Premises and stored in the usual and customary manner and quantities, and in compliance with all applicable environmental laws and regulations. In the event of any release of Hazardous Materials on, from, under or about the Premises or the Project as the result of Tenant's occupancy of the Premises, Landlord shall have the right, but not the obligation, to cause Tenant, at Tenant's sole cost and expense, to clean up, remove, remediate and repair any soil or groundwater contamination or other damage or contamination in conformance with the requirements of applicable law. **Tenant shall indemnify, protect, hold harmless and defend (by counsel acceptable to Landlord) Landlord, and its Agents and each of their respective successors and assigns, from and against any and all claims, damages, penalties, fines, liabilities and cost (including reasonable attorneys' fees and court costs) caused by or arising out of (i) a violation of the foregoing prohibitions or (ii) the presence or release of any Hazardous Materials on, from, under or about the Premises, the Project or other properties as the result of Tenant's occupancy of the Premises.** Neither the written consent of Landlord to the presence of the Hazardous Materials, nor Tenant's compliance with all laws applicable to such Hazardous Materials, shall relieve Tenant of its indemnification obligation under this Lease. Tenant shall immediately give Landlord written notice (a) of any suspected breach of this **Section 9.2**, (b) upon learning of the presence or any release of any Hazardous Materials, or (c) upon receiving any notices from governmental agencies or other parties pertaining to Hazardous Materials which may affect the Premises. Landlord shall have the right from time to time, but not the obligation, to enter upon the Premises in accordance with **Article XIV** to conduct such inspections and undertake such sampling and testing activities as Landlord deems necessary or desirable to determine whether Tenant is in compliance

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with this provision. **Landlord shall indemnify, defend and hold harmless Tenant from and against any and all claims, damages, fines, judgments, penalties, costs, liabilities, losses and reasonable attorneys' fees to the extent arising out of or in connection with the existence of Hazardous Materials brought on the Premises, Building or Project by Landlord.** The obligations of Landlord and Tenant hereunder shall survive the expiration or earlier termination, for any reason, of this Lease.

9.3 ADA Compliance. Notwithstanding any other statement in this Lease, the following provisions shall govern the parties' compliance with the Americans With Disabilities Act of 1990, as amended from time to time, Public Law 101-336; 42 U.S.C. §§12101, et seq. (the foregoing, together with any similar state statute governing access for the disabled or handicapped collectively referred to as the "ADA"):

(a) To the extent governmentally required as of or subsequent to the Commencement Date of this Lease as a result of an amendment to Title III of the ADA or any regulation thereunder enacted subsequent to the Commencement Date of this Lease, **Landlord shall be responsible for compliance with Title III of the ADA with respect to any repairs, replacements or alterations to the Common Area of the Project, and such expense shall be included as an Operating Expense of the Project. Landlord shall indemnify, defend and hold harmless Tenant and its Agents from all fines, suits, procedures, penalties, claims, liability, losses, expenses and actions of every kind, and all costs associated therewith (including, without limitation, reasonable attorneys' and consultants' fees) arising out of or in any way connected with Landlord's failure to comply with Title III of the ADA as required above.**

(b) To the extent governmentally required, Tenant shall be responsible for compliance, at its expense, with Titles I and III of the ADA with respect to the Premises. **Tenant shall indemnify, defend and hold harmless Landlord and its Agents from all fines, suits, procedures, penalties, claims, liability, losses, expenses and actions of every kind, and all costs associated therewith (including, without limitation, reasonable attorneys' and consultants' fees) arising out of or in any way connected with Tenant's failure to comply with Titles I and III of the ADA as required above.**

X. ASSIGNMENT AND SUBLETTING

10.1 Landlord's Consent.

(a) Tenant shall not assign, transfer, mortgage or otherwise encumber this Lease or sublet or rent (or permit a third party to occupy or use) the Premises, or any part thereof, nor shall any assignment or transfer of this Lease or the right of occupancy hereunder be effected by operation of law or otherwise, without the prior written consent of Landlord, such consent not to be unreasonably withheld, conditioned, or delayed. A transfer at any one time or from time to time of a majority interest in Tenant (whether stock, partnership interest or other form of ownership or control) shall be deemed to be an assignment of this Lease, unless at the time of such transfer Tenant is an entity whose outstanding stock is listed on a recognized security exchange. Within 30 days following Landlord's receipt of Tenant's request for Landlord's consent to a proposed assignment, sublease, or other encumbrance, together with all information required to be delivered by Tenant pursuant to the provisions of this **Section 10.1**, Landlord shall: (i) consent to such proposed transaction; (ii) refuse such consent; or (iii) elect to terminate this Lease in the event of an assignment, or in the case of a sublease, terminate this Lease as to the portion of the Premises proposed to be sublet in accordance with the provisions of **Section 10.2**. Any assignment, sublease or other encumbrance without Landlord's written consent shall be voidable by Landlord and, at Landlord's election, constitute an Event of Default hereunder. Without limiting other instances in which Landlord may reasonably withhold consent to an assignment or sublease, Landlord and

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Tenant acknowledge that Landlord may withhold consent (a) if an Event of Default exists under this Lease or if an Event of Default would exist but for the pendency of any cure periods provided under **Section 20.1**; or (b) if the proposed assignee or sublessee is: a governmental entity; a person or entity with whom Landlord has negotiated for space in the Project during the prior six months; a present tenant in the Project; a person or entity whose tenancy in the Project would not be a Permitted Use or would violate any exclusivity arrangement which Landlord has with any other tenant; a person or entity of a character or reputation or engaged in a business which is not consistent with the quality of the Project; or not a party of reasonable financial worth and/or financial stability in light of the responsibilities involved under this Lease on the date consent is requested. If Tenant requests Landlord's consent to a specific assignment or subletting, Tenant will submit in writing to Landlord: (1) the name and address of the proposed assignee or subtenant; (2) a counterpart of the proposed agreement of assignment or sublease; (3) reasonably satisfactory information as to the nature and character of the business of the proposed assignee or subtenant, and as to the nature of its proposed use of the space; (4) banking, financial or other credit information reasonably sufficient to enable Landlord to determine the financial responsibility and character of the proposed assignee or subtenant; (5) executed estoppel certificates from Tenant containing such information as provided in **Section 24.4**; and (6) any other information reasonably requested by Landlord.

(b) Notwithstanding that the prior express written permission of Landlord to any of the aforesaid transactions may have been obtained, the following shall apply:

(i) In the event of an assignment, contemporaneously with the granting of Landlord's aforesaid consent, Tenant shall cause the assignee to expressly assume in writing and agree to perform all of the covenants, duties, and obligations of Tenant hereunder and such assignee shall be jointly and severally liable therefor along with Tenant.

(ii) All terms and provisions of this Lease shall continue to apply after any such transaction.

(iii) In any case where Landlord consents to an assignment, transfer, encumbrance or subletting, the undersigned Tenant and any Guarantor shall nevertheless remain directly and primarily liable for the performance of all of the covenants, duties, and obligations of Tenant hereunder (including, without limitation, the obligation to pay all Rent and other sums herein provided to be paid), and Landlord shall be permitted to enforce the provisions of this instrument against the undersigned Tenant, any Guarantor and/or any assignee without demand upon or proceeding in any way against any other person. Neither the consent by Landlord to any assignment, transfer, encumbrance or subletting nor the collection or acceptance by Landlord of rent from any assignee, subtenant or occupant shall be construed as a waiver or release of the initial Tenant or any Guarantor from the terms and conditions of this Lease or relieve Tenant or any subtenant, assignee or other party from obtaining the consent in writing of Landlord to any further assignment, transfer, encumbrance or subletting.

(iv) Tenant hereby assigns to Landlord the rent and other sums due from any subtenant, assignee or other occupant of the Premises and hereby authorizes and directs each such subtenant, assignee or other occupant to pay such rent or other sums directly to Landlord; provided however, that until the occurrence of an Event of Default, Tenant shall have the license to continue collecting such rent and other sums. Notwithstanding the foregoing, in the event that the rent due and payable by a sublessee under any such permitted sublease exceeds the hereinabove provided Rent payable under this Lease, or if with respect to a permitted assignment, permitted license, or other transfer by Tenant permitted by Landlord, the consideration payable to Tenant by the assignee, licensee, or other transferee exceeds the Rent payable under this Lease, then Tenant shall be bound and obligated to pay Landlord, in accordance with **Section 10.3**, the Net Profits (as defined in **Section 10.3**) and any other excess consideration within 10 days following receipt thereof by Tenant from such sublessee, assignee, licensee, or other transferee, as the case may be.

(v) Tenant shall pay Landlord a fee in the amount of \$1,000.00 to reimburse Landlord for all its expenses under this **Article X**, including, without limitation, reasonable attorneys' fees, in connection with any request for Landlord's consent to a sublease, assignment or deemed assignment, whether or not Landlord consents to such request.

10.2 **Landlord's Option to Recapture Premises**. If Tenant proposes to assign this Lease other than to a Related Entity, Landlord may, at its option, upon written notice to Tenant given within 30 days after its receipt of Tenant's notice of proposed assignment, together with all other necessary information, elect to recapture the Premises and terminate this Lease. If Tenant proposes to sublease all or part of the Premises for the remainder of the Term, Landlord may, at its option upon written notice to Tenant given within 30 days after its receipt of Tenant's notice of proposed subletting, together with all other necessary information, elect to recapture such portion of the Premises as Tenant proposes to sublease and upon such election by Landlord, this Lease shall terminate as to the portion of the Premises recaptured. If a portion of the Premises is recaptured, the Rent payable under this Lease shall be proportionately reduced based on the square footage of the Rentable Square Feet retained by Tenant and the square footage of the Rentable Square Feet leased by Tenant immediately prior to such recapture and termination, and Landlord and Tenant shall thereupon execute an amendment to this Lease in accordance therewith. Landlord may thereafter, without limitation, lease the recaptured portion of the Premises to the proposed assignee or subtenant without liability to Tenant. Upon any such termination, Landlord and Tenant shall have no further obligations or liabilities to each other under this Lease with respect to the recaptured portion of the Premises, except with respect to obligations or liabilities which accrue or have accrued hereunder as of the date of such termination (in the same manner as if the date of such termination were the date originally fixed for the expiration of the Term).

10.3 **Distribution of Net Profits**. In the event that Tenant assigns this Lease or sublets all or any portion of the Premises during the Term, Landlord shall receive 50% of any "Net Profits" (as hereinafter defined) and Tenant shall receive 50% of any Net Profits received by Tenant from any such assignment or subletting. The term "**Net Profits**" as used herein shall mean such portion of the Rent payable by such assignee or subtenant in excess of the Rent payable by Tenant under this Lease (or pro rata portion thereof in the event of a subletting) for the corresponding period, after deducting from such excess Rent all of Tenant's documented reasonable third party costs associated with such assignment or subletting, including, without limitation, broker commissions, attorney fees and any costs incurred by Tenant to prepare or alter the Premises, or portion thereof, for the assignee or sublessee.

10.4 **Transfers to Related Entities**. Notwithstanding anything in this **Article X** to the contrary, provided no Event of Default exists under this Lease or would exist but for the pendency of any cure periods provided for under **Section 20.1**, Tenant may, without Landlord's consent, but after providing written notice to Landlord and subject to the provisions of **Section 10.1(b)(i-v)**, assign this Lease or sublet all or any portion of the Premises to any Related Entity (as hereinafter defined) provided that (i) such Related Entity is not a governmental entity or agency; (ii) such Related Entity's use of the Premises would not cause Landlord to be in violation of any exclusivity agreement within the Project; and (iii) the tangible net worth (computed in accordance with generally accepted accounting principles exclusive of goodwill) of any assignee after such transfer is greater than or equal to the greater of (a) the tangible net worth of Tenant as of the Date of Lease; or (b) the tangible net worth of Tenant immediately prior to such transfer, and proof satisfactory to Landlord that such tangible net worth standards have been met shall have been delivered to Landlord at least 10 days prior to the effective date of any such transaction. "**Related Entity**" shall be defined as (i) any parent company, subsidiary, affiliate or related corporate entity of Tenant that controls, is controlled by, or is under common control with Tenant; (ii) the surviving entity in the case of any merger, consolidation, acquisition, or reorganization of Tenant; or (iii) to any person or entity which acquires all or substantially all of the assets or stock of Tenant.

10.5 Transfers of Ownership. Notwithstanding anything in this **Article X** to the contrary, provided that no Event of Default exists under this Lease or would exist but for the pendency of any cure periods provided for under **Section 20.1**, Tenant may, without Landlord's consent, transfer a majority interest in Tenant in one or more transactions, provided that the net worth (computed in accordance with generally accepted accounting principles exclusive of intangible assets, including goodwill) of Tenant after such transfer is at least equal to the greater of (i) the net worth of Tenant as of the Date of Lease; or (ii) the net worth of Tenant immediately prior to such transfer (or the first such transfer in the case of a series of transfers), and proof reasonably satisfactory to Landlord of such net worth shall have been delivered to Landlord at least 10 days prior to the effective date of any such transaction. For the purposes of the preceding sentence and **Section 10.4**, internally prepared financial statements of Tenant certified by an executive officer of Tenant shall constitute proof reasonably satisfactory to Landlord.

XI. MAINTENANCE AND REPAIR

11.1 Landlord's Obligation. Landlord will maintain, repair and restore in reasonably good order and condition (i) the Common Area; (ii) the mechanical, plumbing, electrical and HVAC equipment serving the Building; (iii) the structure of the Building (including roof, exterior walls and foundation); (iv) exterior windows of the Building; and (v) Building standard lighting. The cost of such maintenance and repairs to the Building shall be included in the Operating Expenses and paid by Tenant as provided in **Article VI**; provided, however, Tenant shall bear the full cost, plus 10% of such cost for Landlord's overhead, of any maintenance, repair or restoration necessitated by the negligence or willful misconduct of Tenant or its Agents. **Tenant waives all rights to make repairs at the expense of Landlord, to deduct the cost of such repairs from any payment owed to Landlord under this Lease, to claim a lien under §91.004(b) of the Texas Property Code or any other law against the Rent, the Project or Landlord's property, or to vacate the Premises.**

11.2 Tenant's Obligation. Subject to Landlord's express obligations set forth in **Section 11.1**, Tenant, at its expense, shall maintain the Premises in good condition and repair, reasonable wear and tear and casualty governed by the provisions of **Article XIX** excepted. Tenant's obligation shall include without limitation the obligation to maintain and repair all (i) interior walls; (ii) floor coverings; (iii) ceilings; (iv) doors; (v) entrances to the Premises; (vi) supplemental HVAC systems within the Premises; and (vii) private restrooms and kitchens, including hot water heaters, plumbing and similar facilities serving Tenant exclusively. Tenant will promptly advise Landlord of any damage to the Premises or the Project. All damage or injury to the Premises (excluding Tenant's equipment, personal property and trade fixtures) may be repaired, restored or replaced by Landlord, at the expense of Tenant, and such expense (plus 10% of such expense for Landlord's overhead) will be collectible as Additional Rent and will be paid by Tenant upon demand. If Tenant fails to make any repairs to the Premises for more than 30 days after notice from Landlord (although notice shall not be required in the event of an emergency as defined in **Article XIV**), Landlord may, at its option, cause all required maintenance or repairs, restorations or replacements to be made and Tenant shall pay Landlord pursuant to this **Section 11.2**.

XII. INITIAL CONSTRUCTION; ALTERATIONS

12.1 Initial Construction. Landlord and Tenant agree that the construction of any Tenant Work shall be performed by Landlord in accordance with and as defined in **Exhibit B-1**. Subject to the construction of the Tenant Work, Landlord shall have no obligations whatsoever to construct any improvements to the Premises and **Tenant accepts the Premises "AS IS", "WHERE IS" and "WITH ANY AND ALL FAULTS", and Landlord neither makes nor has made any representations or**

warranties, express or implied, with respect to the quality, suitability or fitness thereof of the Premises, or the condition or repair thereof. Tenant taking possession of the Premises shall be conclusive evidence for all purposes of Tenant's acceptance of the Premises in good order and satisfactory condition, and in a state and condition satisfactory, acceptable and suitable for Tenant's use pursuant to this Lease, other than latent defects identified to Landlord in writing within 180 days following the Date of Lease.

12.2 Installing and Operating Tenant's Equipment. Without first obtaining the written consent of Landlord, Tenant shall not install or operate in the Premises, other than as described in **Sections 12.5 and 12.6**, (i) any electrically operated equipment or other machinery, other than standard office equipment that does not require wiring, cooling or other service in excess of Building standards; (ii) any equipment of any kind or nature whatsoever which will require any changes, replacements or additions to, or changes in the use of, any water, heating, plumbing, air conditioning or electrical system of the Premises or the Project; or (iii) any equipment which exceeds the electrical or floor load capacity per square foot for the Building (Landlord will not unreasonably withhold, condition, or delay its consent with regarding to improvements installed in connection with this subsection (iii) if Tenant agrees to pay, at its sole cost and expense, any costs to increase the electrical or floor load capacity). Landlord's consent to such installation or operation may be conditioned upon the payment by Tenant of additional compensation for any excess consumption of utilities that are not paid by Tenant directly to the utility provider and any additional power, wiring, cooling or other service that may result from such equipment. Machines and equipment which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein so as to be objectionable to Landlord or any other Project tenant shall be installed and maintained by Tenant, at its expense, on vibration eliminators or other devices sufficient to eliminate such noise and vibration. Tenant and Tenant's telecommunications companies, including but not limited to, local exchange telecommunications companies and alternative access vendor services companies, shall have no right of access to the Land, Building or the Project for the installation and operation of telecommunications systems, including but not limited to, voice, video, data, and any other telecommunications services provided over wire, fiber optic, microwave, wireless, and any other transmission systems, for part or all of Tenant's telecommunications within the Building without Landlord's prior written consent, such consent not to be unreasonably withheld, conditioned, or delayed; provided, upon execution of Landlord's standard access agreement, Landlord will permit Tenant to use AT&T, Level3, XO Communications, TW Telecom, Metro Optical, Verizon, or Phonoscope as its telecommunications provider.

12.3 Alterations. Tenant shall not make or permit any alterations, decorations, additions or improvements of any kind or nature to the Premises or the Project, whether structural or nonstructural, interior, exterior or otherwise ("Alterations") without the prior written consent of Landlord, said consent not to be unreasonably withheld or delayed. Landlord may impose any reasonable conditions to its consent, including, without limitation: (i) prior approval of the plans and specifications and contractor(s) with respect to the Alterations (provided that Landlord may designate specific contractors with respect to Building systems); (ii) if Tenant requests that Landlord manage the construction, then Landlord's representative shall provide such supervision, at Tenant's expense, of the Alterations (such supervision fee being equal to one and one-half percent (1.5%) of the hard costs of the specific Alteration), otherwise, if Tenant manages the construction of the Alterations, Tenant shall instead pay Landlord an oversight fee in the amount of one-half percent (0.50%) of the hard costs of the specific Alteration; (iii) proof of worker's compensation insurance and commercial general liability insurance in such amounts and meeting such requirements as reasonably requested by Landlord; (iv) delivery to Landlord of written and unconditional waivers of mechanic's and materialmen's liens as to the Project for all work, labor and services to be performed and materials to be furnished, signed by all contractors, subcontractors, materialmen and laborers participating in the Alterations; (v) delivery of permits, certificates of occupancy, "as-built" plans, and equipment manuals; and (vi) any security for performance or payment

that is reasonably required by Landlord. The Alterations shall conform to the requirements of federal, state and local governments having jurisdiction over the Premises, including, without limitation, the ADA, the OSHA General Industry Standard (29 C.F.R. Section 1910.1001, et seq.), and the OSHA Construction Standard (29 C.F.R. Section 1926.1001, et seq.) and shall be performed in accordance with the terms and provisions of this Lease and in a good and workmanlike manner using material of a quality that is at least equal to the quality designated by Landlord as the minimum standard for the Building. All computer, telecommunications or other cabling, wiring and associated appurtenances (collectively, “Cabling”) installed by Tenant inside any of the interior walls of the Premises, above the ceiling of the Premises, in any portion of the ceiling plenum above or below the Premises, or in any portion of the Common Areas of the Building, including but not limited to any of the shafts or utility rooms of the Building, shall be clearly labeled or otherwise identified as having been installed by Tenant. All Cabling installed by Tenant shall comply with the requirements of the National Electric Code and any other applicable fire and safety codes. Landlord may designate reasonable rules, regulations and procedures for the performance of work in the Building and, to the extent reasonably necessary to avoid disruption to the occupants of the Building, shall have the right to designate the time when Alterations may be performed. If the Alterations are not performed as herein required, Landlord shall have the right, at Landlord’s option, to halt any further Alterations, or to require Tenant to perform the Alterations as herein required or to require Tenant to return the Premises to its condition before such Alterations. All or any part of the Alterations, whether made with or without the consent of Landlord, shall, at the election of Landlord, made on the date on which Landlord approves the Alteration, except with respect to Cabling (which Tenant shall not be required to remove), either be removed by Tenant at its expense before the expiration of the Term or shall remain upon the Premises and be surrendered therewith at the Expiration Date or earlier termination of this Lease as the property of Landlord without disturbance, molestation or injury; provided, If Landlord requires the removal of all or part of the Alterations (which election shall be made by Landlord at the time it approves the installation thereof), Tenant, at its expense, shall repair any damage to the Premises or the Project caused by such removal and restore the Premises and the Project to its condition prior to the construction of such Alterations, reasonable wear and tear excepted. If Tenant fails to remove the Alterations upon Landlord’s request and repair and restore the Premises and Project, then Landlord may (but shall not be obligated to) remove, repair and restore the same and the cost of such removal, repair and restoration together with any and all damages which Landlord may suffer and sustain by reason of the failure of Tenant to remove, repair and restore the same, shall be charged to Tenant and paid upon demand. Notwithstanding the foregoing, Tenant may remove any trade fixtures, business equipment, personal property and furniture provided that no Event of Default exists under this Lease and Tenant repairs any damage to the Premises resulting from the removal of such items and restores the Premises to its condition prior to the installation of such items, reasonable wear and tear excepted.

12.4 Mechanics’ Liens. Tenant will pay or cause to be paid all costs and charges for: (i) work done by Tenant or caused to be done by Tenant, in or to the Premises; and (ii) materials furnished for or in connection with such work. **Tenant will indemnify Landlord against and hold Landlord, the Premises, and the Project free, clear and harmless of and from all mechanics’ liens and claims of liens, and all other liabilities, liens, claims, and demands on account of such work by or on behalf of Tenant.** If any such lien, at any time, is filed against the Premises, or any part of the Project, Tenant will cause such lien to be discharged of record within 30 days after the filing of such lien, except that if Tenant desires to contest such lien, it will furnish Landlord, within such 30-day period, a bond or other security reasonably satisfactory to Landlord of at least 150% of the amount of the claim. If a final judgment establishing the validity or existence of a lien for any amount is entered, Tenant will immediately pay and satisfy the same. If Tenant fails to pay any charge for which a mechanic’s lien has been filed, and has not given Landlord a bond or other security as described above, Landlord may, at its option, pay such charge and related costs and interest, and the amount so paid, together with attorneys’ fees incurred in connection with such lien, will be immediately due from Tenant to Landlord as Additional Rent. Nothing contained in this Lease will be deemed the consent or agreement of Landlord to subject Landlord’s interest in all or

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any portion of the Project to liability under any mechanics' lien or to any other lien law. If Tenant receives notice that a lien has been or is about to be filed against the Premises or any part of the Project or any action affecting title to the Project has been commenced on account of work done by or for or materials furnished to or for Tenant, it will immediately give Landlord written notice of such notice. At least 15 days prior to the commencement of any work (including, but not limited to, any maintenance, repairs or Alteration) in or to the Premises, by or for Tenant, Tenant will give Landlord written notice of the proposed work and the names and addresses of the persons supplying labor and materials for the proposed work. Landlord will have the right to post notices of non-responsibility or similar notices, if applicable, on the Premises or in the public records in order to protect the Premises and Project against such liens.

12.5 Special Tenant Improvements. Subject to the provisions of this **Article XII**, Tenant may incorporate the following special tenant improvements and/or upgrades into the Building and the Premises: (a) a separate electrical meter for the NOC (defined in **Section 12.6**); (b) a supplemental HVAC system to exclusively serve the NOC (including rooftop equipment for the same); (c) conference and meeting room facilities and equipment (to be constructed within the Premises); (d) telephone equipment rooms, fiber optics equipment, and other special facilities incidental to Tenant's office operations; and (e) Uniform Power Supply System (the "Special Tenant Improvements"), provided (i) the Special Tenant Improvements must be compatible with Landlord's base building systems, must not interfere with any other tenant's use of or access to its premises, must not interfere with any equipment located in the Building as of the Date of Lease, and must be installed in a manner and location subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed, (ii) the Special Tenant Improvements shall be furnished and installed at Tenant's sole cost and expense (subject to reimbursement from the Tenant Work Allowance), (iii) Tenant shall cause all Special Tenant Improvements to comply with all applicable laws and matters of record affecting the Project, and (iv) the Special Tenant Improvements shall not impact the aesthetics of the Building, as determined by Landlord in its sole discretion. Landlord shall notify Tenant at the time Tenant submits its plans to Landlord for review and approval of any Special Tenant Improvements that must be removed upon the expiration or earlier termination of this Lease.

12.6 Network Operations Center. Tenant may, at its election, co-locate Tenant's Network Operations Center (the "NOC") to the Premises. Any Alterations or Tenant Work constructed in connection with the NOC shall be Special Tenant Improvements. Subject to the Rules and Regulations and the other provisions of this Lease, Tenant may access the Premises and may operate the NOC 24 hours per day, seven days per week.

XIII. SIGNS

13.1 Except as expressly provided for in this **Article XIII**, no sign, advertisement or notice shall be inscribed, painted, affixed, placed or otherwise displayed by Tenant on any part of the Project or the outside or the inside (to the extent visible from the exterior of the Premises or Building) of the Building or the Premises. Landlord shall provide, at Landlord's expense, a listing on the directory in the lobby of the Building listing all Building tenants. Landlord also shall, at Landlord's expense, place the suite number and/or Tenant name on or in the immediate vicinity of the entry door to the Premises using Building standard sign material and lettering. If any prohibited sign, advertisement or notice is nevertheless exhibited by Tenant, Landlord shall have the right to remove the same, and Tenant shall pay upon demand any and all expenses incurred by Landlord in such removal, together with interest thereon at the Interest Rate from the demand date.

13.2 Monument Signage. So long as (i) no Event of Default exists and remains uncured under this Lease and (ii) RigNet, Inc. or a Related Entity leases at least 25,000 Rentable Square Feet in the

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Building, the following shall apply: Tenant shall, at Tenant's sole cost and expense, have the nonexclusive right to display signage for "RigNet, Inc." ("Tenant Monument Signage") on the top panel of each monument sign for the Project (the "Monument Signs"), subject to the terms of this **Section 13.2**; provided, however, Landlord shall install such Tenant Monument Signage and Tenant shall reimburse Landlord the cost and expense incurred for the same upon demand (provided, Tenant may apply the Tenant Work Allowance against the cost thereof). All Tenant Monument Signage shall be subject to the approval of Landlord, in its sole discretion as to consistency in appearance with other tenant signage on the Monument Signs, and in Landlord's reasonable discretion, as to lettering, design, material, size, lighting, logo and color scheme prior to installation; provided, Landlord hereby approves Tenant's installation of the Tenant Monument Signage identified on **Exhibit K**. In no event shall any Tenant Monument Signage displayed by Tenant interfere with the visibility from the Building. Further, all such Tenant Monument Signage must conform to all applicable covenants, conditions, restrictions and zoning or other governmental ordinances, laws and regulations, including the Project's design signage and graphics program, and Tenant shall obtain all required approvals of third parties, if any. Landlord shall, at Tenant's sole cost and expense, which Tenant shall reimburse Landlord the cost and expense incurred for the same upon demand, maintain the Tenant Monument Signage in good condition and repair. Tenant shall reimburse Landlord for Tenant's pro rata share of the costs and expenses associated with such maintenance, which pro rata share shall be the percentage amount equal to the number of square feet of area on the applicable Monument Sign that is occupied by the Tenant Monument Signage divided by the total number of square feet of area on the applicable Monument Sign then occupied by monuments signs displaying the names of any occupants of the Project and multiplying the resulting quotient by one hundred and rounding to the second decimal place. Upon the expiration or earlier termination of this Lease, Landlord shall remove the Tenant Monument Signage and repair the affected portions of the Monument Signs to the condition as they existed prior to installation of the Tenant Monument Signage, reasonable wear and tear and casualty damage excepted, at Tenant's sole cost and expense, for which Tenant shall reimburse Landlord the cost and expense incurred for the same upon demand. Tenant's right to install and maintain Tenant Monument Signage under this **Section 13.2** shall be personal to RigNet, Inc. and may not be transferred, shared, or assigned in whole or in part to any assignee, subtenant, or other tenant in the Building other than to a Related Entity. The obligations of Tenant under this **Section 13.2** shall survive the expiration or earlier termination of this Lease.

13.3 Exterior Signage. Notwithstanding the foregoing, so long as (i) no Event of Default exists under this Lease or would exist but for the pendency of any cure periods provided under **Section 20.1**; and (ii) RigNet, Inc. leases at least 25,000 Rentable Square Feet in the Building, Tenant shall, at Tenant's sole cost and expense, have the non-exclusive right to install signage on the exterior of the Building in the location as described on **Exhibit K**, approved by Landlord in its sole discretion as to lettering, design, material, size, lighting and color scheme; provided, no modifications of any kind may be made to such exterior signage without Landlord's prior written consent, which may be withheld in Landlord's sole discretion. All signage shall conform to all applicable restrictions, zoning and other governmental ordinances, laws and regulations and Tenant shall obtain all required approvals of third parties, if any. Tenant shall, at Tenant's sole cost and expense, maintain its signage in good condition and repair and shall remove such signage at the end of the Term or earlier termination of this Lease and restore the exterior of the Building to its original state prior to placement of the signage. If Tenant shall fail to maintain or remove its signage, Landlord may do so at Tenant's sole cost and expense and Tenant shall reimburse Landlord upon demand. Tenant's right to signage under this paragraph shall be personal to RigNet, Inc. and contain only its name, tradename and/or corporate logo. In connection with Landlord's maintenance of the Common Areas, Landlord shall trim the trees at the Project as needed to maintain the visibility of such exterior signage.

XIV. RIGHT OF ENTRY

Tenant shall permit Landlord or its Agents to enter the Premises without charge therefor to Landlord and without diminution of Rent or claim of constructive eviction: (i) to clean, inspect and protect the Premises and the Project; (ii) to make such alterations and repairs to the Premises or any portion of the Building, including other tenants' premises, which Landlord determines to be reasonably necessary; (iii) to exhibit the same to prospective purchaser(s) of the Building or the Project or to present or future Mortgagees; or (iv) to exhibit the same to prospective tenants during the last 9 months of the Term. Landlord will endeavor to minimize, as reasonably practicable, any interference with Tenant's business and shall provide Tenant with 24 hours' prior notice of entry into the Premises (which may be given verbally), except with respect to the provision of janitorial services after Normal Business Hours or in the event of an apparent emergency condition arising within or affecting the Premises that endangers or threatens to endanger property or the safety of individuals.

XV. INSURANCE

15.1 Certain Insurance Risks. Tenant will not do or permit to be done any act or thing upon the Premises or the Project which would: (i) jeopardize or be in conflict with fire insurance policies covering the Project, and fixtures and property in the Project; or (ii) increase the rate of fire insurance applicable to the Project to an amount higher than it otherwise would be for general office use of the Project; or (iii) subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being conducted upon the Premises.

15.2 Landlord's Insurance. At all times during the Term, Landlord will carry and maintain:

- (a) Fire and extended coverage insurance covering the Building, its equipment and common area furnishings, and leasehold improvements in the Premises to the extent of any initial build out of the Premises by Landlord;
- (b) Bodily injury and property damage insurance; and
- (c) Such other insurance as Landlord reasonably determines from time to time.

The insurance coverages and amounts in this **Section 15.2** will be determined by Landlord in an exercise of its reasonable discretion.

15.3 Tenant's Insurance. On or before the earlier to occur of (i) the Commencement Date; or (ii) the date Tenant commences any work of any type in the Premises pursuant to this Lease (which may be prior to the Commencement Date) and continuing throughout the Term, Tenant will carry and maintain, at Tenant's expense, the following insurance, in the minimum amounts specified below or such other amounts as Landlord may from time to time reasonably request, with insurance companies and on forms reasonably satisfactory to Landlord:

- (a) Commercial general liability insurance, with a combined single occurrence limit and aggregate of not less than \$1,000,000. All such insurance will be on an occurrence ISO form including without limitation, bodily injury, property damage, personal injury, advertising injury, products and completed operations liability, and contractual liability coverage for the performance by Tenant of the indemnity agreements set forth in this Lease;
- (b) A policy of cause of loss-specialty property insurance coverage at least equal to ISO Special Form Causes of Loss and covering all of Tenant's furniture and fixtures, machinery,

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equipment, stock and any other personal property owned and used in Tenant's business and found in, on or about the Project, and any leasehold improvements to the Premises in excess of any initial buildout of the Premises by Landlord, in an amount not less than the full replacement cost;

(c) Worker's compensation insurance insuring against and satisfying Tenant's obligations and liabilities under the worker's compensation laws of the state in which the Premises are located, including employer's liability insurance in the limit of \$1,000,000 aggregate;

(d) If Tenant operates owned, hired, or nonowned vehicles on the Project, comprehensive automobile liability will be carried at a limit of liability not less than \$1,000,000 combined bodily injury and property damage;

(e) Umbrella liability insurance in excess of the underlying coverage listed in **paragraphs (a), (c) and (d)** above, with limits of not less than \$4,000,000 per occurrence/\$4,000,000 aggregate;

(f) Loss of income and extra expense insurance and contingent business income insurance in amounts as will reimburse Tenant for direct or indirect loss of earning attributable to all perils insured against under the ISO Causes of Loss - Special Form Coverage, or attributable to prevention of access to the Premises as a result of such perils. Such insurance shall provide for an extended period of indemnity to be not less than 12 months; and

(g) All insurance required under this **Section 15.3** shall be issued by such good and reputable insurance companies qualified to do and doing business in the state in which the Premises are located and having a policyholder rating of not less than "A" and a financial rating of "VIII" in the most current copy of Best's Insurance Report in the form customary to this locality.

15.4 Forms of the Policies. Landlord and its affiliates, Landlord's management company, Landlord's Mortgagee (as defined in **Article XXI**), and such other parties as Landlord shall designate to Tenant who have an insurable interest in the Premises or Project shall be: (i) named as additional insureds (other than for Worker's Compensation) and have waiver of subrogation rights with respect to the coverages provided for under **Section 15.3 (a), (c), (d) and (e)**, and (ii) as loss payees as their interest may appear with respect to the coverage provided under **Section 15.3 (b)**. Certificates of insurance together with any endorsements providing the required coverage will be delivered to Landlord prior to Tenant's occupancy of the Premises and from time to time at least 30 days prior to expiration of the term, material change, reduction in coverage, or other termination thereof. All commercial general liability and property policies (including any umbrella policies in excess of such policies) herein required to be maintained by Tenant will be written as primary policies, not contributing with and not supplemental to the coverage that Landlord may carry. Commercial general liability insurance required to be maintained by Tenant by this **Article XV** will not be subject to a deductible or any self-insured retention.

15.5 Waiver of Subrogation. Landlord and Tenant each waive and shall cause their respective insurance carriers to waive any and all rights to recover against the other or against the Agents of such other party for any loss or damage to such waiving party (including deductible amounts) arising from any cause covered by any property insurance required to be carried by such party pursuant to this **Article XV** or any other property insurance actually carried by such party to the extent of the limits of such policy, **even if such claims arise due to the negligence of Landlord or Tenant**, and to deliver to the other Party or its insurers such waiver of subrogation rights endorsements. Tenant agrees to cause all other occupants of the Premises claiming by, under or through Tenant, to execute and deliver to Landlord and its affiliates, Landlord's management company, and Landlord's Mortgagee such a waiver of claims and to obtain such waiver of subrogation rights endorsements.

15.6 Adequacy of Coverage. Landlord makes no representation that the limits of liability specified to be carried by Tenant pursuant to this **Article XV** are adequate to protect Tenant and Tenant should obtain such additional insurance or increased liability limits as Tenant deems appropriate. Furthermore, in no way does the insurance required herein limit the liability of Tenant assumed elsewhere in this Lease.

XVI. SERVICES AND UTILITIES

16.1 Ordinary Services to the Premises. Landlord shall furnish to the Premises throughout the Term so long as the Premises are occupied: (i) heating, ventilation, and air conditioning (“HVAC”) appropriate for the Permitted Use during Normal Business Hours (as defined in the Rules and Regulations), except for legal holidays observed by the federal government, such refrigerated air conditioning to be sufficient to maintain a temperature of not more than 78° dry bulb and a maximum relative humidity of 60% when the outside temperature is not more than 95° dry bulb and 75° wet bulb for an occupancy density of not more than one person per 167 rentable square feet and a maximum load for office machines and lighting of not more than 4.0 watts per rentable square foot for lighting and miscellaneous power (in the aggregate) and such heated air conditioning to be sufficient to maintain a temperature of not less than 68° dry bulb when the outside temperature is not less than 30° dry bulb, in each case subject to compliance with governmental directives or the rules and regulations of the provider of electrical service to the Building; (ii) reasonable janitorial service for normal office use, including trash removal from the Premises (the current standards for which are attached hereto as Exhibit L); (iii) reasonable use of all existing basic intra-Building and/or Project telephone and network cabling; (iv) hot and cold water from points of supply; (v) restrooms; (vi) elevator service, provided that Landlord shall have the right to remove such elevators from service as may reasonably be required for moving freight or for servicing or maintaining the elevators or the Building; and (vii) proper facilities to furnish sufficient electrical power for (1) Building fluorescent and incandescent lighting (including task and task ambient lighting systems), and normal office equipment (including, but not limited to, personal computers, duplicating/reproduction/photocopy machines, employee lunchroom(s), coffee bars, executive or other dining areas, including kitchen equipment associated therewith), and other equipment of similar low electrical consumption (208/120/277 volts), and (2) other equipment of high electrical consumption (up to 480 volts); provided, the total power consumption by said equipment shall not exceed three and one half (3.5) watts per usable square foot in the Premises for lighting and five (5) watts per useable square foot for power. The cost of all services provided by Landlord hereunder shall be included within Operating Expenses, unless charged directly (and not as a part of Operating Expenses) to Tenant or another tenant of the Project. Landlord may establish reasonable measures to conserve energy and water.

16.2 Additional Services. Should Tenant desire any additional services beyond those described in **Section 16.1**, or a rendition of any of such services outside the normal times for providing such service, Landlord may (at Landlord’s option), upon reasonable advance notice from Tenant to Landlord, furnish such service, and Tenant agrees to pay Landlord upon demand Landlord’s additional expenses resulting therefrom, other than for additional costs relating to the NOC, which shall be paid directly by Tenant. Landlord may, from time to time during the Term, set a charge for such additional services, or a per hour charge for additional or after hours service which shall include the utility, service, labor, and administrative costs and a cost for depreciation of the equipment used to provide such additional or after hours service. Landlord’s current charge for after-hours HVAC service is \$30.00 per hour. Notwithstanding the foregoing provisions of this **Section 16.2**, Landlord will not (a) increase such per hour charge by more than ten percent (10%) per annum, compounded annually on a cumulative basis, and (b) charge Tenant a rate higher than that generally charged to other tenants in the Building for such service.

16.3 Interruption of Utilities or Services. Landlord will not be liable to Tenant or any other person for direct or consequential damages (including, without limitation, damages to persons or property or for injury to, or interruption of, business), Tenant shall not be entitled to any abatement or reduction of rent except as expressly set forth in this **Section 16.3**, nor shall a constructive eviction exist or shall Tenant be released from any of Tenant's obligations under this Lease (a) for any failure to supply any heat, air conditioning, elevator, cleaning, lighting or security or for any surges or interruptions of electricity, telecommunications or other service Landlord has agreed to supply during any period when Landlord uses reasonable diligence to supply such services; (b) as a result of the admission to or exclusion from the Building or Project of any person; or (c) for any discontinuance permitted under this **Article XVI**. Landlord reserves the right temporarily to discontinue the services set forth in the foregoing sentence, or any of them, at such times as may be necessary by reason of accident, repairs, alterations or improvement, strikes, lockouts, riots, acts of God, governmental preemption in connection with a national or local emergency, any rule, order or regulation of any governmental agency, conditions of supply and demand which make any product unavailable, Landlord's compliance with any mandatory or voluntary governmental energy conservation or environmental protection program, or any other happening beyond the control of Landlord. In the event of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's reasonable opinion, Landlord will have the right to prevent access to the Building or Project during the continuance of the same by such means as Landlord, in its reasonable discretion may deem appropriate, including, without limitation, locking doors and closing Parking Facilities and the Common Areas. Notwithstanding the foregoing, in the event of any failure to furnish, or any stoppage of, the specified services (hereinafter defined) for a period in excess of five consecutive days (or more than fifteen (15) days in any one calendar year) that is not, in whole or in part, a result of the act or omission of Tenant or its Agents, Tenant shall be entitled to an abatement of Rent which shall commence on the sixth day (or the sixteenth day in any calendar year, as applicable) (and shall not be retroactive) and shall continue for the remainder of the period of such failure to furnish or stoppage of such specified services. In addition, in the event of any failure to furnish, or any stoppage of, the following specified services affecting fifty percent (50%) or more of the then-leased Premises for a period in excess of one hundred eighty (180) consecutive days that is not, in whole or in part, a result of the act or omission of Tenant or its Agents, then Tenant, at its option, may, by written notice delivered to Landlord within five (5) business days following the expiration of the one hundred eighty (180) day period, terminate either (i) this Lease in its entirety or (ii) this Lease with respect to the specific floors so affected upon giving written notice thereof to Landlord. As used in this **Section 16.3**, the "**specified services**" are electricity, water, natural gas and sewer service.

16.4 Meters. In the event Tenant's electrical usage exceeds normal business office usage levels as reasonably determined by Landlord's MEP Engineer with reasonably sufficient documentation to support the need for such separate meters, Landlord reserves the right to separately meter or monitor the utility services provided to the Premises, at Tenant's expense, and bill the charges directly to Tenant, or to separately meter any other tenant and bill the charges directly to such tenant and to make appropriate adjustments to the Operating Expenses based on the meter charges.

16.5 Utility Charges. All telephone and other utility service used by Tenant in the Premises shall be paid for directly by Tenant except to the extent the cost of same is included within Operating Expenses.

16.6 Risers. Throughout the Term at no charge to Tenant, Tenant shall have the non-exclusive right to use Tenant's pro rata share of the shafts, ducts, flues, pipes or conduits (inclusive of those supplied to Tenant under **Section 16.1(vii)**) between the Premises and other parts of the Building (including the roof) for the installation and maintenance of conduits, cables, and other devices, supplementary HVAC and other facilities consistent with Tenant's use of the Premises.

XVII. LIABILITY OF LANDLORD

17.1 **Indemnification by Tenant**. Except to the extent caused by the negligence or willful misconduct of Landlord or its Agents and subject to the waiver of subrogation set forth in **Section 15.5**, Tenant will neither hold nor attempt to hold Landlord, its Agents or Mortgagee liable for, and Tenant will indemnify, hold harmless and defend (with counsel reasonably acceptable to Landlord) Landlord, its Agents and Mortgagee, from and against, any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorneys' fees) (collectively, "**Claims**") actually incurred by Landlord, its Agents, or its Mortgagee in connection with or arising from (i) the use or occupancy or manner of use or occupancy of the Premises or the Common Areas by Tenant or its Agents; (ii) any activity, work or thing done, permitted or suffered by Tenant or its Agents in or about the Premises or the Project; (iii) any acts, omissions or negligence of Tenant or its Agents; (iv) any breach, violation or nonperformance by Tenant or its Agents of any term, covenant or provision of this Lease or any law, ordinance or governmental requirement of any kind; and (v) any injury or damage to the person, property or business of Tenant or its Agents, including, without limitation, to vehicles (or the contents thereof) of Tenant or Tenant's Agent's that are parked in the Parking Facilities, whether incurred in connection with the removal of any vehicles of Tenant or its Agents that are parked in violation of this Lease, the Rules and Regulations or otherwise. **It being agreed that this indemnity will be enforced except to the extent of the percentage of a Claim that a final judgment of a court of competent jurisdiction establishes, under applicable comparative negligence principles, was the proximate result of the negligence or willful misconduct of Landlord or its Agents .**

17.2 **Indemnification by Landlord**. **Except to the extent caused by the negligence or willful misconduct of Tenant or its Agents and subject to the waiver of subrogation set forth in Section 15.5**, Landlord will neither hold nor attempt to hold Tenant or its Agents liable for, and Landlord will indemnify, hold harmless and defend (with counsel reasonably acceptable to Tenant) Tenant and its Agents, from and against, any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorneys' fees) incurred in connection with or arising from the negligence or willful misconduct of Landlord or its Agents. **It being agreed that this indemnity will be enforced except to the extent of the percentage of a Claim that a final judgment of a court of competent jurisdiction establishes, under applicable comparative negligence principles, was the proximate result of the negligence or willful misconduct of Tenant or its Agents .**

17.3 **Waiver and Release**. **Except to the extent caused by the negligence or willful misconduct of Landlord**, Tenant covenants and agrees that Landlord, its Agents and Mortgagee will not at any time or to any extent whatsoever be liable, responsible or in any way accountable for any loss, injury, death or damage (including consequential damages) to persons, property or Tenant's business occasioned by (i) any act or omission of Landlord or its Agents; (ii) any acts or omissions, including theft, of or by any other tenant, occupant or visitor of the Project; (iii) any casualty, explosion, falling plaster or other masonry or glass, steam, gas, electricity, water or rain which may leak from any part of the Building or any other portion of the Project or from the pipes, appliances or plumbing works therein or from the roof, street or subsurface or from any other place, or resulting from dampness; or (iv) the parking of vehicles by Tenant or Tenant's Agents in the Parking Facilities, including, without limitation, when incurred in connection with the removal of any vehicles of Tenant or its Agents that are parked in violation of this Lease or the Rules and Regulations or otherwise. **It being agreed that this indemnity will be enforced except to the extent of the percentage of a Claim that a final judgment of a court of competent jurisdiction establishes, under applicable comparative negligence principles, was the proximate result of the negligence or willful misconduct of Landlord or its Agents .** Tenant agrees to give prompt notice to Landlord upon the occurrence of any of the events set forth in this **Section 17.3** or of defects in the Premises or the Building, or in the fixtures or equipment.

17.4 Survival. The covenants, agreements and indemnification obligations under this Article XVII will survive the expiration or earlier termination of this Lease. Tenant's covenants, agreements and indemnification obligations are not intended to and will not relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to the provisions of this Lease.

XVIII. RULES AND REGULATIONS

Tenant and its Agents shall at all times abide by and observe the Rules and Regulations set forth in Exhibit C and any amendments thereto that may reasonably be promulgated from time to time by Landlord for the operation and maintenance of the Project and the Rules and Regulations shall be deemed to be covenants of this Lease to be performed and/or observed by Tenant. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations, or the terms or provisions contained in any other lease, against any other tenant of the Project. Landlord shall not be liable to Tenant for any violation by any party of the Rules and Regulations or the terms of any other Project lease. If there is any inconsistency between this Lease (other than Exhibit C) and the then current Rules and Regulations, this Lease shall govern.

XIX. DAMAGE; CONDEMNATION

19.1 Damage to the Premises. If the Premises or the Building shall be damaged by fire or other casualty, Landlord shall diligently and as soon as practicable after such damage occurs (taking into account the time necessary to effect a satisfactory settlement with any insurance company involved) repair such damage at the expense of Landlord; provided, however, that Landlord's obligation to repair such damage shall not exceed the proceeds of insurance available to Landlord (reduced by any proceeds retained pursuant to the rights of Mortgagee). Notwithstanding the foregoing, if the Premises or the Building are damaged by fire or other casualty to such an extent that, in Landlord's reasonable judgment, the damage cannot be substantially repaired within 270 days after the date of such damage, or if the Premises are substantially damaged during the last Lease Year, then: (i) Landlord may terminate this Lease as of the date of such damage by written notice to Tenant; or (ii) Tenant may terminate this Lease as of the date of such damage by written notice to Landlord within 10 days after (a) Landlord's delivery of a notice that the repairs cannot be made within such 270-day period (Landlord shall use reasonable efforts to deliver to Tenant such notice within 60 days of the date of such damage or casualty); or (b) the date of damage, in the event the damage occurs during the last year of this Lease. Without limitation to the foregoing, if the Premises or the Building are damaged by fire or other casualty and Landlord's reasonable estimate of the cost to repair such damage exceeds the proceeds of insurance available to Landlord (reduced by any proceeds retained pursuant to the rights of Mortgagee) or no such proceeds are available to Landlord, then Landlord shall not be obligated to incur expenses in excess of such insurance proceeds to repair such damage and may terminate this Lease as of the date of such damage by written notice to Tenant. Rent shall be apportioned and paid to the date of such damage. During the period that Tenant is deprived of the use of the damaged portion of the Premises, Basic Rent and Tenant's Proportionate Share shall be reduced by the ratio that the Rentable Square Footage of the Premises damaged bears to the total Rentable Square Footage of the Premises before such damage. All injury or damage to the Premises or the Project resulting from the gross negligence or willful misconduct of Tenant or its Agents shall be repaired by Landlord, at Tenant's expense, subject to the waivers in Section 15.5, and Rent shall not abate nor shall Tenant be entitled to terminate this Lease. Notwithstanding anything herein to the contrary, Landlord shall not be required to rebuild, replace, or repair any of the following: (i) specialized Tenant improvements as reasonably determined by Landlord; (ii) Alterations; or (iii) personal property of Tenant.

19.2 Condemnation. If 20% or more of the Building or 50% or more of the Land shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), then the Term shall cease and terminate as of the date when title vests in such governmental or quasi-governmental authority, and Rent shall be prorated to the date when title vests in such governmental or quasi-governmental authority. If less than 20% of the Building or 50% of the Land is taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), Basic Rent and Tenant's Proportionate Share shall be reduced by the ratio that the Rentable Square Footage of the portion of the Premises so taken bears to the Rentable Square Footage of the Premises before such taking, effective as of the date when title vests in such governmental or quasi-governmental authority, and this Lease shall otherwise continue in full force and effect, on the condition, however, that such reduction in Tenant's Rentable Square Footage does not prevent Tenant from operating the Premises in a manner reasonably comparable to the manner operated prior to such taking. If such taking prevents Tenant from operating the Premises in a manner reasonably comparable to the manner operated prior to such taking, then Tenant shall have the right to terminate this Lease, without further obligation. Tenant shall have no claim against Landlord (or otherwise) as a result of such taking, and Tenant hereby agrees to make no claim against the condemning authority for any portion of the amount that may be awarded as compensation or damages as a result of such taking; provided, however, that Tenant may, to the extent allowed by law, claim an award for moving expenses and for the taking of any of Tenant's property (other than its leasehold interest in the Premises) which does not, under the terms of this Lease, become the property of Landlord at the termination hereof, as long as such claim is separate and distinct from any claim of Landlord and does not diminish Landlord's award. Tenant hereby assigns to Landlord any right and interest it may have in any award for its leasehold interest in the Premises.

XX. DEFAULT OF TENANT

20.1 Events of Default. Each of the following shall constitute an Event of Default: (i) Tenant fails to pay Rent within five days after written notice from Landlord; provided that no such notice shall be required if at least two such notices shall have been given during the previous 12 months; (ii) Tenant fails to observe or perform any other term, condition or covenant herein binding upon or obligating Tenant within 30 days after notice from Landlord fully describing the term, condition or covenant not complied with by Tenant; provided, however, that if Landlord reasonably determines that such failure cannot be cured within said 30-day period, then Landlord may in its reasonable discretion extend the period to cure the default for up to an additional 20 days provided Tenant has commenced to cure the default within the 30-day period and diligently pursues such cure to completion (notwithstanding the foregoing, if Landlord provides Tenant with notice of Tenant's failure to observe or perform any term, condition or covenant under this **Subsection (ii)** on two or more occasions during any 12 month period, then Tenant's subsequent violation shall, at Landlord's option, be deemed an Event of Default immediately upon the occurrence of such failure, regardless of whether Landlord provides Tenant notice, or Tenant has commenced the cure of the same); (iii) intentionally omitted; (iv) Tenant fails to execute and return a subordination agreement or estoppel within the time periods provided for in **Article XXI** or **Section 24.4**; (v) Tenant or any Guarantor makes or consents to a general assignment for the benefit of creditors or a common law composition of creditors, or a receiver of the Premises for all or substantially all of Tenant's or Guarantor's assets is appointed; (vi) Tenant or Guarantor hereafter files a voluntary petition in any bankruptcy or insolvency proceeding, or an involuntary petition in any bankruptcy or insolvency proceeding is filed against Tenant or Guarantor and is not discharged by Tenant or Guarantor within 60 days; or (vii) Tenant fails to immediately remedy or discontinue any hazardous conditions which Tenant has created or permitted in violation of law or of this Lease. Any notice periods provided for under this **Section 20.1** shall run concurrently with any statutory notice periods and any notice given hereunder may be given simultaneously with or incorporated into any such statutory notice.

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20.2 Landlord's Remedies. Upon the occurrence of an Event of Default, Landlord, at its option, without further notice or demand to Tenant, may, in addition to all other rights and remedies provided in this Lease, at law or in equity, elect one or more of the following remedies:

(a) Terminate this Lease, or terminate Tenant's right of possession to the Premises without terminating this Lease, and with or without reentering and repossessing the Premises. Upon any termination of this Lease, or upon any termination of Tenant's right of possession without termination of this Lease, Tenant shall surrender possession and vacate the Premises immediately, and deliver possession thereof to Landlord. If Tenant fails to surrender possession and vacate the Premises, Landlord and its Agents shall have full and free license to lawfully enter into and upon the Premises with or without process of law for the purpose of repossessing the Premises, removing Tenant and removing, storing or disposing of any and all Alterations, signs, personal property, equipment and other property therefrom. Landlord may take these actions without (i) being deemed guilty of trespass, eviction or forcible entry or detainer, (ii) incurring any liability for any damage resulting therefrom, for which Tenant hereby waives any right to claim, (iii) terminating this Lease (unless Landlord intends to do so), (iv) releasing Tenant or any Guarantor, in whole or in part, from any obligation under this Lease or any Guaranty thereof, including, without limitation, the obligation to pay Rent, Rental Deficiency (as defined herein) or Damages (as defined herein) or (v) relinquishing any other right given to Landlord hereunder or by operation of law;

(b) Recover one or more of the following: (i) unpaid Rent (whether accruing prior to, on or after the date of termination of this Lease or Tenant's right of possession and/or pursuant to the holdover provisions of Section 22.2), (ii) Rental Deficiency (as defined herein) or (iii) any Damages (as defined herein). As used in this Section, the terms used herein have the following definitions:

(i) "Rental Deficiency" means a contractual measure of damages for Tenant's non-payment of Rent measured by (A) for any period during which Landlord has relet the Premises, either the (i) "Actual Rental Deficiency", which means the difference (never less than zero) between (1) the Basic Rent due for, and other Rent allocable under this Lease to, each calendar month beginning with the first month with respect to which Landlord receives rent from reletting the Premises and (2) the proceeds, if any, that Landlord actually collects from any substitute tenant for any part of the Premises in each corresponding month in which the Term and the term of the substitute tenant's lease overlap; or (B) for any period during which Landlord has not relet the Premises, "Market Rental Deficiency", which is the present value (determined using a discount rate of 7% per annum) of the difference (never less than zero) between (1) the total Rent which would have accrued to Landlord under this Lease for the remainder of the Term of this Lease (or such portion of the Term in which Landlord elects to recover this damage measure), if the terms of this Lease had been fully complied with by Tenant, and (2) the total fair market rental value of the Premises for the remainder of the Term of this Lease (or such portion of the Term in which Landlord elects to recover this damage measure). In determining the Market Rental Deficiency, the total fair market rental value will be the prevailing market rate for full service base rent for tenants of comparable quality for leases in buildings of comparable size, age, use location and quality in the marketplace in which the Project is located, taking into consideration the extent of the availability of space as large as the Premises in the marketplace.

(ii) "Damages" means all actual, incidental, and consequential damages, court costs, interest and attorneys' fees arising from Tenant's breach of this Lease, including, without limitation, (A) reletting costs, including, without limitation, the cost of restoring the Premises to the condition necessary to rent the Premises at the prevailing market rate, normal wear and tear excepted (including, without limitation, cleaning, decorating, repair and remodeling costs), brokerage fees, legal fees, advertising costs and the like); (B) Landlord's cost of recovering possession of the Premises; (C) the

cost of removing, storing and disposing of any of Tenant's or other occupant's property left on the Premises after reentry; (D) any reasonably documented increase in insurance premiums caused by the vacancy of the Premises; (E) the amount of any unamortized improvements to the Premises in connection with this Lease paid for by Landlord; (F) the amount of any unamortized brokerage commission paid by Landlord in connection with the leasing of the Premises to Tenant; (G) costs incurred in connection with collecting any money owed by Tenant or a substitute tenant; (H) any other sum of money or damages owed by Tenant to Landlord or incurred by Landlord as a result of or arising from, Tenant's breach of this Lease or Landlord's exercise of its rights and remedies for such breach; (I) any contractual or liquidated type or measures of damages specified in this Lease; and (J) any other type of measure of damages recoverable for any particular breach under applicable law, statute, ordinance or governmental rule or regulation. Landlord may file suit to recover any sums falling due under the terms of this **Section 20.2(b)** from time to time, and no delivery to or recovery by Landlord of any portion due Landlord hereunder shall be any defense in any action to recover any amount not theretofore reduced to judgment in favor of Landlord. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

(c) If Landlord elects to terminate Tenant's right to possession of the Premises without terminating this Lease, Tenant shall continue to be liable for all Rent, Rental Deficiency and all other Damages, except to the extent otherwise provided under **Section 20.3**, and Landlord may (but shall not be obligated to) relet the Premises, or any part thereof, to a substitute tenant or tenants, for a period of time equal to or lesser or greater than the remainder of the Term of this Lease on whatever terms and conditions Landlord, at Landlord's sole discretion, deems advisable. Notwithstanding any provision in this **Section 20.2(c)** to the contrary, Landlord may (i) at any time after reletting the Premises elect to exercise its rights under **Section 20.2(b)** for such previous breach; and (ii) upon the default of any substitute tenant or upon the expiration of the lease term of such substitute tenant before the expiration of the Term of this Lease, either relet to still another substitute tenant or exercise its rights under **Section 20.2(b)**. For the purpose of such reletting Landlord is authorized to decorate or to make any repairs, changes, alterations or additions in or to the Premises that may be necessary; provided, however, Tenant shall not be responsible for the cost of any modifications made to the Premises by Landlord in reletting the Premises (other than costs incurred to place the Premises in the condition required pursuant to **Section 12.3**), nor damages to the Premises made by any subsequent tenant.

(d) Take any lawful self-help or judicial action, including using a master or duplicate key or changing or picking the locks and security devices, without having any civil or criminal liability therefor to (i) reenter the Premises, repossess the Premises and exclude Tenant and other occupants from the Premises, and/or (ii) make such payment or do such act as Landlord determines is necessary (without obligation to do so) to cure the Event of Default or otherwise satisfy Tenant's obligations under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in connection with the foregoing actions, which expenses shall bear interest until paid at the Interest Rate, and that Landlord shall not be liable for any damages resulting to Tenant from such actions. Tenant agrees that this provision of this Lease will supersede any conflicting provisions of Sections 93.002 and 93.003 of the TEX. PROP. CODE and any other law governing the right of a landlord to change the door locks of a commercial tenant.

(e) Withhold or suspend payment or performance that this Lease would otherwise require Landlord to pay or perform.

(f) If Landlord terminates this Lease or Tenant's right of possession with more than 12 months remaining in the Term, then in lieu of any other contractual or legal measure of damages for Tenant's non-payment of Basic Rent, recover liquidated rental damages for the period after any such termination equal to 12 times the monthly Rent, which the parties agree is a reasonable estimate of Landlord's damages for such a breach given the uncertainty of future market rental rates and the duration of any vacancy.

(g) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity.

20.3 **Mitigation of Damages** . Notwithstanding the foregoing, to the extent (but no further) Landlord is required by applicable law to mitigate damages, or is required by law to use efforts to do so, and such requirement cannot be lawfully and effectively waived (**it being the intention of Landlord and Tenant that Tenant waive and Tenant hereby waives such requirements to the maximum extent permitted by applicable law**), Tenant agrees that if Landlord markets the Premises in a manner substantially similar to the manner in which Landlord markets other space in the Building, then Landlord shall be deemed to have used commercially reasonable efforts to mitigate damages. Tenant shall continue to be liable for all Rent (whether accruing prior to, on or after the date of termination of this Lease or Tenant's right of possession and/or pursuant to the holdover provisions of **Section 22.2** below) and Damages, except to the extent that Tenant receives any credit against unpaid Rent under **Section 20.2(b)** or pleads and proves by clear and convincing evidence that Landlord fails to exercise commercially reasonable efforts to mitigate damages to the extent required under this **Section 20.3** and that Landlord's failure caused an avoidable and quantifiable increase in Landlord's damages for unpaid Rent. Without limitation to the foregoing, Landlord shall not be deemed to have failed to mitigate damages, or to have failed to use efforts required by law to do so, because: (i) Landlord leases other space in the Building which is vacant prior to re-letting the Premises; (ii) Landlord refuses to relet the Premises to any Related Entity of Tenant, or any principal of Tenant, or any Related Entity of such principal; (iii) Landlord refuses to relet the Premises to any person or entity whose creditworthiness is not acceptable to Landlord in the exercise of its reasonable discretion; (iv) Landlord refuses to relet the Premises to any person or entity because the use proposed to be made of the Premises by such prospective tenant is not general office use of a type and nature consistent with that of the other tenants in the portions of the Building leased or held for lease for general office purposes as of the date Tenant defaults under this Lease (by way of illustration, but not limitation, call center or other high-density use, government offices, consular offices, doctor's offices or medical or dental clinics or laboratories, or schools would not be uses consistent with that of other tenants in the Building), or such use would, in Landlord's reasonable judgment, impose unreasonable or excessive demands upon the Building systems, equipment or facilities; (v) Landlord refuses to relet the Premises to any person or entity, or any affiliate of such person or entity, who has been engaged in litigation with Landlord or any of its affiliates; (vi) Landlord refuses to relet the Premises because the tenant or the terms and provisions of the proposed lease are not approved by the holders of any liens or security interests in the Building, or would cause Landlord to be in default of, or to be unable to perform any of its covenants or obligations under, any agreements between Landlord and any third party; (vii) Landlord refuses to relet the Premises because the proposed tenant is unwilling to execute and deliver Landlord's standard lease form or such tenant requires improvements to the Premises to be paid at Landlord's cost and expense; (viii) Landlord refuses to relet the Premises to a person or entity whose character or reputation, or the nature of such prospective tenant's business, would not be acceptable to

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Landlord in its reasonable discretion; (ix) Landlord refuses to expend any material sums of money to market the Premises in excess of the sums Landlord typically expends in connection with the marketing of other space in the Building. As used in this **Section 20.3**, an “affiliate” means a person or entity that controls, is controlled by, or is under common control with another person or entity.

20.4 **No Waiver**. If Landlord shall institute proceedings against Tenant and a compromise or settlement thereof shall be made, the same shall not constitute a waiver of any other covenant, condition or agreement herein contained, nor of any of Landlord’s rights hereunder. No waiver by Landlord of any breach shall operate as a waiver of such covenant, condition or agreement itself, or of any subsequent breach thereof. No payment of Rent by Tenant or acceptance of Rent by Landlord shall operate as a waiver of any breach or default by Tenant under this Lease. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Rent herein stipulated shall be deemed to be other than a payment on account of the earliest unpaid Rent, nor shall any endorsement or statement on any check or communication accompanying a check for the payment of Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord’s right to recover the balance of such Rent or to pursue any other remedy provided in this Lease. No act, omission, reletting or re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease, shall be construed as an actual or constructive eviction of Tenant, or an election on the part of Landlord to terminate this Lease unless a written notice of such intention is given to Tenant by Landlord.

20.5 **Late Payment**. If Tenant fails to pay any Rent within 10 days after such Rent becomes due and payable, Tenant shall pay to Landlord a late charge of 5% of the amount of such overdue Rent. Such late charge shall be deemed Rent and shall be due and payable within two days after written demand from Landlord.

20.6 **Waiver of Redemption**. Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have under any present or future law to redeem the Premises or to continue this Lease after being dispossessed or ejected from the Premises.

20.7 **Landlord’s Lien**. Intentionally Omitted.

20.8 **Consequential Damages**. Except for any damages which Landlord may suffer because of Tenant’s holding over in the Premises following the expiration of the Term or Tenant’s breach of **Section 9.2** (for which Landlord may recover consequential damages from Tenant), the liability of Tenant to Landlord for any monetary damages arising from any default by Tenant under the terms of this Lease shall be limited to Landlord’s actual direct, but not consequential damages therefor. Nothing in this **Section 20.8** shall affect or limit Landlord’s rights to file legal actions to recover possession of the Premises, or for injunctive relief against Tenant, or any other non-monetary relief as provided in **Article XX** of this Lease.

XXI. MORTGAGES

This Lease is subject and subordinate to all ground or underlying leases (each a “**Ground Lease**”) and to any mortgage, deed of trust, security interest, or title retention interest now or hereafter affecting the Land, Building or Project (each a “**Mortgage**”) and to all renewals, modifications, consolidations, replacements and extensions thereof. This subordination shall be self-operative; however, in confirmation thereof, Tenant shall, within 10 days of receipt thereof, execute any instrument that Landlord, any ground lessor under a Ground Lease (“**Ground Lessor**”) or any holder of any note or obligation secured by a Mortgage (the “**Mortgagee**”) may request confirming such subordination, but only if the Ground Lessor or Mortgagee agrees in writing with Tenant to recognize Tenant’s rights under this Lease and agrees not

to disturb Tenant's quiet possession of the Premises so long as there is no Event of Default under this Lease. Notwithstanding the foregoing, before any foreclosure sale under a Mortgage or termination of a Ground Lease, the Mortgagee or Ground Lessor, as applicable, shall have the right to subordinate the Mortgage or Ground Lease, as applicable, to this Lease, in which case, in the event of such foreclosure or termination, this Lease may continue in full force and effect and Tenant shall attorn to and recognize as its landlord, as applicable, the Ground Lessor or the purchaser at foreclosure of Landlord's interest under this Lease provided that such purchaser recognizes Tenant's rights under this Lease and agrees in writing with Tenant not to disturb Tenant's quiet possession of the Premises so long as there is no Event of Default under this Lease. Tenant shall, upon the request of a Mortgagee, Ground Lessor or purchaser at foreclosure, execute, acknowledge and deliver any instrument that has for its purpose and effect the subordination of any Ground Lease or the lien of any Mortgage to this Lease or Tenant's attornment to such Ground Lessor or purchaser of Landlord's interest under this Lease, as applicable, provided such instrument provides that the purchaser recognizes Tenant's rights under this Lease and agrees in writing with Tenant not to disturb Tenant's quiet possession of the Premises so long as there is no Event of Default under this Lease. Landlord shall obtain within 60 days after the Date of Lease, a Subordination, Non-Disturbance Agreement from the current Mortgagee on the form attached hereto as **Exhibit I**.

XXII. SURRENDER; HOLDING OVER

22.1 **Surrender of the Premises**. Tenant shall peaceably surrender the Premises to Landlord on the Expiration Date or earlier termination of this Lease, in broom-clean condition and in as good condition as when Tenant took possession, including, without limitation, the repair of any damage to the Premises caused by the removal of any of Tenant's personal property, Alterations, or trade fixtures from the Premises, except for reasonable wear and tear and loss by fire or other casualty (as provided for in **Article XIX**). All trade fixtures, equipment, furniture, inventory, effects and Alterations left on or in the Premises or the Project after the Expiration Date or earlier termination of this Lease will be deemed conclusively to have been abandoned and may be appropriated, removed, sold, stored, destroyed or otherwise disposed of by Landlord without notice to Tenant or any other person and without obligation to account for them; and Tenant will pay Landlord for all expenses incurred in connection with the same, including, but not limited to, the costs of repairing any damage to the Premises or the Project caused by the removal of such property. Tenant's obligation to observe and perform this covenant will survive the expiration or other termination of this Lease.

22.2 **Holding Over**. In the event that Tenant shall not immediately surrender the Premises to Landlord on the Expiration Date or earlier termination of this Lease, including removing all trade fixtures, equipment, furniture, inventory, effects and Alterations from the Premises, Tenant shall be deemed to be a tenant-at-will pursuant to the terms and provisions of this Lease, except the daily Basic Rent shall be one hundred fifty (150%) percent of the daily Basic Rent in effect on the Expiration Date or earlier termination of this Lease (computed on the basis of a 30 day month). Notwithstanding the foregoing, if Tenant shall hold over after the Expiration Date or earlier termination of this Lease, and Landlord shall desire to regain possession of the Premises, then Landlord may forthwith re-enter and take possession of the Premises without process, or by any legal process provided under applicable state law. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over extending more than sixty (60) days following the expiration of the Term.

XXIII. QUIET ENJOYMENT

Landlord covenants that if Tenant shall pay Rent and perform all of the terms and conditions of this Lease to be performed by Tenant, Tenant shall during the Term peaceably and quietly occupy and enjoy possession of the Premises without molestation or hindrance by Landlord or any party claiming through or under Landlord, subject to the provisions of this Lease, any restrictions and any Mortgage to which this Lease is subordinate.

XXIV. MISCELLANEOUS

24.1 No Representations by Landlord. Tenant acknowledges that neither Landlord nor its Agents nor any broker has made any representation or promise with respect to the Premises, the Project, the Land or the Common Area, except as herein expressly set forth, and no rights, privileges, easements or licenses are acquired by Tenant except as herein expressly set forth.

24.2 No Partnership. Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between Landlord and Tenant other than that of landlord and tenant.

24.3 Brokers. Landlord recognizes Broker(s) as the sole broker(s) procuring this Lease and shall pay Broker(s) a commission therefor pursuant to a separate agreement between Broker(s) and Landlord. Landlord and Tenant each represents and warrants to the other that it has dealt with no broker, agent, finder or other person other than Broker(s) relating to this Lease. **Landlord shall indemnify and hold Tenant harmless, and Tenant shall indemnify and hold Landlord harmless, from and against any and all loss, costs, damages or expenses (including, without limitation, all attorneys' fees and disbursements) by reason of any claim of liability to or from any broker or person arising from or out of any breach of the indemnitor's representation and warranty.**

24.4 Estoppel Certificate. Tenant shall, without charge, at any time and from time to time, within 10 business days after request therefor by Landlord, execute, acknowledge and deliver to Landlord a written estoppel certificate certifying, as of the date of such estoppel certificate, the following: (i) that this Lease is unmodified and in full force and effect (or if modified, that this Lease is in full force and effect as modified and setting forth such modifications); (ii) that the Term has commenced (and setting forth the Commencement Date and Expiration Date); (iii) that Tenant is presently occupying the Premises; (iv) the amounts of Basic Rent and Additional Rent currently due and payable by Tenant; (v) that any Tenant Work or Alterations required by this Lease to have been made by Landlord have been made to the satisfaction of Tenant; (vi) that there are no existing set-offs, charges, liens, claims or defenses against the enforcement of any right hereunder, including, without limitation, Basic Rent or Additional Rent (or, if alleged, specifying the same in detail); (vii) that no Basic Rent (except the first installment thereof) has been paid more than 30 days in advance of its due date; (viii) that Tenant has no knowledge of any then uncured default by Landlord of its obligations under this Lease (or, if Tenant has such knowledge, specifying the same in detail); (ix) that Tenant is not in default; (x) that the address to which notices to Tenant should be sent is as set forth in this Lease (or, if not, specifying the correct address); and (xi) any other certifications reasonably requested by Landlord. In the event Tenant fails to deliver to Landlord an estoppel certificate as required by this Section within the specified 10 business day period, Tenant shall be conclusively presumed to have adopted and affirmed the contents of the form of estoppel certificate delivered to Tenant by Landlord, and any prospective mortgagee, purchaser, or other third-party may rely on the accuracy of such estoppel certificate as if executed and affirmed by Tenant.

24.5 Waiver of Jury Trial. **Landlord and Tenant each waive trial by jury in connection with proceedings or counterclaims brought by either of the parties against the other with respect to any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant hereunder or Tenant's use or occupancy of the Premises.**

24.6 Notices. All notices, demands and requests which may be given or which are required to be given by either party to the other, shall be in writing and shall be deemed effective either: (i) on the

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date personally delivered to the address set forth in **Article I**, as evidenced by written receipt for the same, whether or not actually received by the person to whom addressed; (ii) on the third business day after being sent, by certified or registered mail, return receipt requested, postage prepaid, addressed to the intended recipient at the address specified **Article I**; (iii) on the next succeeding business day after being deposited into the custody of a nationally recognized overnight delivery service such as Federal Express, addressed to such party at the address specified **Article I**; (iv) on the date delivered by facsimile to the respective numbers specified in **Article I**, provided confirmation of facsimile is received; or (v) on the date an electronic mail message with a pdf copy of the signed notice is delivered to the e-mail addresses specified in **Article I**; *provided, however*, that in the case of any notice delivered in accordance with items (iv) or (v) above, any such facsimile notice or e-mail notice shall be sent by one of the other permitted methods of providing notice (other than facsimile or e-mail notice) on the next succeeding business day. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

24.7 Invalidity of Particular Provisions. If any provisions of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the full extent permitted by law.

24.8 Gender and Number. All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number or gender as the context may require.

24.9 Benefit and Burden. Subject to the provisions of **Article X** and except as otherwise expressly provided, the provisions of this Lease shall be binding upon, and shall inure to the benefit of, the parties hereto and each of their respective representatives, heirs, successors and assigns.

24.10 Entire Agreement. This Lease (which includes the Exhibits attached hereto) contains and embodies the entire agreement of the parties hereto, and no representations, inducements or agreements, oral or otherwise, between the parties not contained in this Lease shall be of any force or effect. This Lease (other than the Rules and Regulations, which may be changed from time to time as provided herein) may not be modified, changed or terminated in whole or in part in any manner other than by an agreement in writing duly signed by Landlord and Tenant.

24.11 Authority. If Tenant signs as a corporation, limited liability company or partnership, the person executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is duly formed, validly existing, in good standing (with respect to a corporation or limited liability company), and qualified to do business in the state in which the Project is located, that Tenant has full power and authority to enter into this Lease and that he or she is authorized to execute this Lease on behalf of Tenant. Tenant further agrees that it shall provide Landlord with a secretary's certificate from the secretary of said corporation or limited liability company, if applicable, certifying as to the above in the form of **Exhibit D** attached hereto and made a part hereof, or, if Tenant is a partnership, it shall provide Landlord with a partnership authorization certifying as to the above in a form acceptable to Landlord. At the request of Landlord, Tenant shall provide to Landlord copies of Tenant's organizational documents and such incumbency certificate and minutes certified by an authorized representative of Tenant as being true, correct, and complete, as may be reasonably required to demonstrate that this Lease is binding upon and enforceable against Tenant.

24.12 Attorneys' Fees. If either Landlord or Tenant commences, engages in, or threatens to commence or engage in any legal action or proceeding against the other party (including, without

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limitation, litigation or arbitration) arising out of or in connection with this Lease, the Premises, or the Project (including, without limitation (a) the enforcement or interpretation of either party's rights or obligations under this Lease (whether in contract, tort, or both) or (b) the declaration of any rights or obligations under this Lease), the prevailing party shall be entitled to recover from the losing party reasonable attorneys' fees, together with any costs and expenses, incurred in any such action or proceeding, including any attorneys' fees, costs, and expenses incurred on collection and on appeal.

24.13 Interpretation. This Lease is governed by the laws of the state in which the Project is located. Furthermore, this Lease shall not be construed against either party more or less favorably by reason of authorship or origin of language.

24.14 Limitation of Liability. **Neither Landlord nor its shareholders, partners, members, managers, directors, officers or employees, whether disclosed or undisclosed, shall have any personal liability under any provision of this Lease. If Landlord defaults in the performance of any of its obligations hereunder or otherwise, Tenant shall look solely to Landlord's equity, interest and rights in the Building for satisfaction of Tenant's remedies on account thereof, including, subject to the rights of any Mortgagee, Landlord's interest in the rents of the Building and any insurance proceeds payable to Landlord.** Before filing suit for an alleged default by Landlord, Tenant shall give Landlord and any Mortgagee(s) of whom Tenant has been notified, notice and a reasonable time to cure any alleged default. Landlord or any successor owner shall have the right to transfer and assign to a third party, in whole or part, all of its rights and obligations hereunder and in the Building and Land, and in such event, all liabilities and obligations on the part of the original Landlord, or such successor owner, under this Lease occurring thereafter, shall terminate as of the day of such sale, and thereupon all such liabilities and obligations shall be binding on the new owner.

24.15 Time of the Essence. Time is of the essence as to all obligations contained in this Lease.

24.16 Force Majeure. Subject to the provisions of Section 16.3, Landlord and Tenant (except with respect to the payment of Rent) shall not be chargeable with, liable for, or responsible to the other for anything or in any amount for any failure to perform or delay caused by: fire; earthquake; explosion; flood; hurricane; the elements; acts of God or the public enemy; actions, restrictions, governmental authorities (permitting or inspection), governmental regulation of the sale of materials or supplies or the transportation thereof; war; invasion; insurrection; rebellion; riots; strikes or lockouts, inability to obtain necessary materials, goods, equipment, services, utilities or labor; or any other cause whether similar or dissimilar to the foregoing which is beyond the reasonable control of such party (collectively, "Events of Force Majeure"); and any such failure or delay due to said causes or any of them shall not be deemed to be a breach of or default in the performance of this Lease.

24.17 Headings. Captions and headings are for convenience of reference only.

24.18 Memorandum of Lease. Neither Landlord nor Tenant shall record this Lease or a memorandum thereof without the written consent of the other.

24.19 Intentionally Omitted.

24.20 Financial Reports. Prior to the execution of this Lease by Tenant and thereafter within 15 days after Landlord's request, Tenant will furnish Tenant's and Guarantor's most recent audited financial statements (including any notes to them) to Landlord, or, if no such audited statements have been prepared, such other financial statements (and notes to them) as may have been prepared by an independent certified public accountant, or, failing those, Tenant's and Guarantor's internally prepared financial statements, certified by Tenant and Guarantor, as applicable.

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24.21 Landlord's Fees. Whenever Tenant requests Landlord to take any action or give any consent required or permitted under this Lease, Tenant will reimburse Landlord for all of Landlord's costs incurred in reviewing the proposed action or consent, including, without limitation, reasonable attorneys', engineers' or architects' fees, within 10 days after Landlord's delivery to Tenant of a statement of such costs; provided, in the event Landlord reasonably believes such fees will exceed \$750.00, Landlord will provide Tenant with a good faith estimate of such fees before taking any action. Tenant will be obligated to make such reimbursement without regard to whether Landlord consents to any such proposed action.

24.22 Effectiveness. The furnishing of the form of this Lease shall not constitute an offer and this Lease shall become effective upon and only upon its execution by and delivery to each party hereto.

24.23 Light, Air or View Rights. Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to or in the vicinity of the Building and Project shall not affect this Lease, abate any payment owed by Tenant hereunder or otherwise impose any liability on Landlord.

24.24 Special Damages. Under no circumstances whatsoever shall Landlord ever be liable hereunder for consequential damages or special damages.

24.25 Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Lease may be executed by a party's signature transmitted by facsimile or e-mail, and copies of this Lease executed and delivered by means of faxed or e-mailed signatures shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon faxed or e-mailed signatures as if such signatures were originals. All parties hereto agree that a faxed or e-mailed signature page may be introduced into evidence in any proceeding arising out of or related to this Lease as if it were an original signature page.

24.26 Nondisclosure of Lease Terms. Tenant acknowledges and agrees that the terms of this Lease are confidential and constitute proprietary information of Landlord. Disclosure of the terms could adversely affect the ability of Landlord to negotiate other leases and impair Landlord's relationship with other tenants. Accordingly, Tenant agrees that it, and its Agents shall not intentionally or voluntarily disclose the terms and conditions of this Lease to any newspaper or other publication or any other tenant or apparent prospective tenant of the Building or the Project, without the prior written consent of Landlord, provided, however, that Tenant may disclose the terms to prospective subtenants or assignees under this Lease. However, nothing contained in this section shall prevent any disclosure by Tenant required by applicable law or regulation.

24.27 Joint and Several Obligations. If more than one person or entity executes this Lease as Tenant, their execution of this Lease will constitute their covenant and agreement that: (i) each of them is jointly and severally liable for the keeping, observing and performing of all of the terms, covenants, conditions, provisions and agreements of this Lease to be kept, observed and performed by Tenant; and (ii) the term "Tenant" as used in this Lease means and includes each of them jointly and severally. The act of or notice from, or the signature of any one or more of them, with respect to the tenancy of this Lease, including, but not limited to the exercise of any options hereunder, will be binding upon each and all of the persons executing this Lease as Tenant with the same force and effect as if each and all of them had so acted.

24.28 Anti-Terrorism. Tenant represents and warrants to and covenants with Landlord that (i) neither Tenant nor any of its subsidiaries or affiliates, to the best of Tenant's knowledge and belief,

currently are, or shall be at any time during the term hereof, in violation of any laws relating to terrorism or money laundering (collectively, the “Anti-Terrorism Laws”), including without limitation Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and regulations of the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) related to Specially Designated Nationals and Blocked Persons (SDN’s OFAC Regulations), and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the “USA Patriot Act”); (ii) neither Tenant nor any of its owners, affiliates, investors, officers, directors, employees, vendors, subcontractors or agents is or shall be during the term hereof a “Prohibited Person” which is defined as follows: (1) a person or entity owned or controlled by, affiliated with, or acting for or on behalf of, any person or entity that is identified as an SDN on the then- most current list published by OFAC at its official website, <http://www.treas.gov/offices/eotffc/ofac/sdn/t11sdn.pdf>, or at any replacement website or other replacement official publication of such list, and (2) a person or entity who is identified as or affiliated with a person or entity designated as a terrorist, or associated with terrorism or money laundering pursuant to regulations promulgated in connection with the USA Patriot Act; and (iii) Tenant has taken appropriate steps to understand its legal obligations under the Anti-Terrorism Laws and has implemented appropriate procedures to assure its continued compliance with such laws. Tenant hereby agrees to defend, indemnify, and hold harmless Landlord, its officers, directors, agents and employees, from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorney’s fees and costs) arising from or related to any breach of the foregoing representations, warranties and covenants. At any time and from time-to-time during the term, Tenant shall deliver to Landlord within 10 days after receipt of a written request therefor, a written certification or such other evidence reasonably acceptable to Landlord evidencing and confirming Tenant’s compliance with this paragraph.

ARTICLE XXV. EXPANSION OPTION

25.1 Provided no Event of Default exists, Tenant may lease up to 5,175 Rentable Square Feet designated on **Exhibit A-1** (the “Expansion Space”), by delivering to Landlord, on or before December 31, 2017, written notice of Tenant’s election to include such space in the Premises, which notice must include the portion of the Expansion Space that Tenant intends to occupy. If Tenant timely exercises its option, then (a) possession of the Expansion Space shall be delivered to Tenant in an “AS-IS” condition on the date Landlord delivers possession of the Expansion Space to Tenant (the “Expansion Date”), and (b) Tenant and Landlord shall execute an amendment to this Lease including the Expansion Space in the Premises on the same terms as this Lease, except as follows: (i) the Rentable Square Feet of the Premises shall be increased by the Rentable Square Feet in the Expansion Space; and (ii) the Basic Rent for the Expansion Space shall be equal to the per Rentable Square Foot Basic Rent for the Premises then currently payable (provided, Landlord will abate Basic Rent and Tenant’s Proportionate Share of Operating Expense Rental and Real Estate Tax Rental for the Expansion Space for the first one hundred twenty (120) days following the Expansion Date) and Landlord will provide Tenant with the same per square foot Tenant Work Allowance as provided for the Premises, multiplied times a fraction, the numerator of which is the number of months remaining in the Term as of the date of the Expansion Date and the denominator of which is the number of months in the Term.

25.2 If Tenant fails or is unable to timely exercise its right hereunder, such right shall lapse, time being of the essence with respect to the exercise thereof (it being understood that Tenant’s right hereunder is a one-time right only), and Landlord may lease all or a portion of the Expansion Space to third parties on such terms as Landlord may elect, subject to **Article XXVIII**. Tenant’s rights under this **Article XXV** shall terminate if (a) this Lease or Tenant’s right to possession of the Premises is terminated, (b) Tenant assigns any of its interest in this Lease or sublets any portion of the Premises, or (c) Landlord determines, in its sole but reasonable discretion, that Tenant’s financial condition or creditworthiness has materially deteriorated since the date of this Lease.

ARTICLE XXVI. SATELLITE ANTENNAE

26.1 Tenant shall have the right to install up to seven (7) satellite antennae, dish(es) and other communications equipment in accordance with the provisions of the License Agreement to Install Satellite Antennae attached hereto as **Exhibit G**.

ARTICLE XXVII. RESERVED

ARTICLE XXVIII. RIGHT OF FIRST REFUSAL

28.1 **Granting of Right**. Provided that (i) this Lease is in full force and effect; (ii) no material adverse change in Tenant's financial condition has occurred; and (iii) no Event of Default exists under this Lease or would exist but for the pendency of any cure periods provided for in **Section 20.1** herein, either on the date Tenant exercises its Right of First Refusal (as hereinafter defined) or as of the time possession of such Right of First Refusal Space is delivered to Tenant, Tenant shall have an ongoing right of first refusal (the "**Right of First Refusal**") during the Term to lease the right of first refusal space located on the third (3rd) floor of the Building consisting of approximately 24,595 rentable square feet as reflected on **Exhibit H** attached hereto and incorporated by reference herein (the "**Right of First Refusal Space**"), subject to the expansion rights and the renewal (but only if such renewal is pursuant to an express written provision in such lease, regardless of whether any such renewal is consummated pursuant to a lease amendment or a new lease) of pre-existing tenants and upon the terms and conditions set forth in this **Article XXVIII**.

28.2 **Landlord's Notice**. If Landlord issues a letter of intent to a third party (the "**Proposal**"), Landlord shall notify Tenant of such proposal in writing ("**Landlord's Notice**"), which Landlord's Notice shall set forth the applicable portion of the Right of First Refusal Space covered by the Proposal and the basic economic terms and conditions of such Proposal. Tenant shall have a period of ten (10) days from the date of Landlord's Notice to notify Landlord whether Tenant elects to exercise its Right of First Refusal with respect to all of that portion of Right of First Refusal Space offered upon such terms and conditions set forth in Landlord's Notice, including, without limitation, term, basic rent, allowances and rentable square footage; provided, if Tenant exercises its Right of First Refusal and more than thirty-six (36) months remain in the Term, the Term for the Right of First Refusal Space will be coterminous with the Term for the Premises, and any tenant inducements set forth in Landlord's Notice will be modified accordingly.

28.3 **Exercise of Right of First Refusal**. If Tenant fails to give any notice to Landlord within the required ten (10) day period, Tenant shall be deemed to have refused to exercise its Right of First Refusal with respect to the Right of First Refusal Space. If Tenant refuses to exercise its Right of First Refusal, either by giving written notice of refusal or failing to timely give notice of exercise, Landlord shall thereafter have the right to lease such portion of the Right of First Refusal Space to the third party. The rental rate set forth in the Landlord's Notice may be reduced so long as it is not less than ninety-five (95%) of the rental rate set forth in the Landlord's Notice. If a lease to another tenant(s) is not consummated within six (6) months next following Tenant's refusal of exercise its Right of First Refusal, then Tenant's Right of First Refusal to lease the Right of First Refusal Space shall be reinstated. This Right of First Refusal shall be an ongoing right of first refusal, which shall mean that if Tenant waives its Right of First Refusal pursuant to this **Article XXVIII** and all of the Right of First Refusal Space is subsequently leased to a third party ("**New Tenant**"), Landlord shall not lease the Right of First Refusal Space to a third party (other than the New Tenant or its permitted assignee) without notifying Tenant of the availability of the Right of First Refusal Space, in which case Tenant shall again have a Right of First Refusal to lease the Right of First Refusal Space in accordance with this **Article XXVIII**.

28.4 Lease Amendment. If Tenant exercises its right to lease the Right of First Refusal Space pursuant to this Article XXVIII, Landlord and Tenant shall, within thirty (30) days after Tenant exercises its Right of First Refusal, enter into a lease amendment with respect to such portion of the Right of First Refusal Space leased on the terms, covenants and conditions set forth in Landlord's Notice, including, but not limited to, Basic Rent, tenant improvement allowance and term (however, such term will not commence earlier than ninety (90) days after Landlord delivers possession of the Right of First Refusal Space to Tenant); provided, however, all other terms and conditions contained in this Lease shall apply to the Right of First Refusal Space as a result of Tenant's election hereunder, except to the extent specified otherwise in the Landlord's Notice. Effective upon delivery of the Right of First Refusal Space, the Right of First Refusal Space shall be added to the definition of Premises under this Lease and the annual Basic Rent shall be increased by an amount equal to the product obtained by multiplying (1) the number of Rentable Square Feet in the Right of First Refusal Space times (2) the annual Basic Rent rate (as reflected in the Landlord's Notice) per Rentable Square Foot. Additionally, Tenant's Proportionate Share of Operating Expenses and Real Estate Taxes shall be increased by the amount of Operating Expenses and Real Estate Taxes allocable to the Right of First Refusal Space (i.e. in the same manner as Tenant shall be responsible for Operating Expenses and Real Estate Taxes allocable to the original Premises under this Lease).

28.5 Duration of Right. This Right of First Refusal shall automatically terminate on the expiration of the fifth Lease Year of the initial Term of this Lease; provided, if, following the expiration of the fifth Lease Year of the initial Term of this Lease, (a) Landlord intends to deliver a Proposal for the Right of First Refusal Space, Landlord will deliver a Landlord's Notice to Tenant, and (b) within ten (10) days following Landlord's delivery of the Landlord's Notice, Tenant delivers to Landlord a Renewal Notice and renews this Lease in accordance with Article XXIX, Tenant may exercise its Right of First Refusal with respect to the First Refusal Space. The Right of First Refusal is personal with respect to RigNet, Inc. Any assignment or subletting by RigNet, Inc. shall automatically terminate this right.

ARTICLE XXIX. OPTION TO RENEW

29.1 Grant of Option and General Terms. Provided that (i) no material adverse change has occurred in Tenant's financial condition, (ii) this Lease is in full force and effect, and (iii) no Event of Default shall exist under this Lease, either on the date Tenant exercises its Renewal Option (as hereinafter defined) or as of the effective date of the Renewal Term (as hereinafter defined), or would exist but for the pendency of any cure periods provided under Section 20.1 herein; Tenant shall have the option to extend the Term of this Lease with respect to at least 25,000 Rentable Square Feet in the Premises (the "Renewal Option") for either (a) one (1) additional period of ten (10) years or (ii) two (2) additional periods of five (5) years each (as applicable, the "Renewal Term"). The Renewal Option shall be subject to all of the terms and conditions contained in this Lease except that (i) the Renewal Rent (as hereinafter defined) shall be at the then prevailing Market Rate (as defined below) on the commencement date of the Renewal Term; (ii) Landlord shall have no obligation to improve the Premises (provided, if any allowance has been taken into account in determining the Market Rate, then Landlord shall provide such allowance to Tenant); and (iii) there shall be no further option to extend the Term of this Lease beyond the Renewal Term.

29.2 Renewal Rent. The Renewal Rent for the Renewal Term shall be an amount equal to the prevailing Market Rate. As used herein "Market Rate" shall mean the basic rent that a willing tenant would pay and a willing landlord would accept in arm's length, bona fide negotiations for a comparable lease transaction (i.e., a renewal or preferential right to lease, as applicable) to be executed at the time of determination, for the subject premises for the lease term that such rate will be in effect. The determination of the Market Rate will be based upon a comparison of the term of Tenant's lease of the

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Premises to other lease transactions in the Building and in other multi-tenant office buildings in the West Houston/Energy Corridor submarket of Houston, Texas, with appropriate adjustments as necessary to equate the other lease transactions being compared with the applicable terms of the lease, taking into consideration all relevant factors including, without limitation: (i) use, location and/or floor level within the applicable building, (ii) the definition of rentable area, (iii) leasehold improvements (excluding improvements paid for by Tenant) and allowances provided, (iv) quality and location of the applicable building (taking into consideration renovations), (v) rental concessions (such as moving expenses, abatements and lease assumptions), (vi) extent of services to be provided, (vii) distinction between “gross” and “net” lease, (viii) base year or expense stop, (ix) the creditworthiness of the tenant, (x) the time the comparison lease became effective and any special rights of the tenant or obligations of the landlord under the comparison lease, and (xi) any other concessions or inducement and/or relevant term or condition in making such fair market value rental rate determination.

29.3 Determination of Market Rate. Tenant shall send Landlord a preliminary expression of Tenant’s willingness to renew this Lease no earlier than twelve (12) months or later than nine (9) months prior to the expiration of the Term of this Lease (“Renewal Notice”). The Renewal Notice must state whether Tenant elects to renew the Term for ten (10) years or five (5) years. If Tenant fails to identify the length of the Renewal Term in the Renewal Notice, Tenant will be deemed to have elected to extend the Term for five (5) years. Tenant and Landlord shall negotiate in good faith to determine and mutually agree upon the Market Rate for the Renewal Term. If Landlord and Tenant are unable to agree upon the Market Rate for the Renewal Term, on or before forty-five (45) days following Landlord’s receipt of the Renewal Notice (the “Negotiation Period”), as evidenced by an amendment to this Lease executed by both Landlord and Tenant, then within five (5) days after the last day of the Negotiation Period, Tenant may, by written notice to Landlord (the “Notice of Exercise”), irrevocably elect to exercise such Renewal Option. In order for Tenant to exercise such Renewal Option, Tenant shall send the Notice of Exercise to Landlord stating (i) that Tenant is irrevocably exercising its right to extend the Term pursuant to Article XXIX; and (ii) Landlord and Tenant shall be irrevocably bound by the determination of Market Rate set forth hereinafter in this Section 27.3, and if applicable, Section 27.4. If Tenant shall fail to deliver the Notice of Exercise on or before five (5) days after the last day of the Negotiation Period, then Tenant shall have waived any right to exercise the Renewal Option. In the event any date referenced in this Section 27.3 falls on a day other than a business day, such date shall be deemed to be the next following business day.

If Tenant timely delivers the Notice of Exercise to Landlord, Landlord and Tenant shall each simultaneously present to the other party their final determinations of the Market Rate for the Renewal Term (the “Final Offers”) within ten (10) days after the last day of the Negotiation Period. If the Market Rate as determined by the lower of the two (2) proposed Final Offers is not more than ten percent (10%) below the higher, then the Market Rate shall be determined by averaging the two (2) Final Offers.

If the difference between the lower of the two (2) proposed Final Offers is more than ten percent (10%) below the higher, then the Market Rate shall be determined by Baseball Arbitration (as hereinafter defined) in accordance with the procedure set forth in Section 29.4.

29.4 Baseball Arbitration. For all purposes of this Lease, Baseball Arbitration shall follow the following procedures:

(a) Within twenty (20) days after Landlord’s receipt of Tenant’s Notice of Exercise, Tenant and Landlord shall each select an arbitrator (“Tenant’s Arbitrator” and “Landlord’s Arbitrator”, respectively) who shall be a qualified and impartial person licensed in the State of Texas as a commercial real estate broker with at least ten (10) years of experience in negotiating commercial office leases in the West Houston/Energy Corridor submarket.

(b) Landlord's Arbitrator and Tenant's Arbitrator shall name a third arbitrator, similarly qualified, within ten (10) days after the appointment of Landlord's Arbitrator and Tenant's Arbitrator.

(c) Said third arbitrator shall, after due consideration of the factors to be taken into account under the definition of Market Rate set forth in **Section 29.2** and hearing whatever evidence the arbitrator deems appropriate from Landlord, Tenant and others, and obtaining any other information the arbitrator deems necessary, in good faith, make its own determination of the Market Rate for the Premises as of the commencement of the Renewal Term (the "Arbitrator's Initial Determination") and thereafter select either Landlord's Final Offer or the Tenant's Final Offer, but no other, whichever is closest to the Arbitrator's Initial Determination (the "Final Determination"), such determination to be made within thirty (30) days after the appointment of the third arbitrator. The Arbitrator's Initial Determination, Final Determination and the market information upon which such determinations are based shall be in writing and counterparts thereof shall be delivered to Landlord and Tenant within said thirty (30) day period. The arbitrator shall have no right or ability to determine the Market Rate in any other manner. The Final Determination shall be binding upon the parties hereto.

(d) The costs and fees of the third arbitrator shall be paid by Landlord if the Final Determination shall be Tenant's Final Offer or by Tenant if the Final Determination shall be Landlord's Final Offer.

(e) If Tenant fails to appoint Tenant's Arbitrator in the manner and within the time specified in **Section 29.4**, then the Market Rate for the Renewal Term shall be the Market Rate contained in the Landlord's Final Offer. If Landlord fails to appoint Landlord's Arbitrator in the manner and within the time specified in **Section 29.4** then the Market Rate for the Renewal Term shall be the Market Rate contained in the Tenant's Final Offer. If Tenant's Arbitrator and Landlord's Arbitrator fail to appoint the third arbitrator within the time and in the manner prescribed in **Section 29.4**, then Landlord and Tenant shall jointly and promptly apply to the local office of the American Arbitration Association for the appointment of the third arbitrator.

29.5 Personal Option. This Renewal Option is personal with respect to RigNet, Inc.. Any assignment or subletting shall automatically terminate RigNet, Inc.'s rights hereunder.

ARTICLE XXX. OPTION TO TERMINATE

30.1 Provided that no Event of Default shall exist under this Lease or would exist but for the pendency of any cure period provided for in **Section 20.1** herein, either on the date Tenant delivers its Termination Notice (as hereinafter defined) or on the Termination Date (as hereinafter defined), Tenant shall have the one-time right to terminate this Lease with respect to all or any portion of the Premises as of the last day of the seventy-second (72nd) full calendar month following the Commencement Date (the "Termination Date") by giving Landlord at least nine (9) months prior written notice (the "Termination Notice") accompanied by a payment of a termination fee (the "Termination Fee") to Landlord in the amount of the unamortized portion of all tenant improvements and commissions paid by Landlord in connection with this Lease (including the commissions paid to the Brokers and the Tenant Work Allowance), which amount shall accrue interest at 8.0% per annum and be amortized over the initial Term for which Basic Rent is payable. If Tenant exercises this right to terminate this Lease, Tenant's Right of First Offering, Right of First Refusal, and Renewal Option shall automatically terminate and be of no further force and effect. Tenant's failure to pay such Termination Fee simultaneously with Tenant's delivery of its Termination Notice shall render void the termination of this

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Lease and this Lease shall continue in full force and effect. Tenant shall pay all Rent due to and through the Termination Date specified and shall surrender the Premises to Landlord on or before the Termination Date in the manner and in the condition provided for in this Lease. Tenant shall permit Landlord or its Agents, at any time and without notice, to enter the Premises, without charge therefore to Landlord and without diminution of Rent, to exhibit the same to prospective tenants during such nine (9) month period. The Termination Fee shall not be deemed to be Rent payable under the terms of this Lease, but rather shall be deemed liquidated damages payable by Tenant to Landlord in consideration of Landlord's agreement to terminate the Lease as herein provided.

ARTICLE XXXI. LANDLORD'S WORK

31.1 On or before the Commencement Date (subject to an Event of Force Majeure and any delays arising due to the act or omission of Tenant or its Agents), Landlord will construct or cause to be constructed a fitness facility on the first (1st) floor of the Building for the use of the tenants of the Building (the "Fitness Center"). Landlord will provide Tenant with the plans and specifications for the Fitness Center promptly following Landlord's approval thereof, as well as a list of the equipment Landlord will place in the Fitness Center; however, Tenant will not have a right to modify, object to, or make comments to such plans and specifications. During the Term, Landlord will operate and maintain the Fitness Center in a manner consistent with other fitness facilities in buildings comparable to the Building in the West Houston/Energy Corridor submarket.

31.2 Landlord, at its sole cost and expense (but not to exceed \$200,000.00), will update the elevator lobby and restrooms located on the third (3rd) floor of the Building as determined by Landlord in its sole discretion. Landlord will provide Tenant with the plans and specifications for the upgrade promptly following Landlord's approval thereof; however, Landlord will use reasonable efforts to accommodate Tenant's reasonable comments to such plans and specifications.

31.3 On or before the Commencement Date (subject to an Event of Force Majeure and any delays arising due to the act or omission of Tenant or its Agents), Landlord will construct or cause to be constructed a conference facility on the third (3rd) floor of the Building for the use of the tenants of the Building (the "Conference Center"). Landlord will provide Tenant with the plans and specifications for the Conference Center promptly following Landlord's approval thereof, as well as a list of the equipment Landlord will place in the Conference Center; however, Tenant will not have a right to modify, object to, or make comments to such plans and specifications. During the Term, Landlord will operate and maintain the Conference Center in a manner consistent with other conference facilities in buildings comparable to the Building in the West Houston/Energy Corridor submarket.

ARTICLE XXXII. GENERATOR

32.1 Landlord grants to Tenant a license during the Term (the "Generator License") to install, operate, and maintain in the area described on **Exhibit J** attached hereto (the "Generator Area"), at Tenant's sole cost and expense, a 100kw generator facility, including the associated technology, switchgear and enclosures related thereto (collectively, the "Generator"). All references to the Premises shall include the Generator Area. The Generator License includes the right to connect to, access and use the relevant electric utility facilities at the Building. The Generator License is subject to the following conditions:

(a) Installation of the Generator is subject to the prior written approval of Landlord, in its sole discretion, of the type, size and height of the Generator as well as the manner of

installation of the Generator (including the manner in which any cables are run between the Generator and the Building). Tenant acknowledges that Landlord will disapprove the installation of any Generator (including the initial installation) if Landlord determines, in its sole discretion, that (i) the installation or operation of the Generator will adversely affect the operation of any of the Building systems or the operation of any other equipment elsewhere in the Building; or (ii) any item of the Generator, alone or when considered together with other existing units owned by others, would negatively impact the overall aesthetics of the Building. Without limiting the foregoing, Landlord may require Tenant to install decorative screening and fencing around the Generator.

(b) Tenant shall bear all costs to install, maintain, operate, replace and repair the Generator in compliance with all applicable laws and matters of record, which costs include, without limitation, (i) any structural modifications required to support the Generator, (ii) any screens or other improvements Landlord may reasonably require to protect the aesthetic quality of the Building, (iii) any fences that Landlord may require for safety reasons, (iv) any enclosures or other safety measures required by applicable law or matters of record, and (v) the cost of all utilities consumed in the operation of the Generator.

(c) Prior to commencement of installation, Tenant shall submit to Landlord and obtain Landlord's approval of plans and specifications for the Generator, and any other information reasonably required by Landlord. Landlord's approval of Tenant's plans and specifications shall not be deemed a representation by Landlord that the plans and specifications comply with applicable laws and matters of record or industry standards, nor is Landlord's approval a representation by Landlord of the adequacy of the mechanical design or proper operation of the Generator.

(d) Prior to commencement of installation, Tenant, at its sole cost and expense, shall obtain all necessary governmental and regulatory approvals for the installation and use of the Generator from each governmental agency having jurisdiction over the installation or use of the Generator. Tenant may not install or operate the Generator until Tenant has obtained and submitted to Landlord copies of all such necessary permits and approvals.

(e) Tenant's use of the Generator shall comply with all applicable laws and matters of record, including laws related to Hazardous Materials.

(f) All utility lines must be routed, anchored, buried and/or attached in accordance with good industry practices. The Generator must be identified with permanently marked, weatherproof tags at the following locations: (i) prominently on the exterior frame of each piece of the Generator; (ii) at the transmission line Building entry point; and (iii) at the interior wall feed through or any other transmission line exit point.

(g) Tenant shall:

(i) promptly repair, to Landlord's reasonable satisfaction, any damage to the Building or the adjacent area caused by the installation, use, or removal of the Generator;

(ii) keep and maintain the Generator in good condition and repair at all times;

(iii) operate the Generator only for Tenant's use and benefit;

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(iv) take all necessary action (including installation of additional insulation) to prevent vibrations and sound disturbance in the Building resulting from the operation of the Generator; and

(v) perform testing of the Generator only upon Landlord's prior written approval and after normal business hours.

(h) The installation of the Generator, as well as all repairs or alterations to the Generator, or replacements of the Generator, must be performed by contractors approved by Landlord in its reasonable discretion.

(i) Landlord shall have no obligation to provide any services, including, without limitation, electric current, to the Generator.

(j) Upon the expiration or earlier termination of this Lease, Tenant, at Tenant's expense, shall promptly remove the Generator and repair and restore all damage to the Building and adjacent area caused by the removal.

(k) Tenant has thoroughly inspected the Generator Area and accepts it in its "AS-IS" condition. Landlord makes no, and Tenant waives and releases Landlord from any, representations and warranties about the condition or suitability of the Generator Area or the Building for the installation and operation of the Generator.

(l) Within 30 days after installation of the Generator, Tenant, at its cost, shall deliver to Landlord, either: (i) 2 reproducible copies of "as-built" plans and specifications (1/8" scale), or (ii) "as-built" plans and specifications in electronic CAD format reasonably acceptable to Landlord showing the location of the Generator and all equipment installed in connection therewith.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the Date of Lease.

LANDLORD :

PARK 10 TENANT LLC,
a Delaware limited liability company

By: US RELP AKC, LLC,
a Delaware limited liability company,
its manager

By: US Real Estate Limited Partnership,
a Texas limited partnership,
its sole member

By: USAA Real Estate Company,
a Delaware corporation,
its general partner

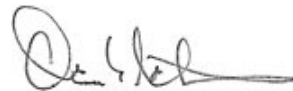


By: _____
Name: Jim Hime
Title: CFO

Date: 1/26/17

TENANT :

RIGNET, INC.,
a Delaware corporation



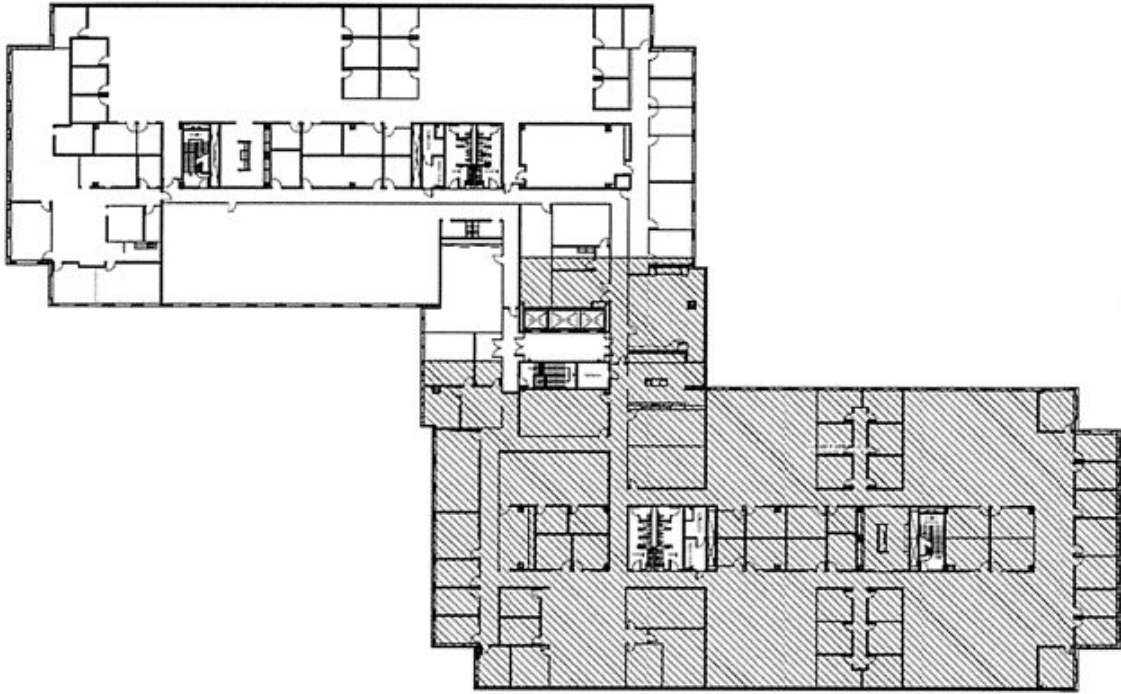
By: _____
Name: Charles E. Schneider
Title: SVP & CFO

Date: 1/11/2017

SIGNATURE PAGE

EXHIBIT A-1

PLAN SHOWING PREMISES



PARK TEN PLAZA

AREA CALCULATION - 28,808 RSF

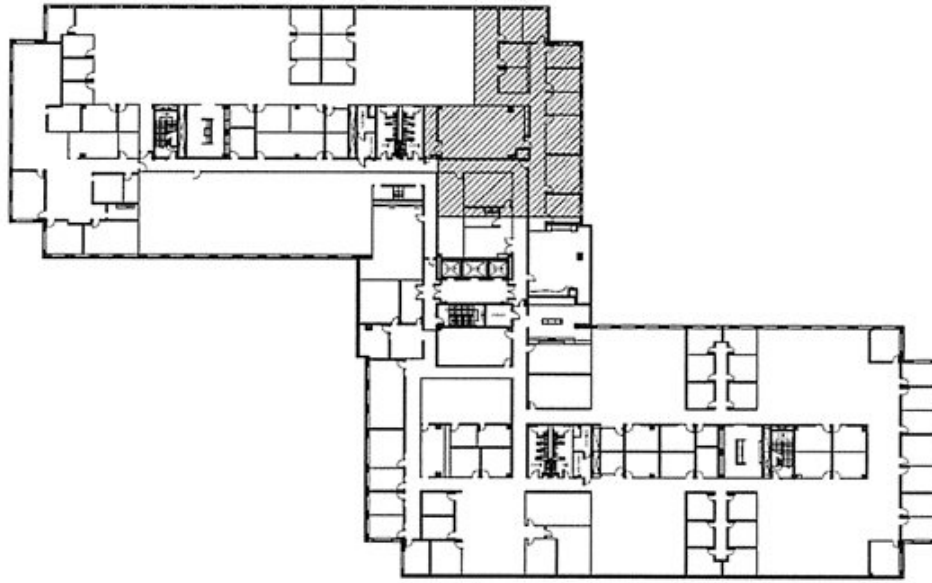
Floor 3

ZIEGLER COOPER COMPUTER AIDED ARCHITECTURAL DOCUMENTATION

DATE: 28 OCT 2016 JOB # 9502026

EXHIBIT A-1

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.



Park Ten Plaza 15115 Park Row - Houston, Texas
ZEGLER COOPER - COMPUTERIZED ARCHITECTURAL DOCUMENTATION

AREA CALCULATION - 5,175 RSF

Floor 3



EXHIBIT A-1

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

EXHIBIT A-2

LEGAL DESCRIPTION OF LAND

All that certain 12.19 acres of land, out of GRANITE PARK 10, Block 1, Unrestricted Reserve "A", according to the plat thereof recorded under Film Code No. 480146, in the Map Records of Harris County, Texas, and the residue of the 24.53 acre tract described in the deed from Granite Bay Holding Corporation to Gateway Tower Limited Partnership recorded under File No. T086816, in the Official Public Records of Real Property of Harris County, Texas, in the David Middleton Survey, A-535, Harris County, Texas, and more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone).

BEGINNING a 3/4" iron rod found for the northwest comer of SAM'S ADDITION, Restricted Reserve "A", according to the plat thereof recorded under Film Code No. 353089, in the Map Records of Harris County, Texas, in the south right-of-way line of Park Row (width varies), common to the northeast comer and POINT OF BEGINNING of the herein described tract;

THENCE South 01 degrees 19 minutes 43 seconds East-405.47', along the west line of said SAM'S ADDITION, Restricted Reserve "A", common to the east line of the herein described tract, to a 3/4" iron rod found for the northeast comer of the 12.32 acre tract described in the deed from GPI Development, LTD. to Moody National EC Houston S, LLC, recorded under File No. 2006-0285093, in the Official Public Records of Real Property of Harris County, Texas, common to the southeast corner of the herein described tract;

THENCE South 88 degrees 40 minutes 17 seconds West-998.99', along the north line of said 12.32 acre tract, common to the south line of the herein described tract, to a 3/4" iron rod found for the northwest comer of said 12.32 acre tract, in the east right-of-way line of Memorial Brook Drive (100' R.O.W.);

THENCE North 01 degrees 19 minutes 43 seconds West-552.87', along said east right-of-way line, common to the west line of the herein described tract, to a 3/4" iron rod set for the most westerly northwest corner of the herein described tract, common to the south comer of the southeast right-of-way cutback line at the intersection of said Memorial Brook Drive and aforesaid Park Row;

THENCE North 43 degrees 41 minutes 02 seconds East-21.22', continuing along said right-of-way cutback line, 3/4" iron rod set for the most northerly northwest comer of the herein described tract, common to the east comer of said right-of-way cutback line, in the south right-of-way line of aforesaid Park Row;

THENCE North 88 degrees 41 minutes 47 seconds East-173.78', continuing along said south right-of-way line, common to the north line of the herein described tract, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 88 degrees 26 minutes 29 seconds East-190.24', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 44 degrees 54 minutes 24 seconds East-14.50', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 01 degrees 18 minutes 13 seconds East-3.00', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

EXHIBIT A-2

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

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THENCE North 89 degrees 46 minutes 04 seconds East-100.02', continuing along said common line, to a 3/4" iron rod set for an angle corner of the herein described tract;

THENCE North 01 degrees 18 minutes 14 seconds West-3.73', continuing along said common line, to a 3/4" iron rod set for an angle corner of the herein described tract;

THENCE North 45 degrees 07 minutes 27 seconds East-13.80', continuing along said south right-of-way line, to a 3/4" iron rod set for an angle corner of the herein described tract, common to a point on a curve to the right, having a central angle of 27 degrees 15 minutes 00 seconds, a radius of 1108.77', and from which point the center of the circle of said curve bears South 01 degrees 47 minutes 54 seconds West;

THENCE along said curve to the right, along said common line, in an easterly direction, an arc distance of 527.33' to the POINT OF BEGINNING of the herein described tract and containing 12.19 acres of land.

EXHIBIT A-2

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

EXHIBIT B-1

WORK AGREEMENT

THIS WORK AGREEMENT (this "Work Agreement") is attached to and made a part of that certain Office Lease executed concurrently herewith (the "Lease"), by and between PARK 10 TENANT LLC, Delaware limited liability company, as successor-in-interest to Park Ten Owner LLC, a Texas limited liability company under that certain Master Lease Agreement dated May 17, 2013 ("Landlord"), and RIGNET, INC., a Delaware corporation ("Tenant"), covering certain Premises described in the Lease. The terms used in this Work Agreement that are defined in the Lease shall have the same meanings as provided in the Lease.

1. General

- 1.1 Purpose. This Work Agreement sets forth the terms and conditions governing Tenant's construction of tenant improvements to be installed in the Premises (the "Tenant Work").
- 1.2 Construction Representatives. Landlord hereby appoints and Tenant hereby approves the following person as Landlord's representative ("Landlord's Representative") to act for Landlord in all matters regarding the Tenant Work and Tenant hereby appoints and Landlord hereby approves the following person as Tenant's representative ("Tenant's Representative") to act for Tenant in all matters regarding the Tenant Work:

Landlord Representative :

Don Thomas
Crimson Services
1980 Post Oak Boulevard, Suite 1600
Houston, Texas 77056
Phone: 713-840-2700

Tenant Representative :

Charles E. Schneider
Senior Vice President and CFO
1880 S. Dairy Ashford, Suite 300
Houston, Texas 77077
Phone: 281-674-0118

All inquiries, requests, instructions, authorizations or other communications with respect to the Tenant Work shall be made to Landlord's Representative or Tenant's Representative, as the case may be. Authorizations made by Tenant's Representative shall be binding and Tenant shall be responsible for all costs authorized by Tenant's Representative. Either party may change its representative at any time by written notice to the other party. Landlord shall not be obligated to respond to or act upon any plan, drawing, change order approval or other matter relating to the Tenant Work until it has been executed by Tenant's Representative.

2. Tenant Work Allowance.

- 2.1 Allowance for Tenant Work. Tenant shall receive as a credit against the costs associated with the design and construction of the Tenant Work an amount up to Sixty and 00/100 Dollars (\$60.00) per Rentable Square Foot of the Premises (the "Tenant Work Allowance"). Landlord shall pay the cost of design and construction of the Tenant Work directly to Tenant or, at Tenant's option, to Tenant's architect or Tenant's general contractor, as the case may be. All costs of the Tenant Work in excess of the Tenant Work Allowance shall be payable by Tenant. Except as otherwise provided in this Exhibit, Landlord shall have no obligations to pay, reimburse or allow Tenant any right

EXHIBIT B-1

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of offset to the extent of any unspent portion of the Tenant Work Allowance. The costs of the Tenant Work shall include all costs to be expended in connection with the construction of the Tenant Work, including but not limited to the (i) architectural and engineering fees incurred in connection with the preparation of the Tenant's Plans; (ii) governmental agency plan check, permit and other fees (including any code compliance changes required by any governmental entity or authority having jurisdiction thereof); (iii) sales and use taxes, if any; (iv) insurance fees associated with the construction of the Tenant Work; (v) testing and inspecting costs; (vi) furniture acquisition and the installation of Tenant's data and voice cabling and wiring; (vii) relocation costs; and (viii) the actual costs and charges for material and labor, contractor's profit and contractor's general overhead incurred in constructing the Tenant Work, including Landlord's administrative fee, which shall be one-half of one percent (0.5%) of such cost of the Tenant Work. Notwithstanding the foregoing, provided Tenant has given Landlord prior written notice no later than 30 days following the Commencement Date, Tenant may elect to receive a credit against Basic Rent in an amount not to exceed Five and 00/100 Dollars (\$5.00) per Rentable Square Foot of the Premises of any unused portion of the Tenant Work Allowance (the "Rent Credit"). The Rent Credit shall be applied toward Basic Rent commencing with the first months' Basic Rent due for the Premises following the Abatement Period. The Tenant Work Allowance shall be available to Tenant from the Date of Lease through June 30, 2019.

- 2.2 Disbursement of Tenant Work Allowance for Tenant Work. Except as otherwise set forth herein, Landlord shall disburse portions of the Tenant Work Allowance by check once each month during the period of Tenant's construction of the Tenant Work, commencing no sooner than thirty (30) calendar days after Tenant commences construction of the Tenant Work hereunder and provides Landlord written notice of such commencement of construction. The regular monthly Tenant Work Allowance disbursement date (the "Disbursement Date") shall be the thirtieth (30th) day of each month.

No later than the fifteenth (15th) day of each month, Tenant shall deliver to Landlord a request for payment in form and content reasonably acceptable to Landlord which shall include, without limitation, (i) a certification by Tenant and Tenant's architect of the percentage of completion of the Tenant Work; (ii) an itemization of new costs, together with invoices therefor, incurred by Tenant and not previously reimbursed by Landlord; and (iii) interim lien waivers for all preceding payments. In the event Tenant fails to timely deliver the required information, Landlord shall disburse the Tenant Work Allowance to Tenant on the next following Disbursement Date.

On the Disbursement Date, Landlord shall disburse to Tenant a sum equal to the "Landlord's Share". "Landlord's Share" shall mean a sum equal to the product obtained by multiplying the percentage of Tenant Work completed from the last Tenant's architect certification date, as such additional percentage is verified by Landlord, by the Tenant Work Allowance. Landlord shall have the right to withhold from any such disbursement such amount as Landlord reasonably deems necessary to account for items of Tenant Work which are not acceptable in Landlord's reasonable discretion. Disbursement by Landlord of a portion of the Tenant Work Allowance shall not be deemed to constitute a representation or warranty by Landlord that such work complies with the Tenant Plans (as hereinafter defined) or any governmental law, code or regulation and no third party may rely on such disbursement as evidence that the Tenant Work complies with same.

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The sums retained by Landlord from each request for payment shall be paid to Tenant within fifteen (15) calendar days after the last to occur of: (i) final completion and acceptance of the Tenant Work by Landlord's Representative after completion of all punch-list items; (ii) acceptance of the Tenant Work by all governmental agencies having authority therefore and issuance of a certificate of occupancy; or (iii) Tenant's delivery to Landlord of final unconditional mechanic's lien releases from Tenant's subcontractors, laborers, materialmen and suppliers with respect to the Tenant Work in the form of **Schedule I** attached hereto and made a part hereof.

In the event that any mechanic's lien is recorded against the Building or Premises or any stop notices are served on Landlord during the course of the Tenant Work, then Landlord shall have the right to withhold from the Tenant Work Allowance a sum equal to one hundred fifty percent (150%) of the disputed amount. Landlord shall have the right to make payment of the disputed sum directly to the claimant to cause the release of any mechanic's lien that has been filed against the Building or Premises or to cause the release of any stop notice served on Landlord where said lien has not been removed by the recordation of either a release of mechanic's lien or a statutory lien release bond issued by a corporate surety reasonably acceptable to Landlord within ten (10) business days following the date Tenant receives notice of filing of the mechanic's lien or Landlord's receipt of the stop notice.

3. Design and Schedule.

3.1 Tenant Plans for Tenant Work.

- (a) Space Plan: The term "Space Plan" as used herein shall mean a plan containing, among other things, a partition layout, door location and system furniture located in key spaces within the Premises. Landlord shall be responsible for the cost of Tenant's initial test fit, up to but not exceeding \$0.12 per Rentable Square Foot of the Premises (which cost shall be in addition to, and not a part of, the Tenant Work Allowance).
- (b) Construction Drawings and Specifications: The term "Construction Drawings and Specifications" as used herein shall mean the construction working drawings, the mechanical, electrical and other technical specifications, and the finishing details, including wall finishes and colors and technical and mechanical equipment installation, if any, all of which details the installation of the Tenant Work in the Premises. The Construction Drawings and Specifications shall:
 - (i) be compatible with the Building shell, and with the design, construction and equipment of the Building;
 - (ii) comply with all applicable laws, codes and ordinances including the Americans With Disabilities Act, and the rules and regulations of all governmental authorities having jurisdiction;
 - (iii) comply with all applicable insurance regulations and the requirements of the Board of Underwriters for a fire resistant Class A building; and
 - (iv) include locations of all Tenant Work including complete dimensions.
- (c) Except as specified by Landlord pursuant to **Section 8** hereof, all Tenant Work, whether covered by the Tenant Work Allowance or not, which is permanently affixed to the Premises or alters the operational systems of the Building shall become the property of Landlord upon expiration or earlier termination of the Lease and shall remain on the Premises at all times during the term of the Lease.

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- 3.2 Approvals by Landlord. Landlord has approved Tenant's design professionals, which design professionals shall generate the mechanical, electrical and plumbing plans. Tenant acknowledges that its mechanical, electrical and plumbing plans shall not be generated on a design build basis by Tenant's general contractor. Tenant and Landlord have approved the Space Plan attached as **Schedule II** hereto. All Construction Drawings and Specifications for the Tenant Work shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld, except that Landlord shall have complete discretion with regard to granting or withholding approval of Construction Drawings and Specifications to the extent they impact the Building's structure or systems, affect future marketability of the Building or would be visible from the common areas or exterior of the Building. Any changes, additions or modifications that Tenant desires to make to the Tenant Plans shall also be subject to Landlord's prior written approval, which shall not be unreasonably withheld except as provided above for Building structure, system or appearance impact. The contract with Tenant's general contractor shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld, except that Landlord shall have the right to withhold its approval in the event that the contract does not contain a written construction schedule (the "Written Construction Schedule").
- 3.3 Course of Construction. If the course of construction of the Tenant Work as set forth in the Written Construction Schedule is delayed for a time period equal to or greater than two weeks, then Landlord shall have the right to require a meeting with Tenant's general contractor and appropriate consultants.
4. Construction of Tenant Work. Following Landlord's final approval of the Tenant Plans and Tenant obtaining permits, Tenant shall commence and diligently proceed with the construction of the Tenant Work. Landlord and Tenant acknowledge that Tenant shall hire its own general contractor or contractors to complete the Tenant Work. The Tenant Work shall be conducted with due diligence, in a good and workmanlike manner befitting a first class office building, and in accordance with the Tenant Plans and all applicable laws, codes, ordinances and rules and regulations of all governmental authorities having jurisdiction.

TENANT HEREBY AGREES TO INDEMNIFY LANDLORD AND HOLD LANDLORD HARMLESS FROM ANY AND ALL CLAIMS FOR PERSONAL OR BODILY INJURY AND PROPERTY DAMAGE THAT MAY ARISE FROM THE PERFORMANCE OF THE TENANT WORK, WHETHER RESULTING FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF ITS GENERAL CONTRACTORS, SUBCONTRACTORS OR OTHERWISE. TENANT AND ITS CONTRACTORS AND SUBCONTRACTORS SHALL EXECUTE SUCH ADDITIONAL DOCUMENTS AS LANDLORD DEEMS REASONABLY APPROPRIATE TO EVIDENCE SAID INDEMNITY.

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Notwithstanding the foregoing, Tenant shall not commence the Tenant Work until the following is provided:

- (a) Insurance. Prior to construction, Tenant shall provide Landlord with an original certificate of All-Risk Builder's Risk Insurance (the "Builder's Risk Insurance Policy"), subject to Landlord's reasonable approval, in the minimum amount of the replacement cost of the Tenant Work issued by a company or companies acceptable to Landlord and authorized to do business in the State of Texas, covering the Premises, with premiums prepaid, and which names the Landlord as loss payee. Said policy shall insure the Tenant Work and all materials and supplies for the Tenant Work stored on the Premises (or at any other sites) against loss or damage by fire and the risks and hazards insured against by the standard form of extended coverage, and against vandalism and malicious mischief, and such other risks and hazards as Landlord may reasonably request. Said insurance coverage shall be for 100% of replacement cost, including architectural fees. The Builder's Risk Insurance Policy shall contain a provision that the insurance company waive the rights of recovery or subrogation against Landlord, its agents, servants, invitees, employees, co-Tenants, co-venturers, affiliate companies, and their insurers.
- (b) Approved List of Contractors. Tenant shall solicit stipulated sum bids or cost plus for the Tenant Work from at least three (3) general contractors and three (3) subcontractors, materialmen and suppliers per trade, such contractors selected by Tenant and reasonably approved by Landlord. Furthermore, Landlord shall recommend one of the three (3) mechanical, electrical and plumbing subcontractors per trade from which bids are to be solicited; provided, Landlord acknowledges and agrees that Tenant will solicit bids from the following general contractors: O'Donnell Snider, Trademark HITT, Scott + Reid, and ARCH Con Corporate Interiors.
- (c) Governmental Permits. Building permits and other appropriate permits and licenses from the appropriate agency or office of any governmental or regulatory body having jurisdiction over the Premises and which are required for the construction of the Tenant Work.
- (d) Additional Insurance. Additional insurance in the form of and meeting the requirements of Schedule III attached hereto.
- (e) Accepted Contract and Bid. Tenant shall provide Landlord with a copy of the contract entered into with the general contractor, which shall include the Written Construction Schedule and the names of all subcontractors, materialmen and suppliers. Tenant shall further provide Landlord with a copy of the contract (which may be in the form of a purchase order or work authorization) for any design professionals and other vendors involved in the execution of the Tenant Work.
- (f) Bonds. Tenant shall furnish a performance bond and payment bond, with a dual obligee rider in favor of Landlord, conforming to the provisions of the Texas Civil Practice and Remedies Code, as applicable, and being issued by a surety company authorized to do business in the State of Texas which is acceptable to Landlord in the exercise of reasonable judgment. The bonds shall be in the amount of all costs of the Tenant Work in excess of the Tenant Work Allowance. Tenant shall also supply evidence satisfactory to Landlord that the party issuing the bonds has the authority to bind the issuing surety company. No Tenant Work shall commence until the bonds are delivered to Landlord.

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5. Intentionally omitted.
6. Cooperation With Other Tenants. Tenant shall promptly remove from the Common Areas any of Tenant's vehicles, equipment, materials, supplies or other property deposited in the Common Areas during the construction of the Tenant Work. Further, Tenant shall at no time disrupt or allow disruption to any existing tenant's parking vehicles and pedestrian access, nor allow disruptions of mechanical, electrical, telephone and plumbing services. In addition, Tenant shall not interrupt the normal business operation of any other tenant at the Project.
7. Inspection by Landlord. Landlord shall have the right to inspect the Tenant Work at all reasonable times upon prior notice to Tenant. Landlord's failure to inspect the Tenant Work shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Work constitute the Landlord's approval of same.
8. Intentionally omitted.
9. Completion of Tenant Work. Tenant shall notify Landlord in writing when the Tenant Work has been substantially completed. Landlord shall thereupon have the opportunity to inspect the Premises in order to determine if the Premises have been substantially completed in accordance with the Tenant Plans. If the Tenant Work has not been substantially completed in accordance with the Tenant Plans, Landlord shall immediately following inspection, provide Tenant with written notification of the items deemed incorrect or incomplete. Tenant shall forthwith proceed to correct the incorrect or incomplete items. Notwithstanding anything to the contrary, the Tenant Work shall not be considered suitable for review by Landlord until all designated or required governmental inspections, permits and certifications necessary for the Tenant Work, including, but not limited to final inspection by the governing jurisdiction, have been made, given and/or posted.
10. Third Party Beneficiary. Tenant agrees and acknowledges that Landlord shall be included as a third party beneficiary under any and all agreements between Tenant and its contractors, whereby Landlord may enforce the terms of such agreement(s) in a court of competent jurisdiction.
11. Refurbishment Allowance. If Tenant does not elect to exercise its right to terminate this Lease pursuant to Article XXX of the Lease, Tenant shall receive as a credit against the costs associated with the re-carpeting and painting of the Premises (the "Refurbishment Work") an amount up to Five and 00/100 Dollars (\$5.00) per rentable square foot of the Premises (the "Refurbishment Allowance"). Tenant shall perform the Refurbishment Work in accordance with the terms and conditions of Article XII of the Lease. Landlord shall pay the cost of design and construction of the Refurbishment Work directly to Tenant or, at Tenant's option, to Tenant's architect or Tenant's general contractor, as the case may be. The Refurbishment Allowance shall be paid by Landlord to Tenant within thirty (30) calendar days after the last to occur of: (i) final completion and acceptance of the Refurbishment Work; (ii) Tenant's delivery to Landlord of final unconditional mechanic's lien releases from Tenant's subcontractors, laborers, materialmen and suppliers with respect to the Refurbishment Work in the form of Schedule I attached hereto and made a part hereof; and (iii) Tenant's delivery to Landlord of evidence of costs incurred in a form reasonably acceptable to Landlord. If any mechanic's lien is recorded against the Building or Premises or any stop notices are served on Landlord during the course of the Refurbishment Work, then Landlord shall have the right to withhold from the Refurbishment Allowance a sum equal to one hundred fifty percent (150%) of the disputed amount. Landlord shall have the right to make

EXHIBIT B-1

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

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payment of the disputed sum directly to the claimant to cause the release of any mechanic's lien that has been filed against the Building or Premises or to cause the release of any stop notice served on Landlord where said lien has not been removed by the recordation of either a release of mechanic's lien or a statutory lien release bond issued by a corporate surety reasonably acceptable to Landlord within ten (10) business days following the date Tenant receives notice of filing of the mechanic's lien or Landlord's receipt of the stop notice. The Refurbishment Allowance shall be available to Tenant from June 1, 2023 through May 31, 2024.

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OFFICE LEASE

Park Ten Plaza - RigNet, Inc.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Agreement for the Premises as of the 26th day of January, 2017.

LANDLORD :

PARK 10 TENANT LLC,
a Delaware limited liability company

By: US RELP AKC, LLC,
a Delaware limited liability company,
its manager

By: US Real Estate Limited Partnership,
a Texas limited partnership,
its sole member

By: USAA Real Estate Company,
a Delaware corporation,
its general partner

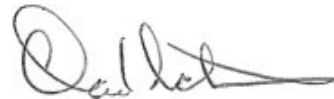


By: _____
Name: Jim Hime
Title: CFO

Date: 1/26/17

TENANT :

RIGNET, INC.,
a Delaware corporation



By: _____
Name: Charles E. Schneider
Title: SVP & CFO

Date: 1/26/2017

EXHIBIT B-1

SCHEDULE I

CONTRACTOR'S AFFIDAVIT AND FINAL RELEASE OF LIEN

1. Contractor, pursuant to a contract, hereinafter referred to as "Contract", with «Tenant_Name», «Tenant_Entity», the Tenant of «Landlord_Name», «Landlord_Entity», hereinafter referred to as "Owner", has heretofore furnished, or caused to be furnished, labor, material and services for the construction of certain improvements located on the «Premises_BuildingFloor» floor of the building known as «Building_Name», on property more particularly described on **EXHIBIT A** attached hereto.

2. Contractor represents that all work to be performed under the Contract has been fully completed and that all persons and firms who furnished material, labor and/or services incident to the final completion of said work have been paid in full.

3. The undersigned affiant, for and in consideration of final payment to him in the amount of (\$ _____), and all previous payments paid by Tenant to Contractor, does hereby for and on behalf of the Contractor fully waive, release, remise and relinquish the Contractor's right to claim, demand or impose a lien or liens for work done or materials and/or services furnished or any other class whatsoever, on any of the premises owned by Owner on which improvements have been completed in connection with the Contract. This final release of lien is contingent upon clearance of all funds paid to Contractor for construction of the improvements.

4. The affiant herein does hereby represent that he has authority to execute a final release of lien for and on behalf of the Contractor as set forth above.

5. This Contractor's Affidavit and Final Release of Lien is made by affiant with full knowledge of the applicable laws of the state of «Building_State». In addition to such rights as may be afforded to Owner under such applicable laws, affiant expressly agrees to indemnify and save Owner harmless from any and all actual costs and expenses, including reasonable attorney's fees, arising out of claims by laborers, subcontractors or materialmen who might claim that they have not been paid for services or material furnished by or through the Contractor in connection with the work performed under the Contract.

I hereby acknowledge that the statements contained herein are true and correct.

Dated this _____ day of _____ 20____.

CONTRACTOR :

By: _____
Name: _____
Title: _____

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STATE OF «BUILDING_STATE» §
 §
COUNTY OF §

Sworn to and subscribed before me this day of , 20 .

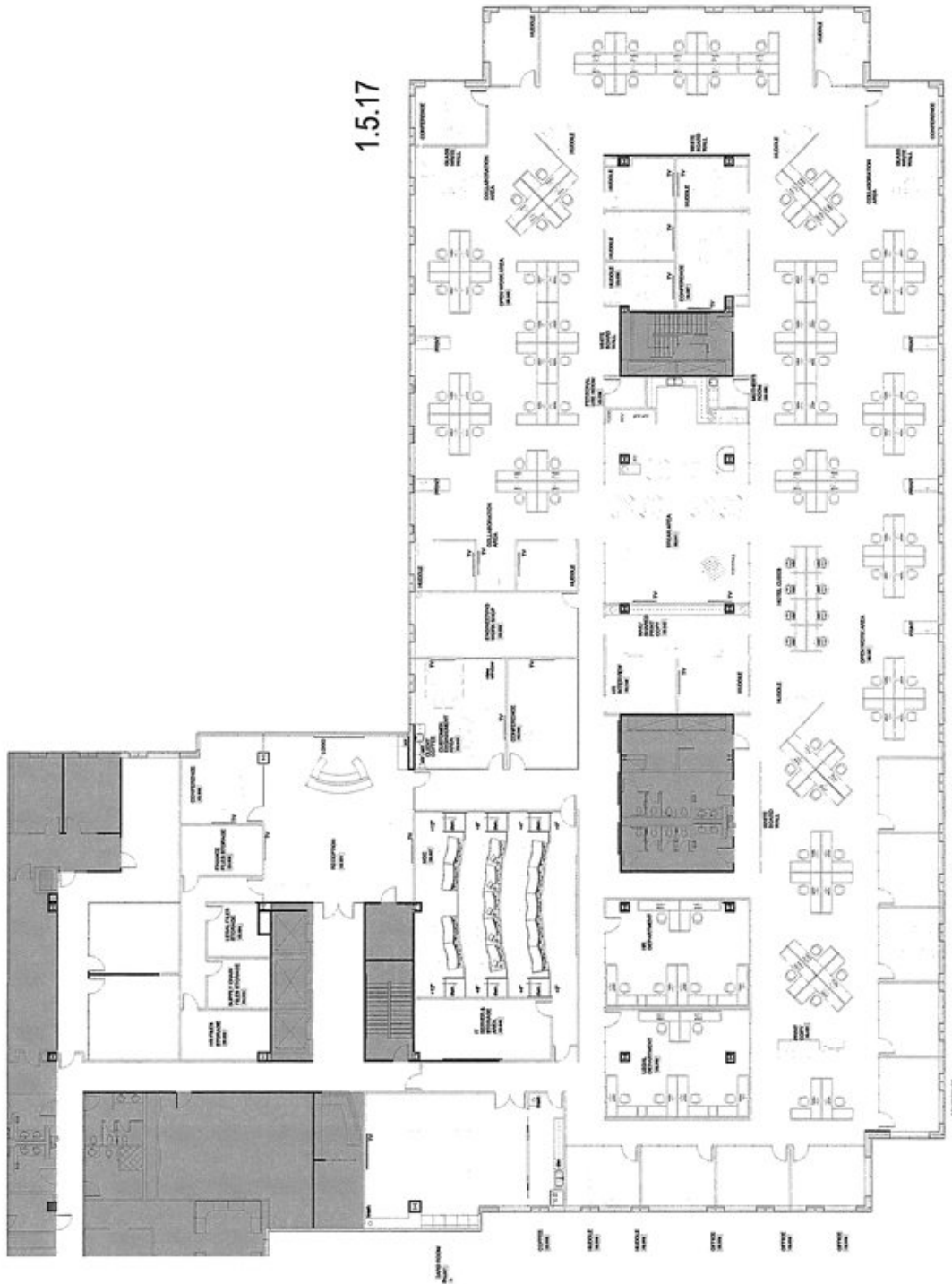
Notary Public in and for the
State of _____
My commission expires: _____

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OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

SCHEDULE II

SPACE PLAN



SUBSTANTIALLY AS
PROPOSED AS OF JAN 20, 2017
— SPACE PLAN

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SCHEDULE III

INSURANCE REQUIREMENTS

Tenant must provide Landlord with written evidence of the following minimum insurance requirements. In no way do the following minimum requirements limit the liability assumed elsewhere in the Work Agreement or the Lease, as amended.

A. Workers' Compensation and Employer's Liability.

1. Statutory requirements in the State of Texas, to include all areas involved in operations covered under the Work Agreement for the Premises.
2. Coverage "B" - Employer's Liability, limit - \$1,000,000.

B. Commercial General Liability.

1. Commercial General Liability: Form providing coverage not less than that of the occurrence form ISO Standard Commercial General Liability Insurance, including but not limited to bodily injury, personal injury, independent contractors' products - completed operations (construction risks only), Broad Form Property Damage (including Completed Operations for a period of not less than three (3) years - construction risk only). For those contractors selling/manufacturing products, Commercial General Liability coverage should be specifically endorsed to include products liability.
2. Contractual Liability, Blanket basis insuring the liability assumed under this Work Agreement.
3. Limits of Liability: Bodily Injury and Property Damage - \$1,000,000 each occurrence, \$1,000,000 aggregate; and Personal Injury - \$1,000,000 each occurrence.

C. Commercial Auto Policy

1. Commercial Auto Policy form, including all Owned, Non-Owned and Hired Vehicles.
2. Limits of Liability: Bodily Injury - \$1,000,000 each person, \$1,000,000 each occurrence; and Property Damage - \$1,000,000 each occurrence.

D. Umbrella Liability

Such insurance shall provide coverage with limits of not less than \$4,000,000 per occurrence/\$4,000,000 aggregate, in excess of the underlying coverages listed in Paragraphs A, B, and C above.

ADDITIONAL REQUIREMENTS

1. Landlord and its management company shall be included as an Additional Insured on all coverages listed above. In the event of an insured loss, Tenant's insurance company shall have waived any rights of subrogation against Landlord.

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2. Tenant shall require the same primary minimum insurance requirements, as listed above, from its contractor, subcontractors and suppliers and they shall also comply with the additional requirements listed herein.
3. All insurance coverages required as herein set forth shall be primary and at the sole cost and expense of Tenant, contractor, subcontractors, or suppliers, and all deductibles shall be assumed by, for the account of, and at the sole risk of said Tenant, contractor, subcontractors or suppliers. Insurance coverages will be in a form and carrier acceptable to Landlord with a minimum rating of A: VII or higher.
4. A Certificate of Insurance together with policies and endorsements evidencing all of the above must be presented to Landlord prior to commencement of the Tenant Work.
5. The cancellation provision of such Certificate of Insurance shall provide as follows:
“To be effective as to certificate holder, the issuing companies must provide to the below named certificate holder sixty (60) days’ written notice prior to any cancellation or material modification of the above-described policies before the expiration dates thereof.”

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OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

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EXHIBIT C

RULES AND REGULATIONS

1. No part or the whole of the sidewalks, plaza areas, entrances, passages, courts, elevators, vestibules, stairways, corridors or halls of the Project shall be obstructed or encumbered by Tenant or used for any purpose other than ingress and egress to and from the Premises. Tenant shall not have access to the roof of the Building, unless accompanied by a representative of Landlord.

2. No equipment, furnishings, personal property or fixtures shall be placed on any balcony of the Building without first obtaining Landlord's written consent. No awnings or other projections shall be attached to the exterior walls of the Building. No skylight, window, door or transom of the Building shall be covered or obstructed by Tenant, and no window shade, blind, curtain, screen, storm window, awning or other material shall be installed or placed on any window or in any window of the Premises except as approved in writing by Landlord. If Landlord has installed or hereafter installs any shade, blind or curtain in the Premises, Tenant shall not remove the same without first obtaining Landlord's written consent thereto.

3. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor placed in the Common Area.

4. Tenant shall not place or permit its Agents to place any trash or other objects anywhere within the Project (other than within the Premises) without first obtaining Landlord's written consent.

5. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish bags or other substances (including, without limitation, coffee grounds) shall be thrown therein.

6. Tenant shall not mark, paint, drill into or in any way deface any part of the Project or the Premises. No boring, cutting or stringing of wires shall be permitted.

7. No cooking shall be done or permitted in the Building by Tenant or its Agents except that Tenant may install and use microwave ovens. Tenant shall not cause or permit any unusual or objectionable odors to emanate from the Premises.

8. The Premises shall not be used for the manufacturing or storage of merchandise.

9. Tenant shall not make or permit any unseemly or disturbing noises or disturb or interfere with other tenants or occupants of the Project or neighboring buildings or premises by the use of any musical instrument, radio, television set, other audio device, unmusical noise, whistling, singing or in any other way.

10. Nothing shall be thrown out of any doors, windows or skylights or down any passageways.

11. No additional locks or bolts of any kind shall be placed upon any of the doors or windows of the Premises, nor shall any changes be made in locks or the mechanism thereof without prior notice to and the approval of Landlord. Tenant shall, upon the termination of its Lease, return to Landlord all keys to the Premises and other areas furnished to, or otherwise procured by, Tenant. In the event of the loss of any such keys or card keys, as applicable, Tenant shall pay Landlord the cost of replacement keys.

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12. Tenant shall not use or occupy or permit any portion of the Premises to be used or occupied as an employment bureau or for the storage, manufacture or sale of liquor, narcotics or drugs. Tenant shall not engage or pay any employees in the Building except those actually working for Tenant in the Building, and Tenant shall not advertise for non-clerical employees giving the Building as an address. The Premises shall not be used, or permitted to be used, for lodging or sleeping or for any immoral or illegal purpose.

13. Landlord reserves the right to control and operate the Common Area in such manner as it deems best for the benefit of the Project tenants. Landlord may exclude from all or a part of the Common Area at all hours, other than during Normal Business Hours, all unauthorized persons. "Normal Business Hours" shall be deemed to be between the hours of 7:00 A.M. and 6:00 P.M. Monday through Friday and, upon request by Tenant, between the hours of 8:00 A.M. and 12:00 P.M. Saturday, but excluding Building holidays. Tenant shall be responsible for all visitors, invitees, agents and employees of Tenant who enter the Building and Project on Building holidays and during other than Normal Business Hours and shall be liable to Landlord for all acts of such persons. As used herein, the term "holidays" means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the Friday following Thanksgiving Day, and Christmas Day.

14. Tenant shall have the responsibility for the security of the Premises and, before closing and leaving the Premises at any time, Tenant shall see that all entrance doors are locked and all lights and office equipment within the Premises are turned off, and Landlord shall have no responsibility relating thereto. Landlord will not be responsible for any lost or stolen personal property, equipment, money or jewelry from Tenant's area or Common Areas regardless of whether such loss occurs when the area is locked against entry or not.

15. Requests and requirements of Tenant shall be attended to only upon application at the office of Landlord. Project employees shall not be required to perform any work outside of their regular duties unless under specific instructions from Landlord.

16. Vending, canvassing, soliciting and peddling in the Building are prohibited, and Tenant shall cooperate in seeking their prevention.

17. In connection with the delivery or receipt of merchandise, freight or other matter, no hand trucks or other means of conveyance shall be permitted, except those equipped with rubber tires, rubber side guards or such other safeguards as Landlord may require.

18. No animals of any kind shall be brought into or kept about the Building by Tenant or its Agents, except seeing eye dogs for the visually impaired.

19. No vending machines shall be permitted to be placed or installed in any part of the Project by Tenant without the permission of Landlord. Landlord reserves the right to place or install vending machines in the Project (other than in the Premises).

20. Tenant shall not allow in the Premises, on a regular basis, more than one person for each one hundred sixty (160) leasable square feet of the Premises.

21. So that the Building may be kept in a good state of cleanliness, Tenant shall permit only Landlord's employees and contractors to clean its Premises unless prior thereto Landlord otherwise

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consents in writing. Tenant shall provide adequate waste and rubbish receptacles, cabinets, bookcases, map cases, etc. necessary to prevent unreasonable hardship to Landlord in discharging its obligation regarding cleaning service.

22. Tenant shall keep the windows and doors of the Premises (including, without limitation, those opening on corridors and all doors between any room designed to receive heating or air conditioning service and room(s) not designed to receive such service) closed while the heating or air conditioning system is operating in order to minimize the energy used by, and to conserve the effectiveness of, such systems.

23. The elevator designated for freight by Landlord will be available for use by all tenants in the Building during the hours and pursuant to such procedures as Landlord may determine from time to time. The persons employed to move Tenant's equipment, material, furniture or other property in or out of the Building must be acceptable to Landlord. The moving company must be a locally recognized professional mover, whose primary business is the performing of relocation services, and must be bonded and fully insured. A certificate or other verification of such insurance must be received and approved by Landlord prior to the start of any moving operations. Insurance must be sufficient in Landlord's sole opinion, to cover all personal liability, theft or damage to the Project, including, but not limited to, floor coverings, doors, walls, elevators, stairs, foliage and landscaping. Special care must be taken to prevent damage to foliage and landscaping during adverse weather. All moving operations will be conducted at such times and in such a manner as Landlord will direct, and all moving will take place during non-business hours unless Landlord agrees in writing otherwise. Tenant will be responsible for the provision of Building security during all moving operations, and will be liable for all losses and damages sustained by any party as a result of the failure to supply adequate security. Landlord will have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects will, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary properly to distribute the weight. Landlord will not be responsible for loss of or damage to any such property from any cause, and all damage done to the Building by moving or maintaining such property will be repaired at the expense of Tenant. Landlord reserves the right to inspect all such property to be brought into the Building and to exclude from the Building all such property which violates any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part. Supplies, goods, materials, packages, furniture and all other items of every kind delivered to or taken from the Premises will be delivered or removed through the entrance and route designated by Landlord, and Landlord will not be responsible for the loss or damage of any such property unless such loss or damage results from the negligence of Landlord or its Agents.

24. A directory of the Building will be provided for the display of the name and location of tenants only and such reasonable number of the principal officers and employees of tenants as Landlord in its sole discretion approves, but Landlord will not in any event be obligated to furnish more than one (1) directory strip for each 2,500 square feet of Rentable Area in the Premises. Any additional name(s) which Tenant desires to place in such directory must first be approved by Landlord, and if so approved, Tenant will pay to Landlord a charge, set by Landlord, for each such additional name. All entries on the building directory display will conform to standards and style set by Landlord in its sole discretion. Space on any exterior signage will be provided in Landlord's sole discretion.

25. Neither Landlord nor any operator of the Parking Facilities within the Project, as the same are designated and modified by Landlord, in its sole discretion, from time to time will be liable for loss of or damage to any vehicle or any contents of such vehicle or accessories to any such vehicle, or any property left in any of the Parking Facilities, resulting from fire, theft, vandalism, accident, conduct of other users of the Parking Facilities and other persons, or any other casualty or cause. Further, Tenant understands and agrees that: (i) Landlord will not be obligated to provide any traffic control, security protection or operator for the Parking Facilities; (ii) Tenant uses the Parking Facilities at its own risk; and (iii) Landlord will not be liable for personal injury or death, or theft, loss of or damage to property.

EXHIBIT C

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26. Tenant (including Tenant's Agents) will use the Parking Space Allocation solely for the purpose of parking passenger model cars, small vans and small trucks and will comply in all respects with any rules and regulations that may be promulgated by Landlord from time to time with respect to the Parking Facilities. The Parking Facilities may be used by Tenant or its Agents for occasional overnight parking of vehicles. Tenant will ensure that any vehicle parked in any of the Parking Space Allocation will be kept in proper repair and will not leak excessive amounts of oil or grease or any amount of gasoline. If any of the Parking Space Allocation are at any time used: (i) for any purpose other than parking as provided above; (ii) in any way or manner reasonably objectionable to Landlord; or (iii) by Tenant after default by Tenant under the Lease, Landlord, in addition to any other rights otherwise available to Landlord, may consider such default an Event of Default under the Lease.

27. Tenant's right to use the Parking Facilities will be in common with other tenants of the Project and with other parties permitted by Landlord to use the Parking Facilities. Landlord reserves the right to assign and reassign, from time to time, particular parking spaces for use by persons selected by Landlord provided that Tenant's rights under the Lease are preserved. Landlord will not be liable to Tenant for any unavailability of Tenant's designated spaces, if any, nor will any unavailability entitle Tenant to any refund, deduction, or allowance. Tenant will not park in any numbered space or any space designated as: RESERVED, HANDICAPPED, VISITORS ONLY, or LIMITED TIME PARKING (or similar designation).

28. If the Parking Facilities are damaged or destroyed, or if the use of the Parking Facilities is limited or prohibited by any governmental authority, or the use or operation of the Parking Facilities is limited or prevented by strikes or other labor difficulties or other causes beyond Landlord's control, Tenant's inability to use the Parking Space Allocation will not subject Landlord or any operator of the Parking Facilities to any liability to Tenant and will not relieve Tenant of any of its obligations under the Lease and the Lease will remain in full force and effect.

29. Tenant has no right to assign or sublicense any of its rights in the Parking Space Allocation, except as part of a permitted assignment or sublease of the Lease; however, Tenant may allocate the Parking Space Allocation among its employees.

30. Tenant shall cooperate with Landlord in keeping its Premises neat and clean.

31. Smoking of cigarettes, pipes, cigars or any other substance is prohibited at all times within the Premises, elevators, common area restrooms and any other interior common area of the Building or Project.

32. If required by Landlord, each tenant is required to participate in the Building's recycling or other trash management program, as well as any green initiatives that may be in effect from time to time. This includes compliance with all instructions from the Building's recycling or other vendor which Landlord shall distribute to each tenant from time to time. Each tenant shall store all trash and garbage within its premises or in such other areas specifically designated by Landlord. No materials shall be placed in the trash boxes or receptacles in the Building unless such materials may be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage and will not result in a violation of any law or ordinance governing such disposal. All garbage and refuse disposal shall be only through entryways and elevators provided for such purposes and at such times as Landlord shall designate.

EXHIBIT C

[Table of Contents](#)

33. These Rules and Regulations are in addition to, and shall be construed to modify and amend the terms, covenants, agreements and conditions of the Lease; provided, however, in the event of any inconsistency between the terms and provisions of the Lease and the terms and provisions of these Rules and Regulations, the terms and provisions of the Lease shall control.

34. Tenant shall give Landlord prompt notice of any accidents to or defects in the water pipes, gas pipes, electric lights and fixtures, heating apparatus, or any other service equipment.

35. Tenant and its Agents shall not bring into the Building or keep on the Premises any bicycle or other vehicle without the written consent of Landlord.

36. Landlord reserves the right to amend these Rules and Regulations and to make such other and further reasonable Rules and Regulations as, in its judgment, may from time to time be needed and desirable.

37. Tenant will refer all contractors, contractors' representatives and installation technicians rendering any service for Tenant to Landlord for Landlord's supervision and/or approval before performance of any such contractual services. This shall apply to all work performed in the Building, including, but not limited to, installation of telephones, telegraph equipment, electrical devices and attachments, and installations of any and every nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any other physical portion of the Building. None of this work will be done by Tenant without first obtaining Landlord's written approval.

EXHIBIT C

EXHIBIT D

SECRETARY'S CERTIFICATE

The undersigned, as Secretary of RigNet, Inc., a Delaware Corporation (the "Company") named below, certifies that a regular meeting of the Board of Directors of the Company (the "Board"), duly called and held on the 13th day of December, 2016, which a quorum of the directors were present and acting throughout, the following resolutions were unanimously adopted and are still in force and effect:

"WHEREAS, the Company wishes to enter into a lease agreement between the Company and Park 10 Tenant LLC (the " Agreement "), pursuant to which Park 10 Tenant LLC will lease to the Company premises for the Company's Houston offices to be located at 15115 Park Row Boulevard, Houston, Texas 77084, Houston, Texas, in substantially the same form as presented in the meeting materials;

WHEREAS, the Board, after having reviewed the terms and conditions of such Agreement as presented to the Board, finds the Agreement to be appropriate and in the best interests of the Company;

NOW THEREFORE, BE IT RESOLVED, that the Board hereby adopts and approves the Company entering into the Agreement with substantially the same terms and conditions as presented in the meeting materials and the officers of the Company are, and each individually is, authorized and instructed, for and in the name of the Company, to execute and deliver such Agreement with substantially the same terms and conditions as presented in the meeting materials, with such changes thereto as the person executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery thereof

FURTHER RESOLVED, that the officers of the Company are, and each acting alone is, hereby authorized to do and perform any and all such acts, including the execution of any and all documents and certificates, as such officers shall deem necessary or advisable, to carry out the purpose and intent of the foregoing resolution.

FURTHER RESOLVED, that any actions taken by the officers prior to the date of the foregoing resolution adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as the acts and deeds of the Company.

FURTHER RESOLVED, that the Secretary and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized in the name and on behalf of the Company to certify the passage of the foregoing resolutions."

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The undersigned further certifies that on the meeting date referred to above, the names and respective titles of the officers of the Company were as follows:

<u>OFFICER NAME</u>	<u>TITLE</u>
Steven Pickett	President & Chief Executive Officer
Charles Schneider	Senior Vice President - Chief Financial Officer; Treasurer
William D. Sutton	Senior Vice President - General Counsel
Jay Hilbert	Senior Vice President - Sales
Ed Traupman	Vice President – SI&A
Danielle Edwards	Vice President – IoT (Internet of Things)
Greg Burns	Vice President - Human Resources
Tonya M. McDermott	Vice President - Tax & Treasury; Assistant Treasurer
Raul Magallanes	Vice President - Associate General Counsel, Chief Compliance Officer & Assistant Secretary
Andrew Byers	Vice President - Maritime & Europe/Africa Sales
Rob George	Vice President - Global Operations
Jesus Jimenez	Vice President - Global Engineering
Michael Melancon	Assistant Treasurer
Jerri Dean	Executive Assistant & Assistant Secretary
Dean Fisher	Associate General Counsel & Assistant Secretary
Shelly Buchman	Associate General Counsel & Corporate Secretary
Julie Johnson	Legal Administrator & Assistant Secretary

WITNESS MY HAND this 11th day of January, 2017.

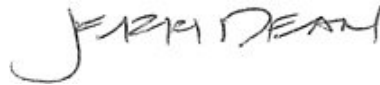


Signature of Secretary of Company

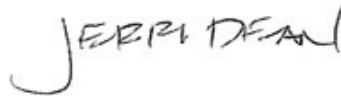
Shelly Buchman

Printed Name of Secretary of Company

This instrument was acknowledged before me on the 11 day of January, 2017 by **Shelly Buchman**, Secretary of RigNet, Inc., on its behalf.



Notary Public for the State of Texas



Printed Name of Notary Public

My Commission expires: 6-19-19

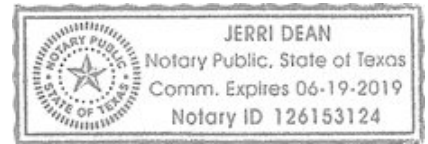


EXHIBIT E

CONFIRMATION OF COMMENCEMENT DATE

THIS CONFIRMATION OF COMMENCEMENT DATE is entered into this day of , 20 , by and between , (“ Landlord ”), and , (“ Tenant ”).

Landlord and Tenant entered into an Office Lease dated (the “ Lease ”) for approximately Rentable Square Feet known as Suite located on the floor (the “ Premises ”) of the building known as located at .

In consideration of the foregoing, the parties hereto hereby mutually agree as follows:

1. Landlord and Tenant hereby agree that:
 - a. The Commencement Date of the Lease is .
 - b. The Expiration Date of the Lease is .
2. Tenant hereby confirms that:
 - a. it has accepted possession of the Premises pursuant to the terms of the Lease;
 - b. the Lease has not been modified, altered, or amended except as follows: ; and
 - c. on the date hereof, the Lease is in full force and effect.
3. This Confirmation, and each and all of the provisions hereof shall inure to the benefit of, or bind, as the case may require, the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the date first above-written.

LANDLORD :

TENANT :

_____,

_____,

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT F

DTPA PROVISIONS

TENANT HEREBY REPRESENTS AND WARRANTS, AND ACKNOWLEDGES THAT (i) TENANT IS REPRESENTED BY LEGAL COUNSEL IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS LEASE AND (ii) THE LEASED PREMISES WHICH ARE THE SUBJECT OF THIS LEASE ARE NOT A FAMILY RESIDENCE OCCUPIED OR TO BE OCCUPIED AS TENANT'S RESIDENCE. LANDLORD IS RELYING ON SUCH REPRESENTATION AND WARRANTY IN ORDER TO ESTABLISH THE INAPPLICABILITY OF THE TEXAS BUSINESS AND COMMERCE CODE, SECTION 17.41 ET. SEQ. TO THIS LEASE.

TENANT :

RIGNET, INC.,
a Delaware corporation



By: _____

Name: CHARLES E. SCHNEIDER

Title: SVP & CFO

Date: 1/11/2017

Date: _____

EXHIBIT F

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

PAGE 1

EXHIBIT G

**LICENSE AGREEMENT
TO INSTALL A SATELLITE ANTENNAE**

This License Agreement (“License”) is made this 26th day of January, 2017, by and between RIGNET, INC., a Delaware corporation, hereinafter referred to as “Licensee”, and PARK 10 TENANT LLC, Delaware limited liability company, as successor-in-interest to Park Ten Owner LLC, a Texas limited liability company under that certain Master Lease Agreement dated May 17, 2013, hereinafter referred to as “Licensor”.

WHEREAS, Licensee occupies approximately 28,808 rentable square feet (“Premises”) in the building located at 15115 Park Row Boulevard, Houston, Texas (“Building”) under a lease by and between Licensor and Licensee dated Jan. 26, 2017 (“Lease”); and

WHEREAS, Licensee has requested that Licensor consent to Licensee’s installation and operation of up to seven (7) satellite antennae on the roof of the Building.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the parties contract and further agree as follows:

1. Consent. Licensor, in consideration of the covenants and agreements to be performed by Licensee and upon the terms and conditions herein stated, consents to Licensee installing, maintaining, operating and removing, during the term of this License, the equipment, including all electrical power or signal transmission cables listed in Exhibit A to this License (“Equipment”) on the roof of and inside the Building for the sole use of Licensee.

2. Assignment and Sublease. Licensee shall not allow anyone other than Licensee to use the Equipment and shall not be permitted to assign or sublet the Equipment or the installation and operation rights of the Equipment to any other party.

3. Restrictions. Licensee shall neither transmit nor receive any communications via the Equipment that are unlawful. Further, Licensee’s installation, maintenance, operation or removal of all Equipment shall not interfere with the use or operation of any tenant’s communications currently or hereinafter existing located in the Building.

4. Location. The location of the Equipment and any appurtenances thereto shall be at such location as outlined on the attached Exhibit B and shall be subject to relocation at the option of Licensor at any time at Licensee’s sole cost and expense.

5. Term. The term of this License shall commence on the first date written above and shall continue until the earlier of (i) a termination as provided under Paragraph 18 hereof; or (ii) upon the termination of the Lease. Notwithstanding the foregoing sentence, in the event Licensee sublets more than twenty-five percent (25%) of or assigns all or any part of its Premises other than to a Related Entity, this License shall terminate upon the effective date of such assignment or sublease.

6. Installation of Equipment. Licensee shall submit all specifications of the Equipment listed in Exhibit A to Licensor for its approval. Licensor may require Licensee to shield the Equipment with a screen for aesthetic purposes. The consent of Licensor in this regard shall not constitute any representations or warranty by Licensor that the Equipment’s installation will be feasible, advisable,

EXHIBIT G

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accurate or sufficient or that Licensee will be granted permits for construction or operation by appropriate governmental authorities, or that after installation of the Equipment, the Premises will be safe, habitable or tenantable, or that the Equipment will be fit for Licensee's purposes.

Licensee's contractors and subcontractors must comply with all Building rules then in effect, including, but not limited to, rules relating to the use of elevators, tool storage and removal of debris. Any penetration of the Building roof, and the contractor's method of effecting such penetration, shall be approved in advance by Licensor.

Licensee's contractor shall install Equipment in a good and workmanlike manner. Licensee shall be responsible for reimbursing Licensor for any damages to the Building during installation, maintenance, use or removal of the Equipment by Licensee, its agents, contractors or employees.

Upon installation of Equipment, Licensor has the right to inspect such Equipment in order to verify that such installation and the Equipment complies with the approvals previously given by Licensor. If such inspections reveal any deviation from Licensor's prior approvals, such deviation shall constitute a breach of this License and the Lease and Licensor may either require that Licensee immediately conform the Equipment to the approved specifications or terminate this License pursuant to Paragraph 18 herein.

7. Access. Licensor will permit Licensee's contractor reasonable access to the Building for the purposes permitted hereunder. Access will be during normal business hours at the Building upon reasonable advance notice and scheduling through Licensor's managing agent. Access after normal business hours may be granted by Licensor in its reasonable discretion and for such reasonable charges as Licensor may designate in advance. Access to the roof of the Building will be through common areas of the Building only. Licensor and Licensee agree that Licensee's contractor will not pass through any tenant spaces, except the Premises, without prior approval by Licensor, nor will it interfere with any tenant's business.

8. Use of Building Electricity. Licensor agrees to allow Licensee to utilize electricity in the Building for the purposes of operation of the Equipment. However, the proposed connection of electricity and location of the electric cables on the roof and throughout the Building connected to the Equipment shall be subject to Licensor's prior review and approval. Licensor, at its sole discretion, may have a submetering device installed at Licensee's expense to bill additional electrical usage to Licensee as a result of the use of the Equipment.

9. Changes in Environment. Any future installations of additional equipment or changes in the previously approved and installed Equipment or any cables connected thereto or associated therewith shall be subject to all the conditions and restrictions for original installation of the Equipment as set forth herein, and shall be subject to Licensor's prior approval, which may be withheld at Licensor's reasonable discretion.

10. Non-Exclusive Use. Licensor reserves the right to install any other equipment or allow any tenants in the Building or other licensees to install, maintain and operate other similar equipment on the roof and in the Building. Licensor shall have the right to do maintenance, repairs and remodeling to the Building and its roof at any time without Licensee's prior approval. Operation of the Equipment by Licensee shall not interfere in any way with the ability of the Building or its tenants to receive radio, television, microwave, short-wave, long-wave or other signals of any sort that are transmitted through the air or that will interfere with the use of any other facilities, appliances or equipment in the Building, or that will interfere with the use of any antennae, satellite dishes or other electronic equipment currently or hereafter located on the roof or elsewhere in the Building.

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11. Installation and Maintenance of Equipment Cable in the Building. Licensee agrees that all cable connected to the Equipment or associated therewith shall be shielded cable, that the cable coating shall comply with all applicable fire codes and shall be properly labeled so that it can be identified by Licensor, Licensor's agents or third parties.

12. Zoning. Licensee acknowledges that Licensor has made no representations or warranties to Licensor that the Equipment will be permitted under applicable zoning ordinances. Licensee represents and warrants to Licensor that it has ascertained that the Equipment, including all cables connected thereto and associated therewith, and the installation thereof, is permitted under all applicable zoning laws, including, but not limited to, any zoning laws relating to height restrictions.

13. Compliance With Law. Licensee warrants that it will comply with all applicable laws and regulations of the United States, the State of Texas, or any political subdivision thereof. Licensee further warrants that Licensee shall, at its sole cost and expense, obtain any and all governmental licenses and permits necessary, not only to install the Equipment, but also to operate the Equipment as herein contemplated. Licensee further agrees to obtain and maintain all necessary permits during the term hereof and that if it fails to do so, Licensor may require Licensee to remove the Equipment at Licensee's sole cost and expense. Licensee shall give Licensor copies of any notices which Licensee receives from third parties that the Equipment is or may be in violation of any law, ordinance or regulation.

14. Insurance Requirements of Licensee. Licensee acknowledges that insurance maintained by Licensee shall be in full force and effect as of the first day of the term of this License and throughout the term of this License. Such insurance shall be provided as described in Article XV of the Lease. Said insurance shall include the Equipment as an insured risk. It is further agreed that any insurance maintained by Licensor will apply in excess of, and not contribute with, insurance provided by Licensee. The procuring of the required policy or policies of insurance shall not be construed to limit Licensee's liability.

15. Insurance Requirements of Licensee's Contractor. Licensee's choice of contractor for the installation and removal of the Equipment shall be subject to Licensor's prior review and approval and such contractor must provide evidence of insurance satisfactory to Licensor no later than ten (10) days prior to the commencement date of the installation or removal of the Equipment. Such insurance shall be provided by a company reasonably acceptable by Licensor and licensed and authorized to provide insurance in the state which the Property is located and shall include:

- (a) workers' compensation and/or disability benefits insurance to provide the relevant statutory benefits required by the state in which the Property is located; and
- (b) commercial general liability insurance (including blanket contractual liability coverage) on an "occurrence" basis against claims for personal injury liability, including, without limitation, bodily injury, death or property damage liability with a limit of not less than One Million Dollars (\$1,000,000) for any one occurrence.

Licensor and its managing agent of the Building shall be named as additional insured parties on the contractor's general liability insurance policy and waiver of subrogation endorsements shall be obtained in favor of Licensor and the managing agent of the Building.

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16. Risk of Loss. Licensee hereby assumes all risk of loss or damage to the Equipment, including all cables connected thereto or associated therewith, and the Licensor will have no liability to Licensee for damaged or stolen Equipment, including all cables connected thereto and associated therewith. Licensor agrees not to attach additional equipment or cables to the Equipment installed by Licensee pursuant hereto.

17. Liens. Licensee hereby indemnifies the Licensor against any liens arising out of installation, maintenance or use or removal of the Equipment, including all cables connected thereto and associated therewith by Licensee and will promptly arrange for the removal of any liens asserted against the Building as a result of any actions by or on behalf of Licensee.

18. Termination. In the event of a breach of any provision hereof by either party, the injured party shall notify the defaulting party by written notice clearly and specifically identifying the breach. Within three (3) days after receipt of such notice by the defaulting party, the defaulting party shall diligently and continuously prosecute the correction of the breach until such has been corrected. If the defaulting party fails to diligently and continuously prosecute the correction of any breach, the injured party shall have the right to terminate this agreement by providing the defaulting party at least three (3) days prior written notice. Notices shall be as set forth in the Lease. Licensor, at its sole option, may require Licensee at any time prior to the expiration of this License, to immediately terminate the operation of the Equipment if in Licensor's reasonable opinion the Equipment is (i) causing physical damage to the Building; (ii) causing a safety hazard; (iii) interfering with any other service provided by the Building; or (iv) interfering with any tenant's business. If Licensee promptly corrects the item(s) in (i) – (iv) caused by the Equipment to Licensor's sole satisfaction, Licensee may restore operation of the Equipment. If Licensee is unable or unwilling to correct the items in (i) – (iv) caused by the Equipment to Licensor's sole satisfaction, Licensor, at its sole discretion, may immediately terminate this License for cause. Such termination shall not affect the parties' rights or responsibilities pursuant to this License

19. Indemnity. LICENSEE AGREES TO USE THE ROOF AT ITS OWN RISK AND HEREBY RELEASES LICENSOR AND ITS AGENTS FROM ALL CLAIMS FOR ANY DAMAGE OR INJURY TO PERSONS OR PROPERTY SUSTAINED BY LICENSEE OR ANY PERSON CLAIMING THROUGH LICENSEE RESULTING FROM AN ACCIDENT OR OCCURRENCE IN, ON OR ABOUT THE ROOF, UNLESS RESULTING SOLELY FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF LICENSOR OR ITS AGENTS. EXCEPT FOR THE SOLE NEGLIGENCE OF LICENSOR OR ITS AGENTS, LICENSEE SHALL INDEMNIFY AND HOLD LICENSOR HARMLESS FROM AND AGAINST ALL LOSS, CLAIM, DAMAGE AND EXPENSE ARISING OUT OF LICENSEE'S USE OF THE ROOF.

20. Subordination. Licensee accepts Licensor's consent herein granted subject and subordinate to any mortgage or deed of trust and to all amendments, renewals, extensions and refinancing thereof, that may now or hereafter exist or constitute a lien upon the interest of Licensor in the Building or any part thereof.

21. Attorneys' Fees. In the event of any legal action or proceeding between the parties hereto, reasonable attorneys' fees and expenses of the prevailing party in any such action or proceeding may be added to the judgment therein.

22. Waiver. The waiver by Licensor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition of any subsequent breach of the same or any other term, covenant or condition herein contained.

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23. Repair and Removal. Licensee, its agents, contractor or employees shall not in any manner deface, injure or damage the roof or any other part of the Building or other equipment belonging to any tenant or other licensee and Licensee shall pay the cost of repairing any damage or injury to the roof, the Building, or any part thereof, or other equipment belonging to any tenant or other licensee during the course of or in any way arising out of the repair or removal of the Equipment, including any cables connected thereto or associated therewith. Upon expiration or sooner termination of the License, Licensee shall promptly remove the Equipment and repair any damages caused by such removal and restore the roof, Building and/or other equipment belonging to any tenant or other licensee to the condition it was in prior to installation of the Equipment. Additionally, at the option of Licensor, Licensor shall either (i) retain ownership of any cables connected thereto or associated therewith; or (ii) require Licensee, at Licensee's sole cost and expense, to remove such cables, repair any damage caused by such removal, and restore those portions of the Building so utilized to the condition they were in prior to the installation of the cable.

If, at any time under the provisions of this License, Licensee is required to remove the Equipment or any cables connected thereto or associated therewith from the Building and Licensee is unable or unwilling to do so, Licensor may after ten (10) days' notice remove or repair same and charge Licensee for the cost of said removal and/or repairs plus interest at the Interest Rate set forth in the Lease.

24. Limitation of Liability. In consideration of the benefits accruing hereunder, Licensee agrees that in the event of any actual or alleged failure, breach or default of this License by Licensor, Licensee's remedies shall be limited to and Licensee shall look solely to the interest of Licensor in the Building. Licensee agrees that each of the foregoing provisions shall be applicable to any covenant or agreement either expressly contained in this License or imposed by statute or at common law.

25. Increased Costs to Licensor Arising From This License. If the insurance premium or real estate tax assessment charged to Licensor with respect to the Building increases as a result of the presence or operation of the Equipment, Licensee shall pay the amount of such increase as an additional Use Fee within ten (10) days after receipt of a bill from Licensor.

26. Special Damages. Licensor shall not be liable to Licensee or any other person for direct, special or consequential damages, or otherwise, and Licensee shall not be entitled to any abatement or reduction of rent for any failure with respect to the operation of the Equipment.

27. Cross Default. If a default occurs in the performance of any term, covenant or condition contained in this License or in the Lease, then Tenant shall be in default under both this License and the Lease. It is the intention of the parties that a default under either the License or the Lease shall be a default under both the License and the Lease and each shall be separately enforceable according to its terms upon such default.

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IN WITNESS WHEREOF, the undersigned authorities have hereunto executed this License, effective on the day and year first written above.

LICENSOR:

PARK 10 TENANT LLC,
a Delaware limited liability company

By: US RELP AKC, LLC,
a Delaware limited liability company,
its manager

By: US Real Estate Limited Partnership,
a Texas limited partnership,
its sole member

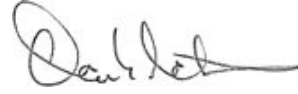
By: USAA Real Estate Company,
a Delaware corporation,
its general partner



By: _____
Name: Jim Hime
Title: CFO

LICENSEE:

RIGNET, INC.,
a Delaware corporation



By: _____
Name: CHARLES E. SCHNEIDER
Title: SVP & CFO

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EXHIBIT A

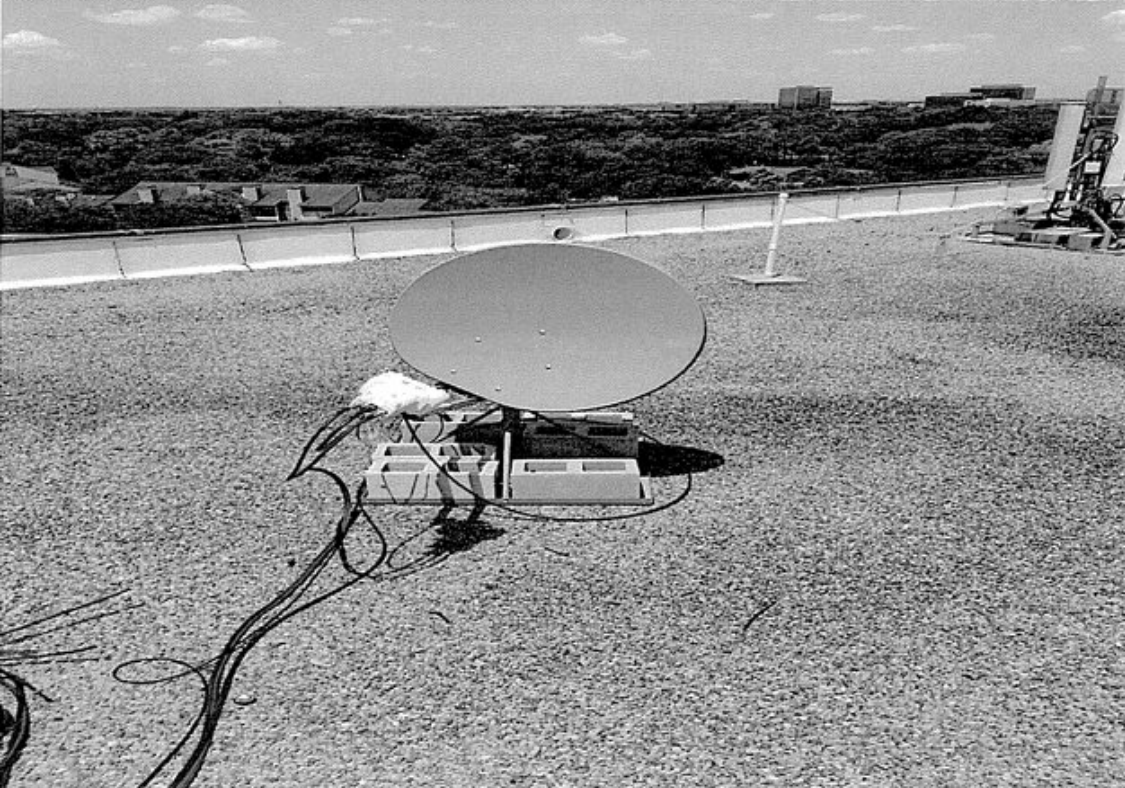
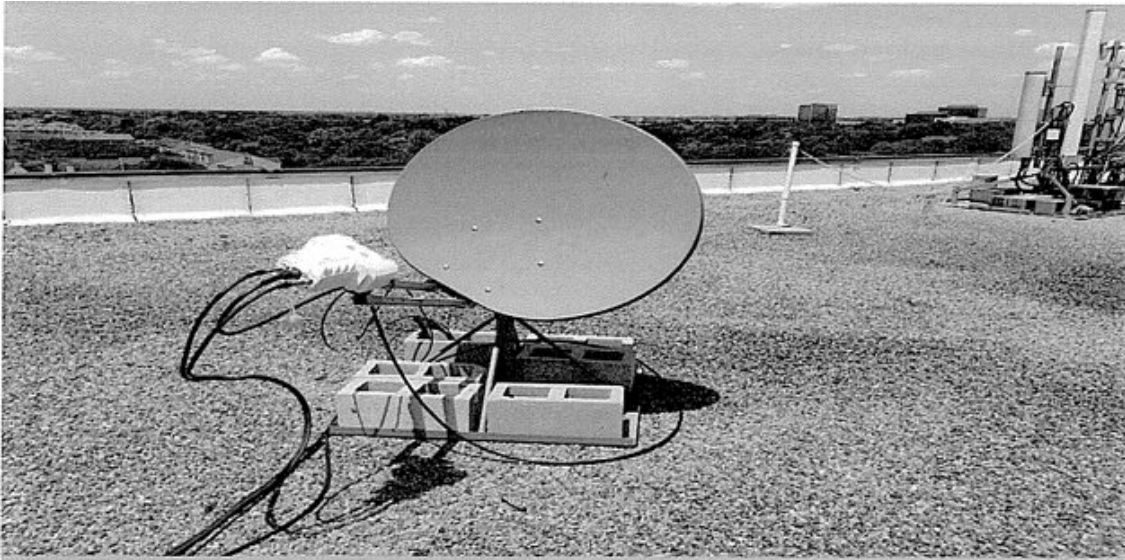


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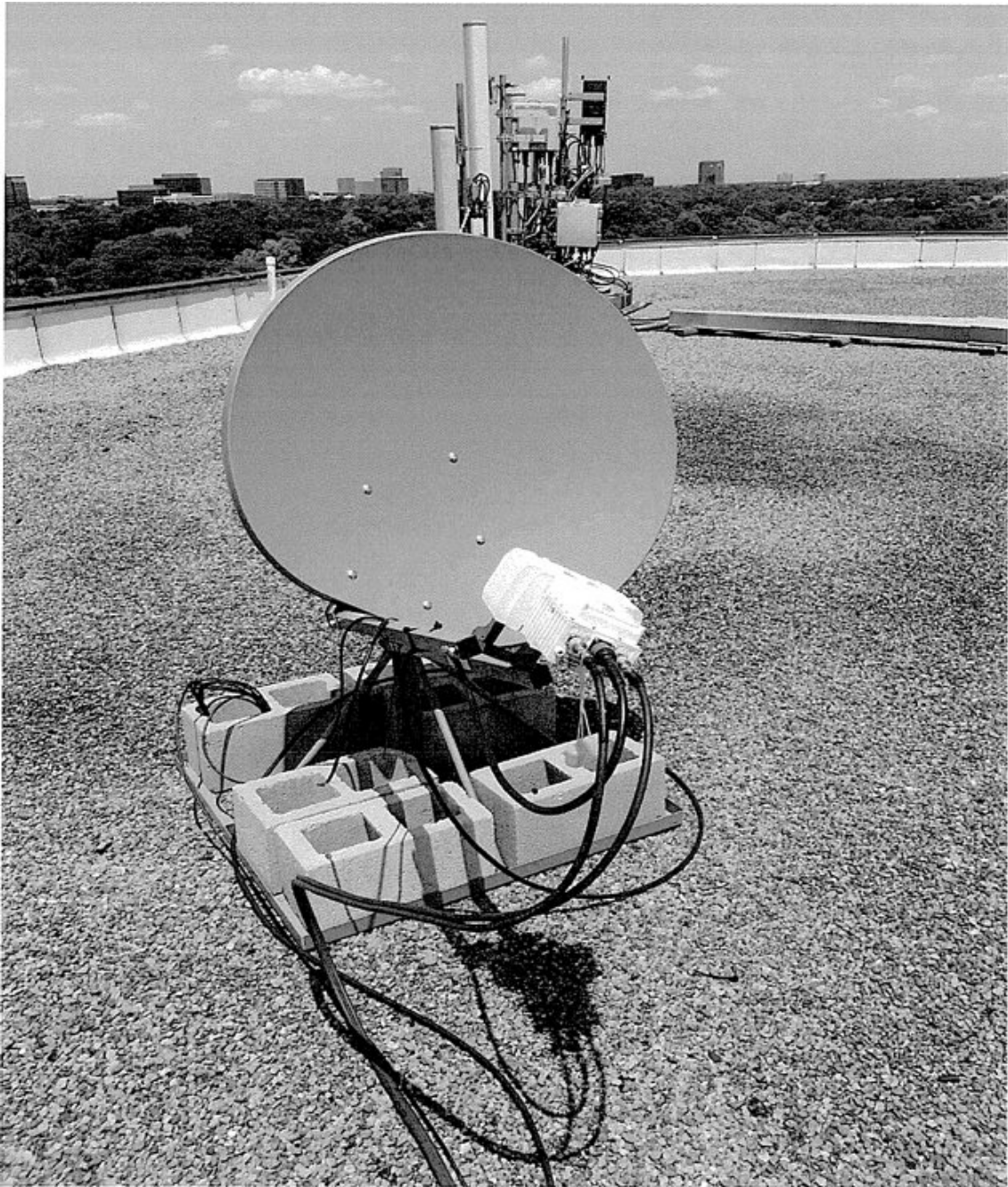


EXHIBIT G

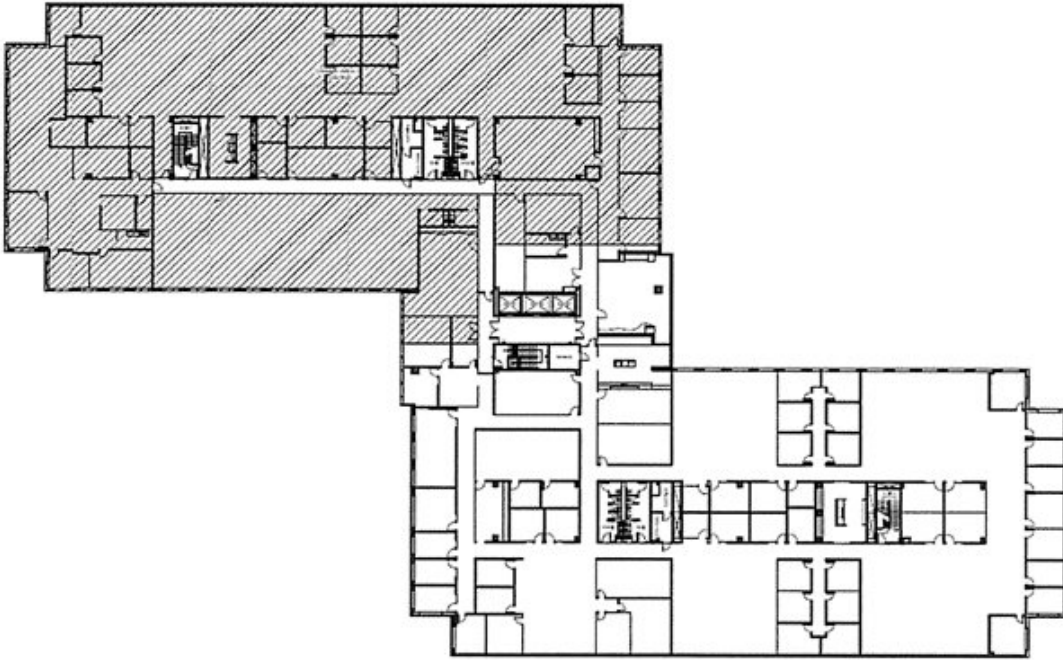
EXHIBIT B

EXHIBIT G

OFFICE LEASE
Park Ten Plaza – RigNet, Inc.

EXHIBIT H

RIGHT OF FIRST REFUSAL SPACE



PARK TEN PLAZA

AREA CALCULATION - 24,595 RSF

Floor 3

ZIEGLER COOPER COMPUTERIZED ARCHITECTURAL DOCUMENTATION

DATE: 28OCT2016

JOB # 50620_38

EXHIBIT H

EXHIBIT I

FORM OF SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENT AGREEMENT

SUBORDINATION OF LEASE AND/OR NONDISTURBANCE AND ATTORNMENT - GEN

LOAN NUMBER 1009683

SUBORDINATION OF LEASE AND/OR NON-DISTURBANCE AND ATTORNMENT AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
Dallas CRE (AU #1145)
1445 Ross Ave., Suite 4800
Dallas, Texas 75202

Attn: Cortney Nelson
Loan No. 1009683

(Space Above For Recorder's Use)

SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE
AGREEMENT

(Lease to Security Instrument)

THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF
LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT, ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMENT AND NON-DISTURBANCE
AGREEMENT ("**Agreement**") is made , 2016 by and between PARK 10 TENANT LLC, a Delaware limited liability company, as
successor-in-interest to PARK 10 OWNER LLC, a Texas limited liability company ("**Landlord**"), RIGNET, INC., a Delaware corporation ("**Tenant**") and
WELLS FARGO BANK, National Association (collectively with its successors or assigns, "**Lender**").

RECITALS

- A. Pursuant to the terms and provisions of a lease dated , 2016 ("**Lease**"), Landlord granted to Tenant a leasehold estate in and to a portion of the
property described on **Exhibit A** attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter
located on the property, is defined as the "**Property**").

1

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EXHIBIT I

OFFICE LEASE
Park Ten Plaza – RigNet, Inc.

PAGE 1

- B. Landlord has executed that certain Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (“**Security Instrument**”) securing, among other things, that certain Promissory Note in favor of Lender of even date therewith (“**Note**”). The Security Instrument was recorded in the real property records where the Property is located.
- C. As a condition to Lender making the Loan secured by the Security Instrument, Lender requires that the Security Instrument be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Tenant under the Lease and that the Tenant specifically and unconditionally subordinate the Lease to the lien of the Security Instrument.
- D. Landlord and Tenant have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Landlord and Tenant hereby agree for the benefit of Lender as follows:

- 1. Mortgagor and Tenant hereby agree that:
 - 1.1 **Prior Lien**. The Security Instrument securing the Note in favor of Lender, and any modifications, renewals or extensions thereof (including, without limitation, any modifications, renewals or extensions with respect to any additional advances made subject to the Security Instrument), shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;
 - 1.2 **Subordination**. Lender would not make the Loan without this agreement to subordinate; and
 - 1.3 **Whole Agreement**. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Security Instrument and shall supersede and cancel, but only insofar as would affect the priority between the Security Instrument and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Tenant individually declares, agrees and acknowledges for the benefit of Lender, that:

- 1.4 **Use of Proceeds**. Lender, in making disbursements pursuant to the Note, the Security Instrument or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part; and
- 1.5 **Waiver, Relinquishment and Subordination**. Tenant intentionally and unconditionally waives, relinquishes and subordinates all of Tenant’s right, title and interest in and to the Property to the lien of the Security Instrument and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

2. Tenant acknowledges and consents to the assignment of the Lease by Landlord in favor of Lender.
3. Tenant acknowledges and represents that:
 - 3.1 **Entire Agreement**. The Lease constitutes the entire agreement between Landlord and Tenant with respect to the Property and Tenant claims no rights with respect to the Property other than as set forth in the Lease;
 - 3.2 **No Prepaid Rent**. No deposits or prepayments of rent have been made in connection with the Lease, except as follows (if none, state "None"):
;
 - 3.3 **No Default**. To the best of Tenant's knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;
 - 3.4 **Lease Effective**. The Lease has been duly executed and delivered by Tenant and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Tenant thereunder are valid and binding and there have been no [further] amendments, modifications or additions to the Lease, written or oral; and
 - 3.5 **No Broker Liens**. Neither Tenant nor Landlord has incurred any fee or commission with any real estate broker which would give rise to any lien right under state or local law, except as follows (if none, state "None"):
4. Tenant covenants and agrees that, during all such times as Lender is the Beneficiary under the Security Instrument:
 - 4.1 **Modification, Termination and Cancellation**. Tenant will not consent to any modification, amendment, termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent and will not make any payment to Landlord in consideration of any modification, termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent;
 - 4.2 **Notice of Default**. Tenant will notify Lender in writing concurrently with any notice given to Landlord of any default by Landlord under the Lease, and Tenant agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Landlord; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same shall be deemed sufficient so long as Lender pursues such cure with diligence;
 - 4.3 **No Advance Rents**. Tenant will make no payments or prepayments of rent more than one (1) month in advance of the time when the same become due under the Lease;

- 4.4 **Assignment of Rents**. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Landlord to collect rents, as provided in the Security Instrument, and directing the payment of rents by Tenant to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Landlord is in default under the Loan and/or the Security Instrument.
- 4.5 **Insurance and Condemnation Proceeds**. In the event there is any conflict between the terms in the Security Instrument and the Lease regarding the use of insurance proceeds or condemnation proceeds with respect to the Property, the provisions of the Security Instrument shall control.
5. In the event of a foreclosure under the Security Instrument, Tenant agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Landlord's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Security Instrument) as follows:
 - 5.1 **Payment of Rent**. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease:
 - 5.2 **Continuation of Performance**. Tenant shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further Instrument immediately upon Lender succeeding to Landlord's interest in the Lease and giving written notice thereof to Tenant:
 - 5.3 **No Offset**. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Landlord under the Lease, nor for the return of any sums which Tenant may have paid to Landlord under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Landlord to Lender; and
 - 5.4 **Subsequent Transfer**. If Lender, by succeeding to the interest of Landlord under the Lease, should become obligated to perform the covenants of Landlord thereunder, then, upon any further transfer of Landlord's interest by Lender, all of such obligations shall terminate as to Lender.
 - 5.5 **Limitation on Lender's Liability**. Tenant agrees to look solely to Lender's interest in the Property and the rent, income or proceeds derived therefrom for the recovery of any judgment against Lender, and in no event shall Lender or any of its affiliates, officers, directors, shareholders, partners, agents, representatives or employees ever be personally liable for any such obligation, liability or judgment.
 - 5.6 **No Representation, Warranties or Indemnities**. Lender shall not be liable with respect to any representations, warranties or indemnities from Landlord, whether pursuant to the Lease or otherwise, including, but not limited to, any representation, warranty or indemnity related to the use of the Property, compliance with zoning, landlord's title, landlord's authority, habitability or fitness for purposes or commercial suitability, or hazardous wastes, hazardous substances, toxic materials or similar phraseology relating to the environmental condition of the Property or any portion thereof
6. In the event of a foreclosure under the Security Instrument, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease that extend beyond any cure periods or other rights available to the Tenant then Lender agrees for itself and its successors and assigns that the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in

full force and effect and tender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement; provided, however, that Tenant and Lender agree that the following provisions of the Lease (if any) shall not be binding on Lender nor its successors and assigns: any option to purchase with respect to the Property.

7. **MISCELLANEOUS**.

7.1 **Remedies Cumulative**. All rights of Lender herein to collect rents on behalf of landlord under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Landlord or others.

7.2 All notices, demands, or other communications under this Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth below (subject to change from time to time by written notice to all other parties to this Agreement). All notices, demands or other communications shall be considered as property given if delivered personally or sent by first class United States Postal Service mail, postage prepaid, or by Overnight Express Mail or by overnight commercial courier service, charges prepaid, except that notice of Default may be sent by certified mail, return receipt requested, charges prepaid. Notices so sent shall be effective three (3) Business Days after mailing, if mailed by first class mail, and otherwise upon delivery or refusal; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. For purposes of notice, the address of the parties shall be:

Landlord: Park 10 Tenant LLC

Attention:

Tenant: Rignet, Inc.

Attention: General Counsel

Telephone: 281-674-0713

Fax: 281-674-0101

Email: Bill.Sutton@rig.net

Lender: Wells Fargo Bank, National Association

Dallas CRE (AU #1145)

1445 Ross Ave., Suite 4800

Dallas, TX 75202

Attention: Cortney Nelson

Email: Cortney.C.Nelson@WellsFargo.com

Telephone: 469-729-7508

Attention: Dwight Reid

Email: Dwight.H.Reid@WellsFargo.com

Telephone: 469-729-7505

Loan #: 1009683

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EXHIBIT I

OFFICE LEASE

Park Ten Plaza – RigNet, Inc.

PAGE 5

With a copy to: Wells Fargo Bank, National Association
Winston Salem-Loan Center
One West Fourth Street, 3rd Flr
Winston-Salem, NC 27101
Attention: Bobbie Hatfield

Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other party in the manner set forth hereinabove.

- 7.3 **Heirs, Successors and Assigns**. Except as otherwise expressly provided under the terms and conditions herein, the terms of this Agreement shall bind and inure to the benefit of the heirs, executors, administrators, nominees, successors and assigns of the parties hereto.
- 7.4 **Headings**. All article, section or other headings appearing in this Agreement are for convenience of reference only and shall be disregarded in construing this Agreement.
- 7.5 **Counterparts**. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.
- 7.6 **Exhibits, Schedules and Riders**. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

LANDLORD :

PARK 10 TENANT LLC,
a Delaware limited liability company

By: US RELP AKC, LLC,
a Delaware limited liability company,
its manager

By: US Real Estate Limited Partnership,
a Texas limited partnership,
its sole member

By: USAA Real Estate Company,
a Delaware corporation,
its general partner

By: _____
Name: _____
Title: _____

TENANT :

RIGNET, INC.,
a Delaware corporation



By: _____
Name: CHARLES E. SCHNEIDER
Title: SVP & CFO

“LENDER”

WELLS FARGO BANK, NATIONAL ASSOCIATION

BY: _____
Name: _____
Title: _____

EXHIBIT A - DESCRIPTION OF PROPERTY

[TO BE ATTACHED]

Page 8 of 8

REV 7/13/16

EXHIBIT I

OFFICE LEASE
Park Ten Plaza – RigNet, Inc.

PAGE 8

EXHIBIT A

LEGAL DESCRIPTION OF LAND

All that certain 12.19 acres of land, out of GRANITE PARK 10, Block 1, Unrestricted Reserve "A", according to the plat thereof recorded under Film Code No. 480146, in the Map Records of Harris County, Texas, and the residue of the 24.53 acre tract described in the deed from Granite Bay Holding Corporation to Gateway Tower Limited Partnership recorded under File No. T086816, in the Official Public Records of Real Property of Harris County, Texas, in the David Middleton Survey, A-535, Harris County, Texas, and more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone).

BEGINNING a 3/4" iron rod found for the northwest comer of SAM'S ADDITION, Restricted Reserve "A", according to the plat thereof recorded under Film Code No. 353089, in the Map Records of Harris County, Texas, in the south right-of-way line of Park Row (width varies), common to the northeast comer and POINT OF BEGINNING of the herein described tract;

THENCE South 01 degrees 19 minutes 43 seconds East-405.47', along the west line of said SAM'S ADDITION, Restricted Reserve "A", common to the east line of the herein described tract, to a 3/4" iron rod found for the northeast comer of the 12.32 acre tract described in the deed from GPI Development, LTD. to Moody National EC Houston S, LLC, recorded under File No. 2006-0285093, in the Official Public Records of Real Property of Harris County, Texas, common to the southeast comer of the herein described tract;

THENCE South 88 degrees 40 minutes 17 seconds West-998.99', along the north line of said 12.32 acre tract, common to the south line of the herein described tract, to a 3/4" iron rod found for the northwest comer of said 12.32 acre tract, in the east right-of-way line of Memorial Brook Drive (100' R.O.W.);

THENCE North 01 degrees 19 minutes 43 seconds West-552.87', along said east right-of-way line, common to the west line of the herein described tract, to a 3/4" iron rod set for the most westerly northwest comer of the herein described tract, common to the south comer of the southeast right-of-way cutback line at the intersection of said Memorial Brook Drive and aforesaid Park Row;

THENCE North 43 degrees 41 minutes 02 seconds East-21.22', continuing along said right-of-way cutback line, 3/4" iron rod set for the most northerly northwest comer of the herein described tract, common to the east comer of said right-of-way cutback line, in the south right-of-way line of aforesaid Park Row;

THENCE North 88 degrees 41 minutes 47 seconds East-173.78', continuing along said south right-of-way line, common to the north line of the herein described tract, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 88 degrees 26 minutes 29 seconds East-190.24', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 44 degrees 54 minutes 24 seconds East-14.50', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

THENCE South 01 degrees 18 minutes 13 seconds East-3.00', continuing along said common line, to a 3/4" iron rod set for an angle comer of the herein described tract;

EXHIBIT A

OFFICE LEASE
Park Ten Plaza - RigNet, Inc.

[Table of Contents](#)

THENCE North 89 degrees 46 minutes 04 seconds East-100.02', continuing along said common line, to a 3/4" iron rod set for an angle corner of the herein described tract;

THENCE North 01 degrees 18 minutes 14 seconds West-3.73', continuing along said common line, to a 3/4" iron rod set for an angle corner of the herein described tract;

THENCE North 45 degrees 07 minutes 27 seconds East-13.80', continuing along said south right-of-way line, to a 3/4" iron rod set for an angle corner of the herein described tract, common to a point on a curve to the right, having a central angle of 27 degrees 15 minutes 00 seconds, a radius of 1108.77', and from which point the center of the circle of said curve bears South 01 degrees 47 minutes 54 seconds West;

THENCE along said curve to the right, along said common line, in an easterly direction, an arc distance of 527.33' to the POINT OF BEGINNING of the herein described tract and containing 12.19 acres of land.

EXHIBIT A

OFFICE LEASE

Park Ten Plaza - RigNet, Inc.

EXHIBIT J
GENERATOR AREA

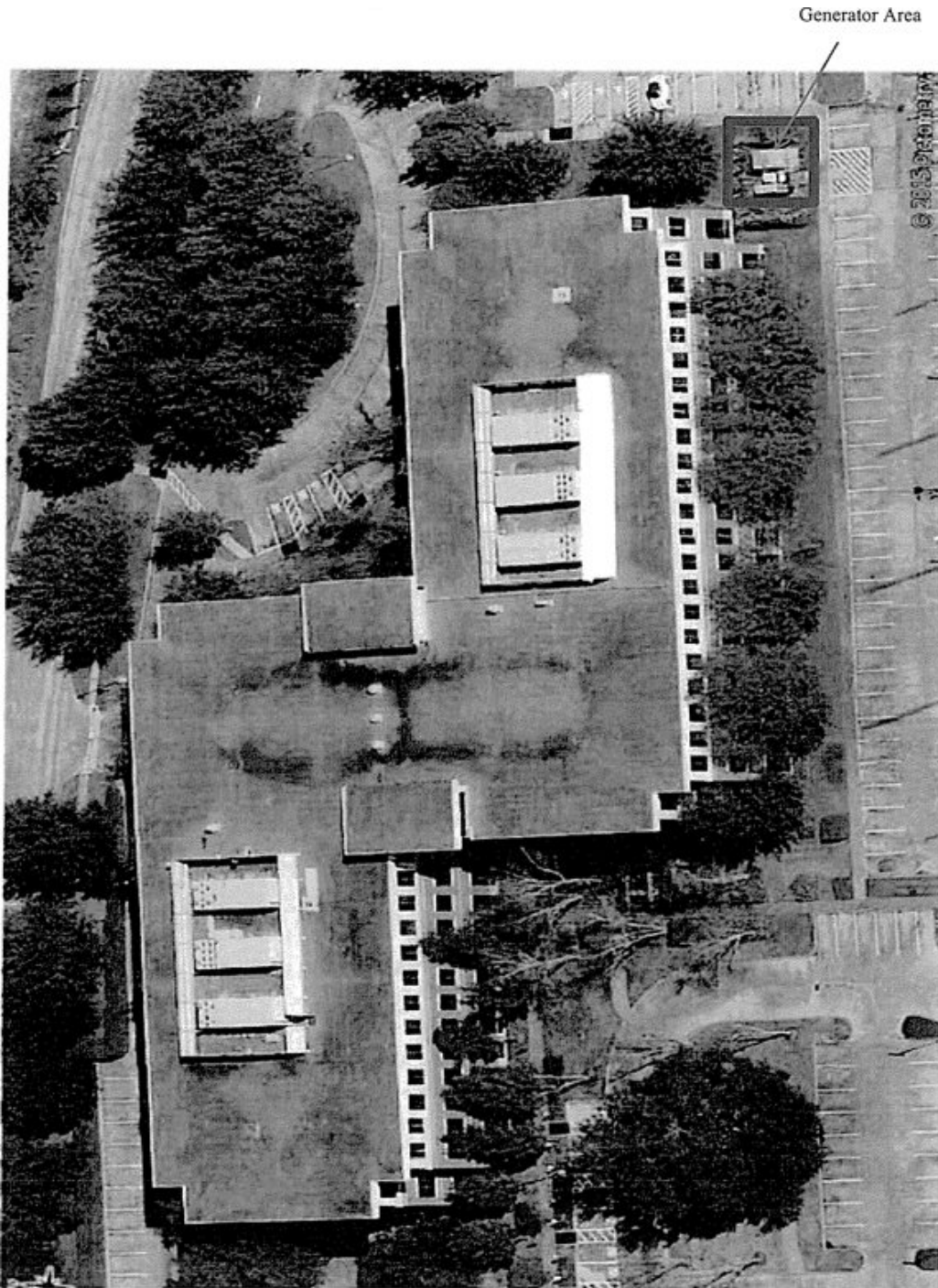
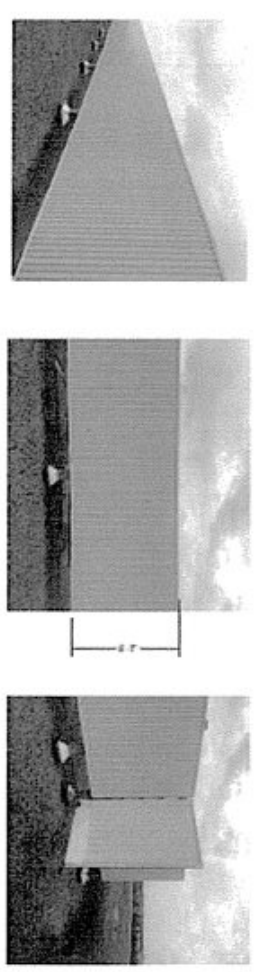


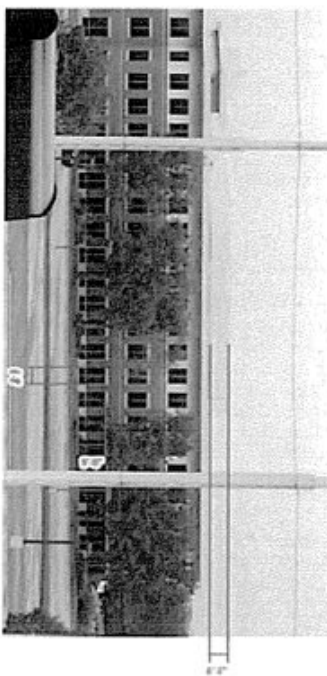
EXHIBIT K
SIGNAGE

FIELD SURVEY DETAILS
SCALE 3/16" = 1'-0"



EXISTING CONDITIONS

FIELD SURVEY DETAILS
SCALE 1/32" = 1'-0"



EXISTING CONDITIONS

CLIENT APPROVAL _____ LANDLORD APPROVAL _____

SALES APPROVAL _____

Page 1 of 5

SALES APPROVAL _____

REVISIONS

NO.	DATE	DESCRIPTION

110VOLT ELECTRICAL SERVICE

BY CONTRACTOR: _____ DATE: _____

BY OWNER: _____ DATE: _____

BY ELECTRICAL CONTRACTOR: _____ DATE: _____

BY ELEC. CONTRACTOR: _____ DATE: _____

BY ELEC. CONTRACTOR: _____ DATE: _____

BY ELEC. CONTRACTOR: _____ DATE: _____

BY ELEC. CONTRACTOR: _____ DATE: _____

WARRANTY

5 Year Warranty ON ALL PARTS ALL LABOR ALL SERVICE

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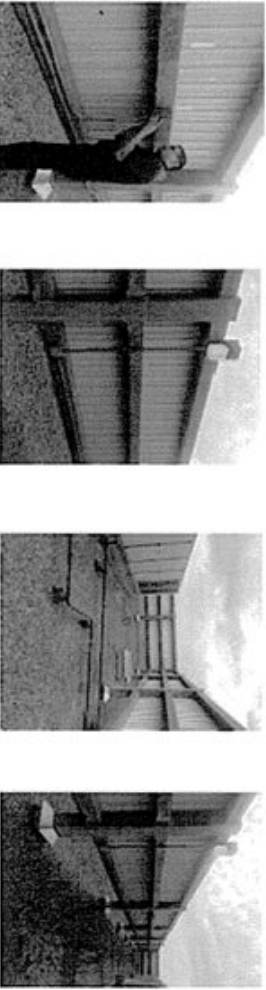
NATIONAL SIGNS

3411 E. CAMINO
HOUSTON, TEXAS 77058
77058-2913
www.nationalsigns.com

PROJECT: 101981
LOCATION: 21133481 TOR 06
CITY/STATE: HOUSTON, TX 77064
SALES REP: GRANT
DATE: 11/18/2015
DRAWN BY: GUN
CHECKED BY: _____
SCALE: 1/16" = 1'-0"

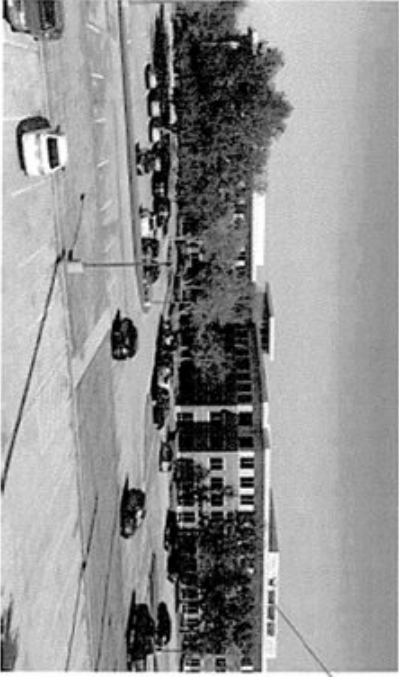
EXHIBIT K

PHOTOS BEHIND SIGN LOCATION
NOT TO SCALE



EXISTING CONDITIONS

BUILDING ELEVATION
NOT TO SCALE



PREVIOUS EXISTING CONDITIONS

NOTE SIGN SHOWN
APPROX. & POSITIONING
HAS PREVIOUS BEEN SHOWN

CLIENT APPROVAL _____

LOOKED _____ DATE _____

LANDING APPROVAL _____

LOOKED _____ DATE _____

SALES APPROVAL _____

LOOKED _____ DATE _____

5-Year Warranty
ON ALL PARTS
ON ALL LABOR
ALL SERVICE

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120 HOUR ELECTRICAL SERVICE

Electrical work done by _____

Inspected by _____

Approved by _____

Other notes: _____

REVISIONS

NO.	DATE	DESCRIPTION

REGISTRATION REQUIREMENT

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National Signs

3411 B. Camino
HOUSTON, TEXAS 77044
Tel: 713.443.0000 Fax: 713.443.2443
www.nationalsigns.com

PROJECT: 102121
LOCATION: 11111111111111111111
CITY/STATE: HOUSTON TX 77044
SALES: KEITH BRANTON
DATE: 1/13/2018
DRAWN BY: GJH
DRAWN BY: 1/13/2018

EXHIBIT K

SIGN TYPE A **QUANTITY: 1**

FABRICATED AND INSTALLED ILLUMINATED CHANNEL LETTERS

- FACE: 3/16" (2.38) WHITE ACRYLIC
- LETTERS: 3/16" (2.38) WHITE ACRYLIC
- INTERNAL: 3/16" (2.38) ALUMINUM PER FINISHED BLACK
- BACK: 1" (25.4) WHITE 303 FINISHED BLACK
- BACK: 603 ALUMINUM (STANDARD STOCK COLOR)
- ILLUMINATION: WHITE LED
- POWER SUPPLIES REMOTE MOUNTED IN STANDOFFS CAN BE INDIVIDUALLY MOUNTED TO WALL WITH MINIMUM 2" (50.8) SPACERS

WALL MATERIAL: CONCRETE

FINISH SCHEDULE

2" (50.8) COORD	1" (25.4) FINISH
1" (25.4) FINISH	1" (25.4) FINISH

NUMBER: _____

SIGN DETAILS
SCALE: 3/16" = 1'-0"

EXISTING CONDITIONS

FIELD SURVEY DETAILS
SCALE: 1/32" = 1'-0"

CLIENT APPROVAL _____ DATE _____

LANDSCAPE APPROVAL _____ DATE _____

Page 3 of 5

SALES APPROVAL _____

120 VOLT ELECTRICAL SERVICE

ELECTRICAL CODE: _____

WIRING: _____

TO BE PROVIDED BY THE ELECTRICAL CONTRACTOR TO THE SIGN. THIS IS NOT THE RESPONSIBILITY OF THE SIGN CONTRACTOR.

REVISIONS

NO.	DESCRIPTION	DATE

CONTRACT

THE SIGN CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM ALL APPLICABLE AGENCIES AND AUTHORITIES. THE SIGN CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM ALL APPLICABLE AGENCIES AND AUTHORITIES. THE SIGN CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM ALL APPLICABLE AGENCIES AND AUTHORITIES.

5-Year Warranty
ON ALL PARTS, ALL WORK, ALL SERVICE.

National Signs

3411 B. QUINN
HOUSTON, TEXAS 77044
TEL: 281.444.7777
WWW.NATIONALSIGNS.COM

PROJECT: SIG-181

LOCATION: 5155 SHAW BLVD
CITY/STATE: HOUSTON, TX 77044

SALES REP: BARRISON

DATE: 1/13/2016

DRAWN BY: GJH

DRAWING NO: 18102710

SIGN TYPE B **QUANTITY: 1**

REMOVAL AND REPAIR OF EXISTING GRAPHICS, READING "Wood Group Home" - AND CHANGES FROM REMOVAL AND REPAIR PATCHED AREAS PT

FABRICATE AND INSTALL NEW FLAT CUT OUT GRAPHICS NEW GRAPHICS PATCH CUT OUT "TRICKLE UP CUT OUT ADVERTISING AREAS PT"

STUD MOUNTED FLUSH TO EXISTING SIGN

FINISH SCHEDULE

PAINT COLOR: SATIN WHITE

7110000000 - EXACT COLOR NO.

7110000000 - EXACT MEDICAL SERVICE

APPROVED BY: _____

SIGN DETAILS
SCALE: 3/8" = 1'-0"

EXISTING CONDITIONS

UPDATED CONDITIONS

SCALE: 3/16" = 1'-0"

SIGN ELEVATION

CLIENT APPROVAL: _____ DATE: _____

LANDSCAPE APPROVAL: _____ DATE: _____

SALES APPROVAL: _____

Page 4 of 5

NATIONAL SIGNS

3411 S. GARDNER
HOUSTON, TEXAS 77044
TEL: 713.552.0000 • FAX: 713.552.2141
www.NationalSigns.com

PROJECT: 101181

LOCATION: 13100 W. GARDNER

CITY/STATE: HOUSTON, TX 77044

SALES: BEN BURROUGHS

DATE: 1.18.2018

DRAWN BY: OLIN

DRAWING NO: 181022705

5-Year Warranty
ON ALL PARTS
ON ALL PARTS
ALL SERVICE

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13100 W. ELECTRICAL SERVICE

ELECTRICAL WORK: _____

PAUSE CHECK: _____

TO BE SIGNED BY: _____

REVISIONS

NO.	DESCRIPTION	DATE

REGISTRATION REQUIREMENT

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EXHIBIT K

SIGN TYPE C	QUANTITY: 2
REMOVE AND DISPOSE OF EXISTING GRAPHICS REGARDING "WIND GUARDIAN" AND COLLIMATES FROM REMOVAL AND PAINT PARTICLED AREAS P1 FABRICATE AND INSTALL NEW FLAT CUT OUT GRAPHICS NEW GRAPHICS PLATE CUT OUT W/ BECKFUM CUT OUT ADVERTISING MOUNTED SIGN MOUNTED FLUSH TO EXISTING SIGN	
FINISH SCHEDULE PAINT COLOR: SATIN FINISH <input type="checkbox"/> P1: PINK SIGN INCL. - COMPTON/COACH NO. <input type="checkbox"/> P2: AMV METALIC SILVER APPROVED BY: _____	
SIGN DETAILS SCALE: 1 1/2" = 1'-0"	
SIGN ELEVATION SCALE: 1/2" = 1'-0" CLIENT APPROVAL: _____ ISSUED: _____ DATE: _____	LANDLOID APPROVAL: _____ ISSUED: _____ DATE: _____ SALES APPROVAL: _____

120 VOLT ELECTRICAL SERVICE

ELECTRICAL WORK: _____
 SIGN: _____
 SIGN/OUTLET: _____

OPEN TO REPORT ALL ELECTRICAL WORK TO THE SIGN SHOP BY FORM FIVE TWENTY'S

REVISIONS

NO.	DATE	DESCRIPTION

5-Year Warranty ON ALL PARTS ALL LABOR ALL SUPPLY

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National Signs

3411 S. GARDNER
 HOUSTON, TEXAS 77064
 TEL: 713.861.2000 FAX: 713.861.2044
 WWW.NATIONALSIGNS.COM

PROJECT: 80-181

LOCATION: 13115AAR E10W/04
 CITY/STATE: HOUSTON, TX 77064

SALES: KEVIN BARKHOFF
 DATE: 1.11.18.2018

DRAWN BY: GJL11
 DRAWN/CHECK: 01/12/2018



Scope of Work

Sign Type A: Illuminated Channel letters

Manufacture and install (1) set of LED-illuminated channel letters reading “RigNet” at 5’-2”.

- letters to be aluminum construction - .040 pre coat aluminum returns on .063 letter backs.
- letter faces are 3/16” acrylic with 1” Jewelite trimcap. Faces to have translucent vinyl overlay applied per print specifications.
- White LED illumination with remote power supplies.
- Mounted with second surface angle runners.

Note: Bid for clear access with standard National Signs, LLC, equipment. High reach crane not included.

Pre-Tax Investment \$17,400.00

Sign Type B: Flat Cut Out Letterset for Single-Faced Monument Sign

Remove and dispose of existing copy from monument sign as indicated. Patch and paint mounting holes only. Fabricate and install (1) flat cut out letterset reading “RigNet” at 1’-6”.

- 1/2” acrylic painted with an acrylic polyurethane finish.

Note: Color may not exactly match existing paint due to weathering.

Pre-Tax Investment \$ 1,250.00

Sign Type C: Flat Cut Out Letterset for Double-Faced Monument Sign

Remove and dispose of existing copy from monument sign as indicated. Patch and paint mounting holes only. Fabricate and install (2) flat cut out lettersets reading “RigNet” at 7 3/4”.

- 1/2” acrylic painted with an acrylic polyurethane finish.

Note: Color may not exactly match existing paint due to weathering.

Pre-Tax Investment \$ 1,375.00

Sub-Total: \$20,025.00

Sales Tax: \$ 1,652.06

Total Investment: \$21,677.06

Notes:

- The above prices are good for (30) days.
 - A 50% deposit is required to proceed with project.
 - Any permits required will be extra at cost, plus a \$495 procurement fee.
 - if applicable, freight additional at cost
 - Extended 6th Year Parts and Labor Warranty for only 6%
- Extended warranty must be purchased for all signage and is available only at time of purchase.



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Version 4.17.2014

EXHIBIT K

EXHIBIT L

JANITORIAL SPECIFICATIONS

Base-Specification Design – All Sites

Overview

This USAA Base Cleaning Specification has been designed to standardize the cleaning programs across the USAA portfolio. Used in conjunction with the site-specific requirements section, it includes industry best practices as well as green cleaning processes to ensure a healthy and safe environment for the people who visit or work in the USAA buildings.

The Cleaning Specification is based on a five-day-per-week service schedule and is formatted into three sections:

Section one includes the area types that can be found in both the common areas and the suite areas. The task and frequency sets associated with these area types remain constant regardless of “where” the areas are found.

Section two includes the area types that are found in the common areas only. These may, at times, require the cleaning tasks to be performed more frequently to recover from heavy use.

Section three includes the area types within the suites. Cleaning for these areas is focused on the needs commonly associated with tenant activities. In each case, the specifications are expressed in the industry-standard format utilizing annual frequencies (see Frequency Chart below).

Frequency Chart

<u>EXAMPLES OF FREQUENCY REQUIRED</u>	<u>ANNUAL FREQUENCY</u>	
Five day service (daily)	260	
Four times weekly		208
Twice weekly		104
Weekly service	52	
Monthly service	12	
Quarterly service		4
Yearly service		1

EXHIBIT L

Required Green Cleaning Policies and Procedures

Note: Contractor's Green Cleaning Plan must meet all requirements as stated in LEED v4

Green Cleaning Program Overview and Scope

To demonstrate its commitment to sustainable greening of its facilities, USAA had begun its efforts to move toward LEED-EB certification. To achieve certification, the buildings must meet all prerequisites in the LEED-EB rating system and the minimum amount of points as stated in LEED v4. Several of the points are achievable through Green Cleaning Programs.

This Policy and Plan addresses environmental best practices for cleaning the interior of the included properties. Specifically, it addresses purchasing sustainable cleaning, hard-floor and carpet products, and entryway systems; procuring sustainable cleaning equipment; developing and implementing standard operating procedures for effective cleaning; promoting and improving hand hygiene; developing guidelines for handling cleaning chemicals; developing staffing and employee training requirements; collecting and addressing occupant feedback; and establishing procedures for use of chemical concentrates and dilution systems.

Purpose and Goals of Green Cleaning

Many janitorial cleaning products have been shown to degrade indoor air quality, pollute the water, and negatively impact the health of sensitive occupants. In effort to maintain a clean facility, janitors and facility managers often use harsh solutions that, while disinfecting the building, contaminate the indoor air. It is USAA Realty Company's desire to reduce the exposure of building occupants and maintenance personnel to potentially hazardous chemical, biological and particle contaminants, which adversely impact air quality, health, building finishes, building systems and the environment.

Contractor Participation and Responsible Parties

USAA Realty Company recognizes that the participation of the janitors and contractor is an essential component of a successful Green Cleaning Program. Therefore, USAA Realty Company is including the requirements associated with Green Cleaning in the scope of its new janitorial service agreements. The successful contractor(s) must demonstrate an ability to incorporate the following elements into the cleaning process: green product specification, staff training, solution storage, dilution and safe handling and equipment specifications and must also demonstrate a willingness to partner with USAA to continue to develop these aspects of the program. By signing this contract, the successful contractor agrees to implement the Green Cleaning practices delineated in the attached Policy for the duration of their contract with USAA.

Hand Hygiene

USAA Realty Company promotes healthy hand hygiene by providing soap and soap dispensers in janitorial closets, kitchen areas, restrooms, break rooms and locker rooms. Custodial vendors are required to wash their hands on a routine basis while servicing the facility.

Chemical Storage Guidelines

Contractor must comply with USAA Realty's program to reduce the exposure of the building occupants to potentially dangerous chemical, biological, and particle contaminants which adversely impact air quality, health, and the environment.

1. Any chemical stored in the janitor's closets has a locked container which encloses the liquid cleaning products and delivers out proper specified measurement for dilution.
2. The solutions used by Contractor are all stored in the janitor's closet(s) and the janitorial staff must follow these guidelines:
 - a. Material Safety Data Sheets (MSDS) for all chemicals and cleaning products must be available to all employees and stored on site with the chemicals. (Custodians are trained on MSDS and Chemical Handling annually.)
 - b. All containers must be properly labeled to be easily identifiable
 - c. All cleaning products must be properly and safely stored.
 - i. No liquids will be placed on shelves above eye level
 - d. Custodians must use appropriate Personal Protective Equipment when required (e.g. gloves, proper footwear, etc.)
 - e. Chemical dilution systems must be adhered to
 - f. Unnecessary amounts of chemicals should not be stored in the janitor's closet.
 - i. The main storage area, located outside for most properties, will be used to store large amounts of inventory.
 - g. Only authorized employees will have access to the main storage room

Special Treatment of Carpets

Carpet can be a source of biopollutants, dust, and volatile organic compounds (VOCs). Pesticides and cleaning products (such as stain removers) that remain on the carpet after initial application can volatilize (rise up into the air) over time and contaminate the indoor air.

The following carpet treatment guidelines will mitigate the need for carpet cleaning solutions through both preventative and prescriptive treatment.

1. Prevent stains.
 - a. Clean up spills promptly using cold water and one, or more blotting cloths
 - b. Make a spill kit available to occupants
2. Promptly clean and thoroughly dry carpets if they should become saturated with water
 - a. Quick action following a leak or other water damage may prevent carpet loss and the growth of mold and/or mildew. (Do not attempt to clean a moldy carpet without proper protective equipment, clothing, respirators, and air filters. Special training may be required to adequately deal with a water-soaked carpet.)
3. Avoid excessive use of carpet shampoos and bonnet cleaning products. Bonnet cleaning involves the use of cotton, rayon, and/or polypropylene pads and a rotary shampoo machine. Although these chemicals are usually mild, overuse makes more frequent extraction cleaning necessary.
4. Deep-clean when necessary.
 - a. Periodic deep-cleansing of carpet is necessary to extract dirt, biopollutants, moisture, and embedded cleaning agents.
 - b. A wet vacuum water extraction machine after dry vacuuming may be used.
 - c. The Carpet and Rug Institute recommends rapid drying of the carpet (within 24 hours).
 - d. Pre-sprays applied carefully and left on long enough can reduce the amount of chemicals needed.

NOTE- Any USAA property that uses alternative carpet care practices must document their current practices.

Hard-Floor and Carpet Maintenance

Floor-care maintenance shall consistently be performed according to written protocols, without exception. QC checks will be used to ensure 100% adoption. The cleaning specifications (tasks and frequencies) as provided will be adhered to by the contractor, and the contractor shall create a schedule that outlines all hard-floor and carpet maintenance activities.

- The floor and carpet maintenance program at USAA Realty Co.'s properties is designed to use few, or no, harmful chemicals; remove and eliminate irritating dust, dirt and other contaminants; and protect and preserve floors.
- To minimize chemical use, USAA Realty Co. has seeks to minimize the frequency of stripping or removing coatings to maximize the floor's longevity, thereby conserving cleaning and floor restoration materials and minimizing occupants' exposure to harmful chemicals.
- A written floor maintenance plan and log shall be maintained, which details the number of coats of floor finish being applied as the base and other applications (top coat), along with all relevant maintenance/restoration practices and the dates and duration of these activities.

Reducing Microbial Growth through Proper Cleaning

The following are basic guidelines to minimize the need for antimicrobial products at USAA properties.

1. Clean first and then apply disinfectant.
 - a. Most disinfectants are not cleaners, and are usually only effective on a clean surface.
 - b. Wait the recommended time before rinsing the antimicrobial solution from the surface (usually at least 10 minutes)
2. Use disinfectants only when and where required
 - a. Ordinary detergents should remove more microbes than disinfectants
3. Change mop heads and sponges daily and properly dispose
4. Change cleaning water frequently (water used in mop-buckets, etc.)
 - a. Do not waste water by overfilling mop buckets, etc.
5. Intentionally clean areas where water collects and condenses
 - a. Areas such as refrigerator and air conditioner pans as well as air cleaner/humidifier machines
6. Use a drain maintainer (containing enzymes) if drains clog or has an odor
7. USAA tenants that operate a restaurant or prepare food for customers must use antimicrobial soaps and/or disinfectants

NOTE- Any USAA property that uses antimicrobial products needs to document the specific antimicrobial used, the location, date and reason for use.

Janitorial Staffing and Training Requirements

To meet cleaning objectives within the building, minimum staffing requirements must be met. Factors such as occupancy rates, seasonal variations and other considerations should be taken into account when adjusting the staffing plan.

Contractor will provide training of personnel in the hazards, use, maintenance and disposal of cleaning chemicals, dispensing equipment and packaging . Documentation of the training sessions, attendees and topics covered needs to be submitted to the appropriate USAA Realty personnel .

1. Basic Janitorial Training
 - a. Janitorial workers should receive basic training, including the Green Cleaning specifications delineated in USAA's Green Cleaning Policy
 - b. An average of 8 hours of training per year is required
2. Training Specifications
 - a. Material safety data sheets (MSDS)
 - b. Compliance with the Green Seal standard of GS – 37
 - c. Safe chemical storage and handling
 - d. Disposal and recycling of cleaning chemicals, dispensing equipment and packaging
 - e. Use and wear of Personal Protective Equipment
 - f. Janitors should be informed of USAA's product reporting requirements.
 - i. All cleaning products which are not on the GS-37 list must be approved by USAA personnel
3. **Provide USAA with monthly training logs indicating the attendees and the training topic**

General Green Cleaning Solutions and Janitorial Products Guideline

PERFORMANCE METRICS AND MEASUREMENT

The practices listed below shall be implemented, to the extent practicable, with a target goal of 90% of products complying, based on cost. The Responsible Party shall assign staff to track purchase rates of both compliant and noncompliant products.

PRACTICES TO OPTIMIZE USE OF SUSTAINABLE CLEANING PRODUCTS

Cleaning products and materials, including hard-floor and carpet-care products, used at the included buildings shall, when possible, meet the requirements of IEQc3.3: Green Cleaning, Purchase of Sustainable Cleaning Products and Materials.

Product types subject to these requirements include, but are not limited to, bio-enzymatic cleaners, hard- floor cleaners, carpet cleaners, general-purpose cleaners, specialty cleaners, odor control, disinfectants, disposable janitorial paper products and trash bags, and hand soaps.

IEQc3.3: Green Cleaning, Purchase of Sustainable Cleaning Products and Materials Criteria:

- The cleaning products meet one or more of the following standards for the appropriate category:
 - Green Seal GS-37, for general-purpose, bathroom, glass and carpet cleaner use for industrial and institutional purposes
 - Environmental Choice CCD-110, for cleaning and degreasing compounds
 - Environmental Choice CCD-146, for hard-surface cleaners
 - Environmental Choice CCD-148, for carpet and upholstery care.
- Disinfectants, metal polish, floor finishes, strippers or other products not addressed by GS-37 or Environmental Choice CCD-110, 146, or 148 shall meet at least one of the following standards for the appropriate category:
 - Green Seal GS-40, for industrial and institutional floor-care products

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- Environmental Choice CCD-112, for digestion additives for cleaning and odor control
- Environmental Choice CCD-113, for drain or grease-trap additives
- Environmental Choice CCD-115, for odor-control additives
- Environmental Choice CCD-147, for hard-floor care
- California Code of Regulations maximum allowable VOC levels for the specific product category.
- Disposable janitorial paper products and trash bags meet the minimum requirements of one or more of the following programs for the applicable product category:
 - U.S. EPA Comprehensive Procurement Guidelines for Janitorial Paper and Plastic Trash Can Liners
 - Green Seal GS-09, for paper towels and napkins
 - Green Seal GS-01, for tissue paper
 - Environmental Choice CCD-082, for toilet tissue
 - Environmental Choice CCD-086, for hand towels
 - Janitorial paper products derived from rapidly renewable resources or made from tree- free fibers.
- Hand soaps meet one or more of the following standards:
 - No antimicrobial agents (other than as a preservative) except where required by health codes and other regulations (i.e., food service and health care requirements)
 - Green Seal GS-41, for industrial and institutional hand cleaners
 - Environmental Choice CCD-104, for hand cleaners and hand soaps.

NOTE- Any USAA property that does not adopt the above mentioned practices must document their non- compliance, along with the reason.

Low Environmental Impact Cleaning Equipment Policy

Contractor must implement an equipment program to reduce building contaminants with minimum environmental impact.

Contractor will purchase cleaning equipment that meets the following requirements:

- Vacuum cleaners meet the requirements of the Carpet & Rug Institute “Green Label” Testing Program-Vacuum Cleaner Criteria and are capable of capturing 96% of particulates 0.3 microns in size and operates with a sound level less than 70dBA.
- Hot water extraction equipment for deep cleaning carpets is capable of removing sufficient moisture such that the carpets can dry in less than 24 hours.
- Powered maintenance equipment including floor buffers, floor burnishers and automatic scrubbers are equipped with vacuums, guards and/or other devices for capturing fine particulates, and shall operate with a sound level less than 70dBA. Provide cut sheets on the vacuum equipment used on the site to confirm compliance with this requirement.
- Propane-powered floor equipment has high-efficiency, low-emissions engines.
- Automated scrubbing machines are equipped with variable-speed feed pumps to optimize the use of cleaning fluids.
- Battery-powered equipment is equipped with environmentally preferable gel batteries.
- Where appropriate, active micro fiber technology is used to reduce cleaning chemical consumption and prolong life of disposable scrubbing pads.
- Powered equipment is ergonomically designed to minimize vibration, noise and user fatigue.
- Equipment has rubber bumpers to reduce potential damage to building surfaces.

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- **A log will be kept on-site for all powered housekeeping equipment to document the date of equipment purchase and all repair and maintenance activities and include vendor cut sheets for each type of equipment in use in the logbook. All equipment shall be in like-new condition and meet the green cleaning requirements.**
- **No equipment may be brought on site unless it has been approved by USAA management**

Vulnerable Building Occupants

To protect vulnerable building occupants, such as pregnant women, children, asthmatics, elderly occupants, individuals with allergies and highly sensitive individuals, cleaning staff shall use only low/no VOC cleaning products; they shall perform routine cleaning and floor restoration activities after working hours when the majority of occupants have left the building; the staff shall limit the number of cleaning chemicals used in the building; and they shall maintain a high level of cleanliness thus minimizing the presence of irritants.

Reporting

Bidder must provide documentation of its comprehensive green cleaning program upon contract award and **must also provide written updates, including a monthly record of supply purchases** indicating compliance with the GS-37 Standard, equipment purchases and training on at least a quarterly basis. The following is an acceptable example of a monthly record of supply purchases:



Successful bidder should keep an ongoing log book that documents the bidder’s compliance with all green cleaning requirements (supplies purchased, current equipment, MSDS sheets, equipment repairs, equipment taken out of service, new equipment brought on site during the term of the contract, training topics/dates/sign-off sheets, entryway cleaning log and any other green cleaning requirements stated in this RFP). A full report relating to the success of this Green Cleaning Policy must be produced on an annual basis.

Applying Green Cleaning to the Specifications

The Low Environmental Impact Cleaning requirements, the Green Cleaning Materials requirements and the Low Environmental Impact Cleaning Equipment requirements are to be applied to the specifications that follow.

For example, the task, “clean door glass and other adjacent glass areas” must be performed using a chemical that meets the Green Seal GS-37 Standard and microfiber technology in lieu of paper products when possible as set forth in the Green Seal GS-42 Standard. The task, “fully vacuum all carpeted areas from wall to wall including walk-off mats and edges” must be performed with a vacuum cleaner that captures 96% of particulates 0.3 microns in size and operates with a sound level less than 70dBA.

Quality Assurance Control Measures, Occupant Feedback and Evaluation of New Technologies

USAA Realty Company is committed to maintaining its properties in an environmentally preferable way that will benefit the health of the facility occupants, visitors, maintenance personnel and the natural environment. To this end, USAA Realty Company routinely evaluates the successes and shortcomings of

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all employed practices and makes immediate alterations accordingly. Building and site walk-throughs are completed routinely by USAA Realty Company personnel to ensure adoption and proper application. A cleaning audit is conducted routinely to assess the quality of the custodial services. For such audits and walk-throughs, USAA uses Core Management Services' customized auditing and reporting structure. Facility occupants are highly encouraged to report any outstanding custodial issues to the facility personnel. New technologies for environmentally sensitive cleaning will be continuously monitored and assessed as they become available and adopted when they are applicable. Similarly, this policy will be updated as needed to ensure that current and successful procedures are being carried out. As such, this policy is applicable from the date indicated in the header until an updated version is drafted when deemed necessary.

The party(ies) responsible shall periodically evaluate the success of the Green Cleaning Policy and Plan. This evaluation includes producing and providing a report on an annual basis to senior management (see Reports section). Whenever possible, the annual report shall include an evaluation of the performance, safety, cost and environmental/public health benefits achieved as a result of its implementation.

Entryway Systems

PERFORMANCE METRICS AND MEASUREMENT

Protocols promoting effective use of entryway systems shall be wholly adopted. Quality control checks shall be used to ensure 100% adoption.

All entryways and entrances into the included are equipped with walk-off mats, grilles or grates, or a combination of the three.

- Grilles, Grates and Walk-off mats at all primary entrances shall be cleaned according to the standard Cleaning Specification for Entrances. These systems shall be a minimum of 10 feet long in the direction of travel.
- Secondary entrances shall also have walk-off mats of 10-12 feet in length to capture initial loose particles entering the building. These mats must be vacuumed daily, and the floor beneath shall be vacuumed and mopped on a weekly basis.

Custodial Effectiveness Assessment

This standard for custodial services establishes the amount of space a custodian is able to clean given the characteristics of the space. It also establishes 5 service levels:

USAA requires a minimum level of cleanliness as describe in level 2 below.

Level 1 - Orderly Spotlessness

- floors and base moldings shine and/or are bright and clean
- all vertical and horizontal surfaces have a freshly cleaned or polished appearance
- washroom and shower tile and fixtures gleam and are odor free
- trash containers and pencil sharpeners are empty, clean and odor free

Level 2 - Ordinary Tidiness (this is the level that should be maintained)

- floors and base moldings shine and/or are bright and clean
- all vertical and horizontal surfaces are clean, but marks, dust, stains or streaks are noticeable with close observation
- washroom and shower tile and fixtures gleam and are odor free
- trash containers and pencil sharpeners are empty, clean and odor free

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Level 3 - Casual Inattention

- floors are swept clean, but upon close observation dust, dirt and stains, as well as a buildup of dirt, dust and/or floor finish in the comers and along walls, can be seen
- all vertical and horizontal surfaces have obvious dust, dirt, marks, smudges, and fingerprints
- lamps all work and all fixtures are clean
- washroom and shower tile and fixtures gleam and are odor free

Level 4 - Moderate Dinginess

- floors are swept clean, but are dull. Colors are dingy, and there is an obvious buildup of dust, dirt, and/or floor finish in the comers and along walls. Molding is dull and contains streaks and splashes
- all vertical and horizontal surfaces have conspicuous dust, dirt, smudges, fingerprints, and marks that will be difficult to remove
- less than 5% of lamps are burned our and fixtures are dingy
- trash containers and pencil sharpeners have old trash and shavings. They are stained and marked. Trash cans smell sour.

Level 5 - Unkempt Neglect

- Floors and carpets are dirty and have visible wear and/or pitting. Colors have faded and dingy, and there is a conspicuous buildup of dirt, dust, and/or floor finish. Base molding is dirty, stained, and streaked. Gum, stains, dirt, dust balls and trash are broadcast
- all vertical and horizontal surfaces have major accumulations of dust, dirt, smudges, and fingerprints, as well as damage
- more than 5% of lamps are burned out and fixtures are dirty and with dust balls and flies
- Trash containers and pencil sharpeners overflow. They are stained and marked. Trash containers smell sour

Specifications for Area Types Found in Common Areas and/or Suite Areas

Atriums, Entrances & Lobbies

<u>Task Description</u>	<u>Annual Frequency</u>
Clean door glass and other adjacent glass areas.	260
Dust furniture and spot clean all horizontal and vertical surfaces.	260
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Sift and clean ash urns.	260
Replace sand in ash urns and smooth sand.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Dust mop floors with a microfiber or approved dust mop.	260
Damp mop floors to remove dirt and spills.	260
Fully vacuum all carpeted areas from wall to wall including walk-off mats and edges.	260
Vacuum entry door thresholds.	52
Dust areas above shoulder level and below knee level.	52
Spot clean telephones and sanitize receivers.	52
Burnish finished floor.	48

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Polish entry door thresholds.	12
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	12
Dust window treatments including horizontal and vertical blinds.	4
Clean and polish wood furniture to restore finish.	4
Vacuum fabric furniture.	4
Machine scrub hard surface floors.	4
Extract carpeted areas using approved equipment and supplies.	4
Machine scrub and recoat floors using approved floor finish.	3
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1

Break Areas & Kitchenettes

<u>Task Description</u>	<u>Annual Frequency</u>
Empty break room trash, replace liners and tie-off at comers, clean obvious food and spills from exterior of trash container. Remove trash to designated area.	260
Dust and damp wipe horizontal and vertical break room surfaces including microwave.	260
Dust mop floors with a microfiber or approved dust mop.	260
Damp mop floors to remove dirt and spills.	260
Fully vacuum all carpeted areas from wall to wall.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Dust areas above shoulder level and below knee level.	52
Burnish finished floor.	48
Damp wipe trash containers to remove soil and stains.	12
Damp wipe air vents to remove dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Machine scrub and recoat floors using approved floor finish.	3
Extract carpeted areas using approved equipment and supplies.	2
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1

Computer Rooms

<u>Task Description</u>	<u>Annual Frequency</u>
Empty general and recyclable trash, replace liners when soiled or tom. Remove trash to designated area.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Spot vacuum carpets, raised floor and tile to remove visible dirt, dust and debris.	208
Spot mop floors to remove visible dirt and spills.	208
Damp mop floors to remove dirt and spills.	52
Fully vacuum all carpeted areas from wall to wall.	52
Dust furniture and spot clean all horizontal and vertical surfaces.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1
Dry strip floor using approved dry strip method.	1
Dry foam shampoo carpeted areas using approved equipment and supplies.	1

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Copy /Mail / Fax Areas

<u>Task Description</u>	<u>Annual Frequency</u>
Empty general trash, replace liners when soiled or torn. Remove trash to designated area.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Spot vacuum carpets and hard surfaces to remove visible dirt, dust and debris.	208
Spot mop floors to remove visible dirt and spills.	208
Dust furniture and spot clean all horizontal and vertical surfaces.	52
Dust areas above shoulder level and below knee level.	52
Fully vacuum all carpeted areas from wall to wall.	52
Damp mop floors to remove dirt and spills.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Machine scrub and recoat floors using approved floor finish.	3
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1
Extract carpeted areas using approved equipment and supplies.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1

Conference Rooms

<u>Task Description</u>	<u>Annual Frequency</u>
Dust furniture and spot clean all horizontal and vertical surfaces.	260
Spot clean interior partition and door glass.	260
Empty general trash, replace liners when soiled or torn. Remove trash to designated area.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Vacuum carpeted traffic lanes and spot vacuum hard-to-reach areas.	208
Damp wipe dry erase boards and trays.	52
Dust areas above shoulder level and below knee level.	52
Spot clean telephones and sanitize receivers.	52
Fully vacuum all carpeted areas from wall to wall.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Clean and polish wood furniture to restore finish.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1
Extract carpeted areas using approved equipment and supplies.	1

Elevators

<u>Task Description</u>	<u>Annual Frequency</u>
Clean elevator walls, doors, carpets, tile, hard surface floors, ceiling and stainless steel.	260
Vacuum elevator track.	104
Polish elevator tracks and all associated bright work including metal frames and other metallic surfaces.	52
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1

EXHIBIT L

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File Rooms

<u>Task Description</u>	<u>Annual Frequency</u>
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Spot vacuum carpets to remove visible dirt, dust and debris.	208
Dust furniture and spot clean all horizontal and vertical surfaces.	52
Dust areas above shoulder level and below knee level.	52
Fully vacuum all carpeted areas from wall to wall.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1
Extract carpeted areas using approved equipment and supplies.	1

Fitness Centers

<u>Task Description</u>	<u>Annual Frequency</u>
Empty general and recyclable trash, replace liners when soiled or torn, spot clean container. Remove trash to designated area.	260
Apply approved disinfectant to exercise equipment contact surfaces, wipe dry.	260
Spot clean mirrors to remove fingerprints and smudges.	260
Fully vacuum all carpeted areas from wall to wall.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Dust mop floors with a microfiber or approved dust mop.	260
Using an approved disinfectant, damp mop floors.	260
Dust furniture and spot clean all horizontal and vertical surfaces.	260
Clean and polish drinking fountains.	260
Clean and disinfect shower walls, fixtures, and other surfaces; replenish supplies.	260
Completely dust and disinfect exercise equipment.	52
Dust and spot clean locker exteriors to remove loose dust, soil and cobwebs.	52
Damp wipe locker exteriors with germicidal cleaner	12
Damp wipe locker interiors with germicidal cleaner	4
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Extract carpeted areas using approved equipment and supplies.	2
Completely strip and refinish floors, apply three coats of approved floor finish.	1
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Janitor Closets

<u>Task Description</u>	<u>Annual Frequency</u>
Clean janitors' room sinks and floors, organize shelves and inspect equipment.	260

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Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Loading Docks

<u>Task Description</u>	<u>Annual Frequency</u>
Dust mop or sweep hard-surface floors.	260
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Spot mop floors to remove visible dirt and spills.	208
Damp mop floors to remove dirt and spills.	52
Machine scrub hard surface floors.	4
Wash trash collection bins to remove soil and buildup.	4
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1

Medical Areas

<u>Task Description</u>	<u>Annual Frequency</u>
Empty general and recyclable trash, replace liners when soiled or torn. Remove trash to designated area.	260
Dust furniture and spot clean all horizontal and vertical surfaces.	260
Clean stainless steel sink using approved cleaner.	260
Vacuum carpets and tile to remove visible dirt, dust and debris.	260
Dust areas above shoulder level and below knee level.	52
Damp wipe trash containers to remove soil and stains.	1
Apply restorer and burnish tile floors.	8
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Machine scrub and recoat floors using approved floor finish.	3
Dust light fixtures to remove exterior dust and cobwebs.	1
Extract carpeted areas using approved equipment and supplies.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1

Patio Areas

<u>Task Description</u>	<u>Annual Frequency</u>
Police exterior patio area to remove litter and address any cleaning needs.	260
Empty patio trash, replace liners and tie-off at corners, clean obvious food from exterior of containers. Remove trash to designated area.	260
Damp wipe trash containers to remove soil and stains.	1

Storage Areas

<u>Task Description</u>	<u>Annual Frequency</u>
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Spot clean carpet using approved carpet spotting equipment and supplies.	4
Fully vacuum all carpeted areas and hard surfaces from wall to wall.	4
Dust areas above shoulder level and below knee level.	4

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Dust furniture and spot clean all horizontal and vertical surfaces.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Specifications for Area Types Found in Common Areas Only

Cafeteria /Dining

<u>Task Description</u>	<u>Annual Frequency</u>
Empty cafeteria trash, replace liners and tie-off at comers, clean obvious food from exterior of containers. Remove trash to designated area.	260
Clean table tops in cafeteria using approved spray cleaner. Spot clean chairs.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Fully vacuum all carpeted areas from wall to wall.	260
Dust mop hard surface floors with a microfiber or approved dust mop.	260
Damp mop floors to remove dirt and spills.	260
Dust areas above shoulder level and below knee level.	52
Burnish finished floor.	48
Damp wipe trash containers to remove soil and stains.	12
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Clean chairs with approved spray cleaner.	4
Extract carpeted areas using approved equipment and supplies.	2
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1

Corridors, Common

<u>Task Description</u>	<u>Annual Frequency</u>
Dust corridor furniture; spot clean all horizontal and vertical surfaces including interior and door glass.	260
Clean and polish drinking fountains.	260
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Dust mop hard surface floors with a microfiber or approved dust mop.	260
Damp mop or auto scrub floors to remove dirt and spills.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Fully vacuum corridor carpets from wall to wall.	260
Dust areas above shoulder level and below knee level.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Machine scrub and recoat floors using approved floor finish.	1
Completely strip and refinish floors, apply three coats of approved floor finish.	1
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

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Restrooms, Common

<u>Task Description</u>	<u>Annual Frequency</u>
Perform all daily restroom cleaning procedures; apply germicidal cleaner to all fixtures, refill dispensers, empty trash and replace liners, remove trash to designated area, spot clean mirrors and partitions, wipe fixtures clean, sweep and mop floors with germicidal cleaner.	260
With a germicidal cleaner, completely damp wipe restroom partitions including high/low areas.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	12
Wash restroom walls with germicidal cleaner.	12
Machine scrub restroom floors with germicidal cleaner.	12
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Stairwells, Common

<u>Task Description</u>	<u>Annual Frequency</u>
Spot clean carpeted stairs using approved carpet spotting equipment and supplies.	260
Spot mop hard surface or tile stairs.	208
Spot vacuum stairs.	208
Damp mop stairs to remove dirt and spills.	208
Vacuum stairways, dust vertical and horizontal surfaces and spot clean.	52
Dust light fixtures to remove exterior dust and cobwebs.	1
Completely strip and refinish tiled landings, apply three coats of approved floor finish.	1
Extract carpeted areas using approved equipment and supplies.	1

Trash Dumpster Enclosures

<u>Task Description</u>	<u>Annual Frequency</u>
Police exterior trash dumpster areas to remove litter.	52

Specifications for Area Types Found in Suites Only

Corridors, Suite

<u>Task Description</u>	<u>Annual Frequency</u>
Dust corridor furniture; spot clean all horizontal and vertical surfaces including interior and door glass.	260
Clean and polish drinking fountains.	260
Empty general trash, replace liners when soiled or torn. Remove trash to designated area.	260
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Fully vacuum corridor carpets from wall to wall.	260
Dust mop hard surface floors with a microfiber or approved dust mop.	260

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Damp mop or auto scrub floors to remove dirt and spills.	260
Dust areas above shoulder level and below knee level.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Executive Offices, Suite

<u>Task Description</u>	<u>Annual Frequency</u>
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Dust mop floors with a microfiber or approved dust mop.	260
Damp mop floors to remove dirt and spills.	260
Fully vacuum carpets from wall to wall to remove dirt, dust and debris.	260
Dust furniture and spot clean all horizontal and vertical surfaces.	260
Dust areas above shoulder level and below knee level.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

General Offices, Suite

<u>Task Description</u>	<u>Annual Frequency</u>
Spot clean carpet using approved carpet spotting equipment and supplies.	260
Empty general trash, replace liners when soiled or tom. Remove trash to designated area.	260
Spot mop floors to remove visible dirt and spills.	208
Spot vacuum carpets to remove visible dirt, dust and debris.	208
Dust furniture and spot clean all horizontal and vertical surfaces.	52
Dust areas above shoulder level and below knee level.	52
Fully vacuum all carpeted areas from wall to wall.	52
Fully vacuum hard surface floors to remove dirt, dust and debris.	52
Damp mop floors to remove dirt and spills.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4
Dust window treatments including horizontal and vertical blinds.	4
Dust light fixtures to remove exterior dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Restrooms, Suite

<u>Task Description</u>	<u>Annual Frequency</u>
Perform all daily restroom cleaning procedures; apply germicidal cleaner to all fixtures, refill dispensers, empty trash and replace liners, remove trash to designated area, spot clean mirrors and partitions, wipe fixtures clean, sweep and mop floors with germicidal cleaner.	260
Clean and disinfect shower walls, fixtures, and other surfaces.	260
With a germicidal cleaner, completely damp wipe restroom partitions including high/low areas.	52

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Dust or vacuum air vents to remove loose dust, soil and cobwebs.	12
Wash restroom walls with germicidal cleaner.	12
Machine scrub restroom floors with germicidal cleaner.	12
Damp wipe light fixture exteriors to remove stains, dust and cobwebs.	1
Damp wipe trash containers to remove soil and stains.	1

Stairwells, Suite

<u>Task Description</u>	<u>Annual Frequency</u>
Spot clean carpeted stairs using approved carpet spotting equipment and supplies.	260
Spot vacuum stairs.	208
Spot mop floors to remove visible dirt and spills.	208
Damp mop floors to remove dirt and spills.	52
Vacuum stairways, dust vertical and horizontal surfaces and spot clean.	52
Dust or vacuum air vents to remove loose dust, soil and cobwebs.	4

Site-Specific Specifications - Texas Region

Park Ten Plaza

- Provide One (1) Day Porter from 7:00 am to 4:00 pm, 5 days per week
- 1st, 2nd and 3rd floor restrooms to be cleaned by day porter 4 times daily at minimum due to heavy traffic
- Common Area 1st floor: Quarterly maintenance of Limestone floor and carpet
- Common Area restrooms: Quarterly maintenance of tile floors
- Perform special cleaning needs of individual tenants as required by Property Manager. Special cleaning needs will be at tenants' expense and only apply to those tasks that are above and beyond the USAA Cleaning Specifications.
- Upon completion of cleaning, all lights will be turned off and doors locked, leaving the Premises in an orderly condition

All Properties

- Porters and matrons shall appear neat and tidy and shall wear at least a shirt or smock to be provided by the janitorial service provider. The porters and matrons should not be required to pay for their own uniforms. Rather, it is the duty of the cleaning contractor to pay for and provide these uniforms.

EXHIBIT L

EXHIBIT M

RESERVED PARKING SPACES

Reserved Parking Space Numbers:

1, 2, 3, 5, 6, 7, 8, 35, 36, 37, 38, 39, 40, 42, 43, 49, 50, 63, 66, 67, 69, 70 and 71.

EXHIBIT M

OFFICE LEASE
Park Ten Plaza – RigNet, Inc.

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RigNet, Inc. Subsidiaries**Entity Name**

RigNet SatCom, Inc.
LandTel, Inc.

LandTel Communications, L.L.C.
ComPetro Communications Holdings LLC
ComPetro Communications LLC
RigNet Luxembourg Holdings S.à.r.l.
RigNet Global Holdings S.à.r.l.
RigNet AS
(formerly known as RigNet E.H. Holding Company AS)
RigNet UK Holdings Limited
RigNet UK Limited
RigNet Scotland Limited
Nessco Group Holdings Ltd.
NesscoInvsat Limited
RigNet Pte Ltd
RigNet Sdn. Bhd.
RigNet Australia Pty Ltd
RigNet Qatar W.L.L.
RigNet Services Nigeria Limited
ComPetro Comunicações Holdings do Brasil Ltda
RigNet Serviços de Telecomunicações Brasil Ltda.
RigNet Middle East LLC
RigNet (CA), Inc.
RigNet BRN SDN BHD
Shabakat Rafedain Al Iraq Al Jadeed for Trade in Communication Equipment and Devices LLC
RigNet Company for Communication Services Ltd
RNET Properties LLC
RigNet Newco, Inc.
RigNet Holdings, LLC
RigNet EIS, Inc.
RigNet Middle East – FZE
RigNet AP Facilities & Services Limited (NGA)
RigNet Angola, LDA
Munaicom LLP
RigNet Mobile Solutions Limited
RigNet de Mexico
RNSAT Services de Mexico
Orgtec, S.A.P.I. de C.V.
RigNet Russia, LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-171278 and 333-211471 on Form S-8, and Registration Statement No. 333-178506 on Form S-3, of our reports dated March 6, 2017, relating to the consolidated financial statements of RigNet, Inc. and subsidiaries (the “Company”), 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, 2016.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 6, 2017

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, Steven E. Pickett, 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/ STEVEN E. PICKETT

Steven E. Pickett

Chief Executive Officer and President

Date: March 6, 2017

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: March 6, 2017

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, 2016 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven E. Pickett, 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: March 6, 2017

/s/ STEVEN E. PICKETT

Steven E. Pickett
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, 2016 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: March 6, 2017

/s/ Charles E. Schneider

Charles E. Schneider
Chief Financial Officer