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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from _____ to _____

Commission file number 001-35003

RigNet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

77084-4947
(Zip Code)

(281) 674-0100

Registrant's telephone number, including area code

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	RNET	NASDAQ

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At April 30, 2019, there were outstanding 19,711,075 shares of the registrant's Common Stock.

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Glossary

Adjusted EBITDA	A non-GAAP measure. 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 sales of property, plant and equipment, net of retirements, change in fair value of earn-outs and contingent consideration, stock-based compensation, acquisition costs, executive departure costs, restructuring charges, the GX dispute, the GX dispute Phase II costs and non-recurring items. A reconciliation of Adjusted EBITDA to Net Income can be found in Item 6. Selected Financial Data on page 35.
AI	Artificial Intelligence
Apps	Software Applications
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Auto-Comm	Automation Communications Engineering Corp., acquired in 2018, provides additional Systems Integration solutions
AVI	Adaptive Video Intelligence
BOP	Blow-out preventer
BGAN	Broadband Global Access Networks
CIEB	Costs and estimated earnings in excess of billings on uncompleted contracts
Cyphre®	Acquired in 2017, provides cybersecurity solutions with advanced enterprise data protection
DTS	Acquired in 2017, increases solutions offerings in managed communications, IT, and disaster relief
ECS	Enhanced Cyber Security
EDS	Emergency disconnection sequence
EPC	Engineering, Procurement and Construction
ESS	Acquired in 2017, increases solutions offerings in SCADA and IoT
Exchange Act	United States Securities Exchange Act of 1934, as Amended
FASB	Financial Accounting Standards Board
FCC	Federal Communications Commission
GX	Inmarsat plc's Global Express satellite bandwidth service
HTS	High Throughput Satellite, providing greater bandwidth than traditional satellites
Intelie	Intelie soluções em Informática SA, acquired in 2018, provides machine learning and real-time predictive analytics
IoT	Internet-of-Things
IP	Internet Protocol
KPI	Key performance indicators
LIBOR	London Interbank Offered Rate
LoRA	Long Range Access
LOS	Line-of-Sight microwave transmission
MCS	Managed Communications Services
MPLS	Multiprotocol Label Switching
NASDAQ	NASDAQ Global Select Market, where RigNet's common shares are listed for trading
NOC	Network Operations Center
NPT	Non-productive time
OPEC	Organization of Petroleum Exporting Countries
OTT	Software, IoT and other advanced solutions delivered Over-the-Top of the network layer
PUC	Public Utility Commission
ROP	Rate of penetration

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SaaS	Software as a Service
SAB	Staff Accounting Bulletin
SAFCON	Safety Controls, Inc., acquired in 2018, provides additional safety, security, and maintenance service solutions for oil and gas
Satellite bandwidth – Ka band	Bandwidth typically operating in a frequency range of 27 – 40 gigahertz
Satellite bandwidth – Ku band	Bandwidth typically operating in a frequency range of 12 – 18 gigahertz
Satellite bandwidth – C band	Bandwidth typically operating in a frequency range of 4 – 8 gigahertz
Satellite bandwidth – L band	Bandwidth typically operating in a frequency range of 1 – 2 gigahertz
SCADA	Supervisory Control and Data Acquisition
SEC	United States Securities and Exchange Commission
SI	Systems Integration
SOC	Security Operations Center
TECNOR	Orgtec S.A.P.I. de C.V., d.b.a. TECNOR, acquired in March 2016, increases solutions offerings in Mexico
The Tax Act	The Tax Cuts and Jobs Act
U.S. GAAP	Generally Accepted Accounting Principles in the United States
VMS	Video Management System
VSAT	Very Small Aperture Terminal satellite receivers
WiMax	Worldwide Interoperability for Microwave Access wireless broadband communication standard

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

**RIGNET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	March 31, 2019	December 31, 2018
(in thousands, except share amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,660	\$ 21,711
Restricted cash	42	41
Accounts receivable, net	74,115	67,450
Costs and estimated earnings in excess of billings on uncompleted contracts (CIEB)	5,710	7,138
Prepaid expenses and other current assets	7,180	6,767
Total current assets	105,707	103,107
Property, plant and equipment, net	63,889	63,585
Restricted cash	1,499	1,544
Goodwill	46,830	46,631
Intangibles, net	31,495	33,733
Right-of-use lease asset	4,588	—
Deferred tax and other assets	7,211	10,325
TOTAL ASSETS	\$ 261,219	\$ 258,925
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 26,922	\$ 20,568
Accrued expenses	16,015	16,374
Current maturities of long-term debt	10,809	4,942
Income taxes payable	2,680	2,431
GX dispute accrual	50,765	50,765
Deferred revenue and other current liabilities	9,724	5,863
Total current liabilities	116,915	100,943
Long-term debt	64,734	72,085
Deferred revenue	272	318
Deferred tax liability	619	652
Right-of-use lease liability - long-term portion	5,789	—
Other liabilities	25,784	28,943
Total liabilities	214,113	202,941
Commitments and contingencies (Note 11)		
Equity:		
Stockholders' equity		
Preferred stock - \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at March 31, 2019 or December 31, 2018	—	—
Common stock - \$0.001 par value; 190,000,000 shares authorized; 19,711,075 and 19,464,847 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	20	19
Treasury stock - 198,199 and 91,567 shares at March 31, 2019 and December 31, 2018, respectively, at cost	(2,677)	(1,270)
Additional paid-in capital	177,404	172,946
Accumulated deficit	(108,500)	(96,517)
Accumulated other comprehensive loss	(19,096)	(19,254)
Total stockholders' equity	47,151	55,924
Non-redeemable, non-controlling interest	(45)	60
Total equity	47,106	55,984
TOTAL LIABILITIES AND EQUITY	\$ 261,219	\$ 258,925

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

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(in thousands, except per share amounts)	
Revenue	\$ 57,510	\$ 53,833
Expenses:		
Cost of revenue (excluding depreciation and amortization)	36,456	33,681
Depreciation and amortization	8,912	7,987
Selling and marketing	3,793	2,949
General and administrative	16,470	13,686
Total expenses	65,631	58,303
Operating loss	(8,121)	(4,470)
Other income (expense):		
Interest expense	(1,238)	(959)
Other income, net	72	506
Loss before income taxes	(9,287)	(4,923)
Income tax expense	(2,666)	(603)
Net loss	(11,953)	(5,526)
Less: Net income attributable to non-redeemable, non-controlling interest	30	30
Net loss attributable to RigNet, Inc. stockholders	\$ (11,983)	\$ (5,556)
COMPREHENSIVE LOSS		
Net loss	\$ (11,953)	\$ (5,526)
Foreign currency translation	158	1,600
Comprehensive loss	(11,795)	(3,926)
Less: Comprehensive income attributable to non-controlling interest	30	30
Comprehensive loss attributable to RigNet, Inc. stockholders	\$ (11,825)	\$ (3,956)
LOSS PER SHARE - BASIC AND DILUTED		
Net loss attributable to RigNet, Inc. common stockholders	\$ (11,983)	\$ (5,556)
Net loss per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.63)	\$ (0.31)
Net loss per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.63)	\$ (0.31)
Weighted average shares outstanding, basic	18,949	18,146
Weighted average shares outstanding, diluted	18,949	18,146

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

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
(in thousands)		
Cash flows from operating activities:		
Net loss	\$ (11,953)	\$ (5,526)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	8,912	7,987
Stock-based compensation	4,458	2,445
Amortization of deferred financing costs	61	51
Deferred taxes	2,469	449
Change in fair value of earn-out/contingent consideration	—	22
Accretion of discount of contingent consideration payable for acquisitions	94	162
Gain on sales of property, plant and equipment, net of retirements	(7)	(53)
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable, net	(6,777)	(6,255)
Costs and estimated earnings in excess of billings on uncompleted contracts (CIEB)	1,439	520
Prepaid expenses and other assets	85	(1,012)
Accounts payable	4,058	(999)
Accrued expenses	(38)	(2,613)
Deferred revenue	3,074	1,905
Other liabilities	(1,227)	425
Net cash provided by (used in) operating activities	4,648	(2,492)
Cash flows from investing activities:		
Acquisitions (net of cash acquired)	—	(3,202)
Capital expenditures	(4,814)	(5,099)
Proceeds from sales of property, plant and equipment	66	149
Net cash used in investing activities	(4,748)	(8,152)
Cash flows from financing activities:		
Issuance of common stock upon the exercise of stock options and the vesting of restricted stock	1	13
Stock withheld to cover employee taxes on stock-based compensation	(1,407)	(980)
Subsidiary distributions to non-controlling interest	(135)	(66)
Repayments of long-term debt	(1,295)	(1,286)
Payment of financing fees	(250)	—
Net cash used in financing activities	(3,086)	(2,319)
Net change in cash and cash equivalents	(3,186)	(12,963)
Cash and cash equivalents including restricted cash:		
Balance, January 1,	23,296	36,141
Changes in foreign currency translation	91	271
Balance, March 31,	\$ 20,201	\$ 23,449
Supplemental disclosures:		
Income taxes paid	\$ 737	\$ 629
Interest paid	\$ 1,019	\$ 665
Non-cash investing - capital expenditures accrued	\$ 4,398	\$ 3,186
Non-cash investing - contingent consideration for acquisitions	\$ —	\$ 7,600
Non-cash investing and financing - stock for acquisitions	\$ —	\$ 7,340
Liabilities assumed in acquisitions	\$ —	\$ 4,285
	March 31,	March 31,
	2019	2018
Cash and cash equivalents	\$ 18,660	\$ 21,858
Restricted cash - current portion	42	45
Restricted cash - long-term portion	1,499	1,546
Cash and cash equivalents including restricted cash	\$ 20,201	\$ 23,449

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

RIGNET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-Redeemable, Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount						
	(dollars and shares in thousands)									
Balance, January 1, 2018	18,233	\$ 18	6	\$ (116)	\$ 155,829	\$ (33,726)	\$ (14,806)	\$ 107,199	\$ 78	\$ 107,277
Issuance of common stock upon the exercise of stock options	1	—	—	—	12	—	—	12	—	12
Issuance of common stock upon the vesting of Restricted Stock Units, net of share cancellations	340	—	—	—	—	—	—	—	—	—
Issuance of common stock upon the acquisition of Intelie	530	1	—	—	7,339	—	—	7,340	—	7,340
Stock withheld to cover employee taxes on stock-based compensation	—	—	74	(980)	—	—	—	(980)	—	(980)
Stock-based compensation	—	—	—	—	2,445	—	—	2,445	—	2,445
Cumulative effect adjustment from implementation of ASU 2016-16	—	—	—	—	—	(338)	—	(338)	—	(338)
Foreign currency translation	—	—	—	—	—	—	1,600	1,600	—	1,600
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(66)	(66)
Net income (loss)	—	—	—	—	—	(5,556)	—	(5,556)	30	(5,526)
Balance, March 31, 2018	19,104	\$ 19	80	\$ (1,096)	\$ 165,625	\$ (39,620)	\$ (13,206)	\$ 111,722	\$ 42	\$ 111,764
Balance, January 1, 2019	19,465	\$ 19	92	\$ (1,270)	\$ 172,946	\$ (96,517)	\$ (19,254)	\$ 55,924	\$ 60	\$ 55,984
Issuance of common stock upon the exercise of stock options	—	—	—	—	—	—	—	—	—	—
Issuance of common stock upon the vesting of Restricted Stock Units, net of share cancellations	246	1	—	—	—	—	—	1	—	1
Stock withheld to cover employee taxes on stock-based compensation	—	—	106	(1,407)	—	—	—	(1,407)	—	(1,407)
Stock-based compensation	—	—	—	—	4,458	—	—	4,458	—	4,458
Foreign currency translation	—	—	—	—	—	—	158	158	—	158
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(135)	(135)
Net income (loss)	—	—	—	—	—	(11,983)	—	(11,983)	30	(11,953)
Balance, March 31, 2019	19,711	\$ 20	198	\$ (2,677)	\$ 177,404	\$ (108,500)	\$ (19,096)	\$ 47,151	\$ (45)	\$ 47,106

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The interim unaudited condensed consolidated financial statements of RigNet, Inc. (the Company or RigNet) include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations. All such adjustments are of a normal recurring nature. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Rule 10-01 of Regulation S-X. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and as the Company's operating environment changes. Actual results could differ from estimates. These interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2019.

Significant Accounting Policies

Please refer to RigNet's Annual Report on Form 10-K for fiscal year 2018 for information regarding the Company's accounting policies.

Revenue Recognition – Revenue from Contracts with Customers

Revenue is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue Recognition – Managed Communications Services (MCS) and Applications and Internet-of-Things (Apps & IoT)

MCS and Apps & IoT customers are primarily served under fixed-price contracts, either on a monthly or day rate basis or for equipment sales and consulting services. Contracts are generally in the form of Master Service Agreements, or MSAs, with specific services being provided under individual service orders. Offshore contracts generally have a term of up to three years with renewal options. Land-based contracts 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 permit early termination 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).

Performance Obligations Satisfied Over Time — The delivery of service represents the single performance obligation under MCS and Apps & IoT contracts. Revenue for contracts is generally recognized over time as service is transferred to the customer and the Company expects to be entitled to the agreed monthly or day rate in exchange for those services.

Performance Obligations Satisfied at a Point in Time — The delivery of equipment represents the single performance obligation under equipment sale contracts. Revenue for equipment sales is generally recognized upon delivery of equipment to customers.

Revenue Recognition – Systems Integration

Revenues related to long-term, fixed-price Systems Integration contracts for customized network solutions are recognized based on the percentage of completion for the contract. 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.

Performance Obligations Satisfied Over Time — The delivery of a Systems Integration solution represents the single performance obligation under Systems Integration contracts. Progress towards completion on fixed-price contracts is measured based on the ratio of costs incurred to total estimated contract costs (the cost-to-cost method). These estimates may be revised as additional information becomes available or as specific project circumstances change.

The Company reviews all material contracts on a monthly basis and revises the estimates as appropriate for developments such as providing services, purchasing third-party materials and equipment at costs differing from those previously estimated, and incurring or expecting to incur schedule issues. Changes in estimated final contract revenues and costs can either increase or decrease the final estimated contract profit or loss. Profits are recorded in the period in which a change in estimate is recognized, based on progress achieved through the period of change. Anticipated losses on contracts are recorded in full in the period in which they become evident. Revenue recognized in excess of amounts billed is classified as a current asset under Costs and estimated earnings in excess of billings on uncompleted contracts (CIEB).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Systems Integration contracts are billed in accordance with the terms of the contract which are typically either based on milestones or specified time intervals. As of March 31, 2019 and December 31, 2018, the amount of CIEB related to Systems Integration projects was \$5.7 million and \$7.1 million, respectively. Under long-term contracts, amounts recorded in CIEB may not be realized or paid within a one-year period. As of March 31, 2019 and December 31, 2018, \$2.3 million and none, respectively, of amounts billed to customers in excess of revenue recognized to date were classified as a current liability, under deferred revenue.

Variable Consideration – Systems Integration - 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 CIEB. No material unapproved change orders or claims revenue were included in CIEB as of March 31, 2019 and December 31, 2018. As new facts become known, an adjustment to the estimated recovery is made and reflected in the current period.

Backlog - As of March 31, 2019, we have backlog for our percentage of completion projects of \$43.1 million, which will be recognized over the remaining contract term for each contract. Percentage of completion contract terms are typically one to three years.

Leases

Effective with the adoption of the new lease standard on January 1, 2019, we determine if an arrangement is a lease at inception. Operating leases right to use assets and liabilities are included in right to use lease asset, deferred revenue and other current liabilities and right to use lease liability – long-term portion on our condensed consolidated balance sheets. Finance leases are included in property, plant and equipment, current maturities of long-term debt, and long-term debt on our condensed consolidated balance sheets.

Operating lease right to use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Recently Issued Accounting Pronouncements

In March 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 to the balance sheet. The Company adopted this ASU as of the first quarter 2019, and it requires right-of-use liabilities on the consolidated balance sheet of \$6.5 million as of March 31, 2019, of which \$5.8 million is long-term and \$0.7 million is current, with no related impact on the Company's Condensed Consolidated Statement of Equity or Comprehensive Loss. The Company elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allows companies to carry forward their historical lease classification and to not record leases with an initial term of less than 12 months. The Company has used the optional transition method permitted under Accounting Standards Update No. 2018-11 (ASU 2018-11). Accordingly, prior year amounts have not been adjusted and continue to be reflected in accordance with Company's historical accounting. The Company's credit agreement excludes the impact of ASU 2016-02.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07 (ASU 2018-07), which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The ASU is effective for annual and interim reporting periods beginning after December 15, 2018. The adoption of this ASU did not have any material impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 (ASU 2018-13), which eliminates disclosures, modifies existing disclosures and adds new Fair Value disclosure requirements to Topic 820 for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The ASU is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15 (ASU 2018-15), which provides guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. The ASU is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Business Combinations

Auto-Comm and SAFCON

On April 18, 2018, RigNet completed the separate acquisitions of Automation Communications Engineering Corp. (Auto-Comm) and Safety Controls, Inc. (SAFCON) for an aggregate purchase price of \$6.7 million. Of this aggregate purchase price RigNet paid \$2.2 million in cash and \$4.1 million in stock in April 2018. In September 2018, the Company paid \$0.3 million in cash for a working capital adjustment.

Auto-Comm provides a broad range of communications services, for both onshore and offshore remote locations, to the oil and gas industry. Auto-Comm brings over 30 years of systems integration experience in engineering and design, installation, testing, and maintenance. SAFCON offers a diverse set of safety, security, and maintenance services to the oil and gas industry. Auto-Comm and SAFCON have developed strong relationships with major energy companies that complement the relationships that RigNet has established over the years. Auto-Comm and SAFCON are based in Louisiana.

The assets and liabilities of Auto-Comm and SAFCON 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 goodwill of \$1.4 million arising from the acquisitions consists largely of growth prospects, synergies and other benefits that the Company believes will result from combining the operations of the Company, Auto-Comm and SAFCON, as well as other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of acquisition. The goodwill recognized is expected to be nondeductible for income tax purposes. The acquisitions of Auto-Comm and SAFCON, including goodwill, are included in the Company's condensed consolidated financial statements as of the acquisition date and are primarily reflected in the Systems Integration segment.

	<u>Weighted Average Estimated Useful Life (Years)</u>	<u>Fair Market Values</u> (in thousands)
Current assets		\$ 4,947
Property and equipment		132
Trade name	7	\$ 540
Customer relationships	7	<u>980</u>
Total identifiable intangible assets		1,520
Goodwill		1,387
Current liabilities		(1,006)
Deferred tax liability		<u>(319)</u>
Total purchase price		<u>\$ 6,661</u>

Intellie

On March 23, 2018, RigNet completed its acquisition of Intellie™ Soluções Em Informática S.A (Intellie), for an estimated aggregate purchase price of \$18.1 million. Of this aggregate purchase price, RigNet paid R\$10.6 million (BRL) (or approximately \$3.2 million) in cash, \$7.3 million in stock and expects to pay \$7.6 million worth of RigNet stock as 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 \$17.0 million payable in stock. Intellie is a real-time, predictive analytics company that combines an operational understanding with a machine learning approach. Intellie facilitates innovation via Intellie Pipes™, a distributed query language with a complex event processor to aggregate and normalize real-time data from a myriad of data sources. This technology enables the Intellie LIVE™ platform to solve data integration, data quality, data governance and monitoring problems. Intellie LIVE is an operational intelligence platform that empowers clients to make timely, data-driven decisions in mission-critical real-time operations, including drilling, and longer-term, data-intensive projects, such as well planning. Intellie LIVE has broad applicability across many industry verticals. Intellie is based in Brazil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities of Intelie 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 Intelie is measured at fair value in each reporting period, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss. As of March 31, 2019, the fair value of the earn-out was \$9.6 million. During the three months ended March 31, 2019, RigNet recognized accreted interest expense on the Intelie earn-out of \$0.1 million with corresponding increases to other liabilities. Portions of the earn-out are payable in RigNet stock on the first, second and third anniversary of the closing of the acquisition based on certain post-closing performance targets under the acquisition agreement. On April 29, 2019, the agreement was amended to clarify the calculation of certain contingent consideration, but did not change the amount or form of consideration that could be paid pursuant to the purchase agreement.

The goodwill of \$10.7 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 Intelie, 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 Intelie, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is reflected in the Apps & IoT segment.

	Weighted Average Estimated Useful Life (Years)	Fair Market Values (in thousands)
Current assets		\$ 589
Property and equipment		73
Trade name	7	\$ 2,300
Technology	7	8,400
Customer relationships	7	<u>320</u>
Total identifiable intangible assets		11,020
Goodwill		10,744
Current liabilities		(460)
Deferred tax liability		<u>(3,825)</u>
Total purchase price		<u>\$ 18,141 (a)</u>

(a) Includes \$7.6 million in contingent consideration earn-out estimated as of the date of acquisition.

Actual and Pro Forma Impact of the 2018 Acquisitions

The 2018 acquisition of Intelie contributed revenue and net loss of \$0.1 million and \$0.1 million, respectively, for the three months ended March 31, 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table represents supplemental pro forma information as if the 2018 acquisitions of Auto-Comm, SAFCON and Intelie had occurred on January 1, 2018.

	Three Months Ended March 31, 2018
	(in thousands, except per share amounts)
Revenue	\$ 57,750
Expenses	62,809
Net loss	<u>\$ (5,059)</u>
Net loss attributable to RigNet, Inc. common stockholders	<u>\$ (5,089)</u>
Net loss per share attributable to RigNet, Inc. common stockholders:	
Basic	<u>\$ (0.28)</u>
Diluted	<u>\$ (0.28)</u>

The Company incurred acquisition-related costs of \$0.4 million and \$0.8 million in the three months ended March 31, 2019 and 2018, respectively, reported in general and administrative costs.

Note 3 – Business and Credit Concentrations

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

Interest Rate Risk

The Company has significant interest-bearing liabilities at variable interest rates which generally price monthly. The Company's variable borrowing rates are tied to LIBOR resulting in interest rate risk (see Note 6 – Long-Term Debt). The Company presently does not use financial instruments to hedge interest rate risk, but evaluates this on a regular basis and may utilize financial instruments in the future if deemed necessary.

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 Brazilian Real 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 condensed 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, maritime, pipeline, engineering and construction industries. 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.

For the three months ended March 31, 2019, Royal Dutch Shell represented 10.9% of our consolidated revenue. Additionally, our top 5 customers generated 27.4% of the Company's revenue for the three months ended March 31, 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2019 or 2018. 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 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. Goodwill is reviewed for impairment at least annually with additional evaluations being performed when events or circumstances indicate that the carrying value of these assets may not be recoverable.

The Company acquired \$1.4 million of goodwill in the Systems Integration segment from the Auto-Comm and SAFCON acquisitions completed on April 18, 2018 (see Note 2 – Business Combinations).

The Company acquired \$10.7 million of goodwill in the Apps & IoT segment from the Intelie acquisition completed on March 23, 2018 (see Note 2 – Business Combinations).

The Company performs its annual impairment test as of July 31st of each year, with the most recent annual test being performed as of July 31, 2018. As of July 31, 2018, the fair values of the Company's reporting units are in excess of their carrying values.

MCS had \$22.8 million of goodwill as of March 31, 2019, and fair value exceeded carrying value by 34.7% as of the July 31, 2018 annual impairment test. Apps & IoT had \$22.7 million of goodwill as of March 31, 2019, and fair value exceeded carrying value by 48.1% as of the July 31, 2018 annual impairment test. Systems Integration had \$1.4 million of goodwill as of March 31, 2019, and fair value exceeded carrying value by 126.5% as of the July 31, 2018 annual impairment test. 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.

No impairment indicators have been identified in any reporting unit as of March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, goodwill was \$46.8 million and \$46.6 million, respectively. Goodwill increases or decreases in value due to the effect of foreign currency translation, and increases with acquisitions.

Intangibles

Intangibles consist of customer relationships, covenants-not-to-compete, brand name, licenses, technology and backlog acquired as part of the Company's acquisitions. Intangibles also include internal-use software. The Company's intangibles have useful lives ranging from 5.0 to 20.0 years and are amortized on a straight-line basis. Impairment testing is performed when events or circumstances indicate that the carrying value of the assets may not be recoverable.

No impairment indicators have been identified in any reporting unit as of March 31, 2019.

As of March 31, 2019 and December 31, 2018, intangibles were \$31.5 million and \$33.7 million, respectively. During the three months ended March 31, 2019 and 2018, the Company recognized amortization expense of \$2.5 million and \$2.1 million, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth expected amortization expense of intangibles for the remainder of 2019 and the following years (in thousands):

2019	5,154
2020	6,163
2021	5,756
2022	5,476
2023	4,832
Thereafter	4,114
	<u>\$31,495</u>

Note 5 – Restricted Cash

As of March 31, 2019 and December 31, 2018, the Company had restricted cash of \$0.1 million and \$1.5 million, in current and long-term assets, respectively. The restricted cash in long-term assets was primarily used to collateralize a performance bond in the MCS segment (see Note 6 – Long-Term Debt).

Note 6 – Long-Term Debt

As of March 31, 2019 and December 31, 2018, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(in thousands)	
Term Loan, net of unamortized deferred financing costs	\$ 8,750	\$ 10,000
Term-Out Loan	30,000	—
Revolving credit facility (RCF)	37,150	67,150
Unamortized deferred financing costs	(504)	(315)
Finance lease	147	192
	<u>75,543</u>	<u>77,027</u>
Less: Current maturities of long-term debt	(10,729)	(4,831)
Current maturities of finance lease	(80)	(111)
	<u>\$ 64,734</u>	<u>\$ 72,085</u>

Credit Agreement

On February 13, 2019, the Company entered into the first amendment to the third amended and restated credit agreement (Credit Agreement) with four participating financial institutions. The Company refinanced \$30.0 million of outstanding draws under the existing \$85.0 million revolving credit facility (RCF) with a new \$30.0 million term-out facility (Term-Out Loan). The Credit Agreement provides for a \$15.0 million term loan (Term Loan), a \$30.0 million Term-Out Loan and an \$85.0 million RCF. The RCF and Term-Out Loan mature on April 6, 2021. The Term Loan matures on December 31, 2020.

The Credit Agreement requires a \$45.0 million reserve (Specified Reserve) under the RCF that will be released and made available for borrowing for payment of monetary damages from the GX dispute. The RCF contains a sub-limit of up to \$25.0 million for commercial and stand-by letters of credit and performance bonds issued by the parties under the credit agreement. The facilities under the credit agreement are secured by substantially all the assets of the Company.

Under the Credit Agreement, the Term Loan, Term-Out Loan and the RCF bear interest at a rate of LIBOR plus a margin ranging from 1.75% to 3.00% based on a consolidated leverage ratio defined in the Credit Agreement. Interest is payable monthly and principal installments of \$1.25 million under the Term Loan are due quarterly. Principal installments of \$1.5 million are due quarterly under the Term-Out Loan beginning June 30, 2019. The weighted average interest rate for the three months ended March 31, 2019 and 2018 were 5.2% and 4.2%, respectively, with an interest rate of 5.2% at March 31, 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Term Loan

As of March 31, 2019, the Term Loan had an outstanding principal balance of \$8.8 million, excluding the impact of unamortized deferred financing costs.

Term-Out Loan

As of March 31, 2019, the Term-Out Loan had an outstanding principal balance of \$30.0 million.

RCF

As of March 31, 2019, \$37.2 million in draws remain outstanding under the RCF.

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 consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. Additionally, the Credit Agreement requires a consolidated leverage ratio, as defined in the Credit Agreement, of less than or equal to 2.75 to 1.00. The consolidated leverage ratio increases to 3.25 to 1.00 for four quarters starting in the quarter that RigNet makes a final irrevocable payment of all monetary damages from the GX dispute. The consolidated leverage ratio then decreases to 3.00 to 1.00 for three quarters, and then decreases to 2.75 to 1.00 for all remaining quarters. If any default occurs related to these covenants that is not cured or waived, the unpaid principal and any accrued interest can be declared immediately due and payable. The facilities under the Credit Agreement are secured by substantially all the assets of the Company.

In April 2019, the Company determined that in periods beginning at least as early as March 31, 2014, it had incurred and not appropriately included certain surety bonds or other similar instruments in its consolidated leverage ratio calculation as defined by the Credit Agreement. As a result, on May 6, 2019, the Company entered into a Consent and Waiver (Consent) to the Credit Agreement with the financial institutions party thereto under which the Company is permitted to exclude certain incurred surety bonds and other similar instruments from the calculation of Consolidated Funded Indebtedness (as defined in the credit agreement) for the period ended March 31, 2019. In addition, the Consent waived all specified violations for all prior periods.

The Company continues to work with the financial institutions under our Credit Agreement to ensure that the Credit Agreement does not impede the Company's ordinary-course business operations with respect to surety bonds and other similar instruments.

We believe we have accurately calculated and reported our required debt covenant calculations for the March 31, 2019 reporting period and are in compliance with the required covenant ratios.

Performance Bonds, Surety Bonds and Other Similar Instruments

As of March 31, 2019, there were \$30.5 million of performance bonds, surety bonds and similar instruments outstanding of which \$1.7 million is issued by the parties under the Credit Agreement. As of March 31, 2019, there were \$0.1 million outstanding standby letters of credit and bank guarantees.

In June 2016, the Company secured a performance bond facility with a lender in the amount of \$1.5 million for its MCS 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.

Debt Maturities

The following table sets forth the aggregate principal maturities of long-term debt, net of deferred financing cost amortization, for the remainder of 2019 and the following years (in thousands):

2019	8,109
2020	10,841
2021	56,593
Total debt, including current maturities	<u>\$75,543</u>

Note 7 – Fair Value Disclosures

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The earn-out for Intelie is measured at fair value in each reporting period, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss. As of March 31, 2019, the fair value of the earn-out was \$9.6 million, of which \$3.0 million is in other current liabilities and \$6.6 million is in other long-term liabilities. During the three months ended March 31, 2019, RigNet recognized accreted interest expense on the Intelie earn-out of \$0.1 million with corresponding increases to other liabilities. The earn-out is payable in RigNet stock in portions on the first, second and third anniversary of the March 23, 2018 closing of the acquisition based on certain post-closing performance targets under the acquisition agreement.

The contingent consideration for Cyphre, a cybersecurity company acquired in May 2017, is measured at fair value in each reporting period, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss. As of March 31, 2019, the fair value of the contingent consideration was \$3.6 million, of which \$0.3 million is in other current liabilities and \$3.2 million is in other long-term liabilities. During the three months ended March 31, 2019 and 2018, RigNet recognized accreted interest expense on the Cyphre contingent consideration of \$0.1 million with corresponding increases to other liabilities.

The earn-out for Orgtec S.A.P.I. de C.V., d.b.a. TECNOR (TECNOR), acquired in February 2016, was measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. The fair value of the earn-out of \$8.0 million was paid in July 2018. During the three months ended March 31, 2018, RigNet recognized accreted interest expense on the TECNOR earn-out liability of \$0.1 million with corresponding increases to other liabilities.

Note 8 – Income Taxes

The Company's effective income tax rate was (28.7%) and (12.2%) for the three months ended March 31, 2019 and 2018, respectively. The Company's effective tax rate is affected by factors including changes in valuation allowances, fluctuations in income across jurisdictions with varying tax rates, and changes in income tax reserves, including related penalties and interest.

The Company has computed the provision for taxes for the current and comparative periods using the actual year-to-date effective tax rate. The Company's financial projections for those periods did not provide the level of detail necessary to calculate a forecasted effective tax rate.

The Company received an IRS notice informing us of an audit of the Company's 2016 income tax return. It is unclear if the audit and the appeals process, if necessary, will be completed within the next twelve months. The Company is in the early stages of the audit and is unable to quantify any potential settlement or outcome of the audit at this time.

The Company believes that it is reasonably possible that a decrease of up to \$3.2 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations.

Note 9 – Stock-Based Compensation

During the three months ended March 31, 2019, the Company granted a total of 485,623 stock-based awards to certain officers and employees of the Company under the 2010 Omnibus Incentive Plan (2010 Plan). Of these, the Company granted the following stock-based awards associated with the long term incentive plan (LTIP): (i) 185,597 restricted stock units (RSUs) to certain officers and employees that generally vest over a three year period of continued employment, with 33% of the RSUs vesting on each of the first three anniversaries of the grant date, (ii) 7,172 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 and (iii) 60,361 performance share units (PSUs) to certain officers and employees 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 PSUs issued is based on a multiple determined by certain performance-based targets. The fair value of RSUs and PSUs is determined based on the closing trading price of the Company's common stock on the grant date of the award. Compensation expense is recognized on a straight-line basis over the requisite service period of the entire award, net of forfeitures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Additionally, the Company granted 232,493 unrestricted stock grants associated with payment of the company's 2018 short term incentive plan to certain officers and employees that vested immediately.

During the three months ended March 31, 2019, the Company also granted 28,923 options to purchase our common stock with an exercise price of \$15.06 to certain officers and employees of the Company as part of the LTIP under the 2010 Plan. Options granted have a contractual term of seven years and vest over a three-year period of continued employment, with 33% of the options vesting on each of the first three anniversaries of the grant date.

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. The assumptions used for the stock option grants made during the three months ended March 31, 2019, were as follows:

	Three Months Ended
	March 31,
	2019
Expected volatility	49%
Expected term (in years)	7
Risk-free interest rate	2.5%
Dividend yield	—

Based on these assumptions, the weighted average grant date fair value of stock options granted during the three months ended March 31, 2019 was \$8.02 per option.

During the three months ended March 31, 2019, 3,904 RSUs and 1,455 stock options were forfeited.

Stock-based compensation expense related to the Company's stock-based compensation plans for the three months ended March 31, 2019 and 2018 was \$4.5 million and \$2.4 million, respectively. As of March 31, 2019, there was \$5.7 million of total unrecognized compensation cost related to unvested options, RSUs and restricted stock expected to vest. This cost is expected to be recognized over a remaining weighted-average period of 2.2 years.

Note 10 – Earnings (loss) per Share

Basic earnings (loss) per share (EPS) are computed by dividing net 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 the exercise of stock options or vesting of restricted stock, RSUs or PSUs. Diluted EPS is computed by dividing 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.

For the three months ended March 31, 2019, there were approximately 1,478,435 potentially issuable shares excluded from the Company's calculation of diluted EPS that were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive.

For the three months ended March 31, 2018, there were approximately 671,627 potentially issuable shares excluded from the Company's calculation of diluted EPS that were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 11 – Commitments and Contingencies

Global Xpress (GX) Dispute

Inmarsat plc (Inmarsat), a satellite telecommunications company, filed arbitration with the International Centre for Dispute Resolution tribunal (the panel) in October 2016 concerning a January 2014 take-or-pay agreement to purchase up to \$65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). Phase I of the arbitration, now concluded, concerned only whether RigNet's take-or-pay obligation ever commenced under the agreement. In December 2018, the panel's Phase I ruling found that a take-or-pay obligation under a January 2014 contract had commenced and that RigNet owed Inmarsat \$50.8 million, subject to any offsets from RigNet's counterclaims in Phase II of the arbitration. The Phase I ruling is an interim ruling, and RigNet is not required to pay any amounts to Inmarsat until the panel rules on Phase II counterclaims. The Company currently expects a Phase II ruling in the second half of 2019.

The Company has an accrued liability of \$50.8 million, based on the Phase I interim award amount. While management believes it has strong counterclaims, which will be heard in Phase II and could reduce the ultimate liability, the amount of the final award is not estimable at this time. No assurance can be given as to the ultimate outcome of the GX dispute, and the ultimate outcome may differ from the accrued amount. Based on the information available at this time, the potential final loss could be based on the Phase I ruling less any offsets from RigNet's counterclaims in Phase II of the arbitration offset by any potential counterclaims by Inmarsat, including interest and fees. As such, the range of the ultimate liability is not currently estimable.

The Company incurred GX dispute Phase II costs of \$2.1 million for the three months ended March 31, 2019. The Company incurred legal expenses of \$0.6 million in connection with the GX dispute for the three months ended March 31, 2018. The Company may continue to incur significant legal fees, related expenses and management time in the future.

Other 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.

Sales Tax Audit

The Company is undergoing a routine sales tax audit from a state where the Company has operations. The audit can cover up to a four-year period. The Company is in the early stages of the audit, and does not have any estimates of further exposure, if any, for the tax years under review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**Operating Leases**

The Company adopted the new lease standard as of the first quarter 2019 and has used the optional transition method permitted under ASU 2018-11. Accordingly, prior year amounts have not been adjusted and continue to be reflected in accordance with Company's historical accounting.

The Company's leasing activities primarily consist of leases of real-estate including office space under lease agreements expiring on various dates through 2025. For the three months ended March 31, 2019 and 2018, the Company recognized expense under operating leases, which approximates cash paid and includes short-term leases, of \$0.7 million.

As of March 31, 2019, future undiscounted minimum lease obligation maturities for the remainder of 2019 and future years were as follows (in thousands):

2019	\$1,569
2020	1,374
2021	933
2022	853
2023	839
Thereafter	1,382
Total lease payments	<u>\$6,950</u>
Less present value discount	(420)
Amounts recognized in Balance Sheet	<u>\$6,530</u>
Amounts recognized in Balance Sheet	
Deferred revenue and other current liabilities	741
Right-of-use lease liability - long-term portion	5,789
Total right to use lease liability	<u>\$6,530</u>

Operating lease right-of-use assets for leases were \$4.6 million as of March 31, 2019.

The right-of-use assets and liabilities for leases were discounted at a weighted-average discount rate of 5.3%. The weighted-average remaining lease term as of March 31, 2019 was 4.8 years.

As of December 31, 2018, future undiscounted minimum lease obligation maturities for 2019 and future years were as follows (in thousands):

2019	1,822
2020	1,115
2021	780
2022	692
2023	659
Thereafter	1,044
	<u>\$6,112</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Commercial Commitments

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

As of March 31, 2019, the Company had the following commercial commitments related to satellite and network services for the remainder of 2018 and the future years thereafter (in thousands):

2019	12,151
2020	6,392
2021	673
2022	17
	<u>\$19,233</u>

The Company is no longer reporting \$65.0 million in the above table for capacity from Inmarsat's GX network. Please see paragraph "Global Xpress (GX) Dispute" above for details of the ongoing arbitration with Inmarsat.

Note 12 – Segment Information

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. Managed Services was renamed Managed Communications Services (MCS).

RigNet considers its business to consist of the following segments:

- **Managed Communications Services (MCS).** The MCS segment provides remote communications, telephony and technology services for offshore and onshore drilling rigs and production facilities, support vessels, and other remote sites.
- **Applications and Internet-of-Things (Apps & IoT).** The Apps & IoT segment provides applications over-the-top of the network layer including Software as a Service (SaaS) offerings such as cybersecurity, applications for safety and workforce productivity such as weather monitoring primarily in the North Sea (MetOcean), a real-time machine learning and AI data platform (Intelie Pipes and Intelie LIVE) and certain other value-added services such as Adaptive Video Intelligence (AVI). This segment also includes the private machine-to-machine IoT data networks including Supervisory Control and Data Acquisition (SCADA) provided primarily for pipelines.
- **Systems Integration.** The Systems Integration segment provides design and implementation services for customer telecommunications systems. Solutions are delivered based on the customer's specifications, adhering to international industry standards and best practices. Project services may include consulting, design, engineering, project management, procurement, testing, installation, commissioning and maintenance.

Corporate and eliminations primarily represents unallocated executive and support activities, interest expense, income taxes and eliminations.

The Company's business segment information as of and for the three months ended March 31, 2019 and 2018, is presented below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2019

	Managed Communications Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
	(in thousands)				
Revenue	\$ 42,333	\$ 8,015	\$ 7,162	\$ —	\$ 57,510
Cost of revenue (excluding depreciation and amortization)	26,985	4,497	4,974	—	36,456
Depreciation and amortization	6,264	1,231	662	755	8,912
Selling, general and administrative	3,797	565	1,124	14,777	20,263
Operating income (loss)	<u>\$ 5,287</u>	<u>\$ 1,722</u>	<u>\$ 402</u>	<u>\$ (15,532)</u>	<u>\$ (8,121)</u>
Total assets	170,553	46,086	26,546	18,034	261,219
Capital expenditures	6,636	433	—	20	7,089

Three Months Ended March 31, 2018

	Managed Communications Services	Applications and Internet-of-Things	Systems Integration	Corporate and Eliminations	Consolidated Total
	(in thousands)				
Revenue	\$ 42,050	\$ 5,336	\$ 6,447	\$ —	\$ 53,833
Cost of revenue (excluding depreciation and amortization)	25,745	3,085	4,851	—	33,681
Depreciation and amortization	5,726	847	652	762	7,987
Selling, general and administrative	4,215	354	323	11,743	16,635
Operating income (loss)	<u>\$ 6,364</u>	<u>\$ 1,050</u>	<u>\$ 621</u>	<u>\$ (12,505)</u>	<u>\$ (4,470)</u>
Total assets	148,535	49,758	16,535	30,431	245,259
Capital expenditures	5,834	134	—	645	6,613

The following table presents revenue earned from the Company's domestic and international operations for the three months ended March 31, 2019 and 2018. 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.

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Domestic	\$24,627	\$17,628
International	32,883	36,205
Total	<u>\$57,510</u>	<u>\$53,833</u>

The following table presents goodwill, right-of-use lease assets and long-lived assets, net of accumulated depreciation, for the Company's domestic and international operations as of March 31, 2019 and December 31, 2018.

	March 31, 2019	December 31, 2018
	(in thousands)	
Domestic	\$ 79,323	\$ 73,615
International	67,479	70,334
Total	<u>\$146,802</u>	<u>\$ 143,949</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 13 – Related Party

The Company has a reseller arrangement with Darktrace, which is an artificial intelligence company in cybersecurity that is partially owned by Kohlberg Kravis Roberts & Co. L.P. (KKR). KKR is a significant stockholder of the Company. Under the arrangement, the Company will sell Darktrace's cybersecurity audit services with the Company's cybersecurity offerings. In the three months ended March 31, 2019, the Company purchased \$0.1 million from Darktrace in the ordinary course of business.

Vissim AS is now a vendor following a competitive request for quote from RigNet in the ordinary course of business. A customer specified Vissim AS by name as a provider for an SI project. Vissim AS is 24% owned by AVANT Venture Capital AS. AVANT Venture Capital is owned by and has as its chairman of its board one of our board members. Although no amounts were spent with Vissim AS in the three months ended March 31, 2019, in the future the Company anticipates spending money with this vendor.

Note 14 – Restructuring Costs – Cost Reduction Plans

During the three months ended March 31, 2019, the Company incurred a net pre-tax restructuring expense of \$0.6 million reported as general and administrative expense in the Corporate segment associated with the reduction of 25 employees.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 included elsewhere herein, and with our Annual Report on Form 10-K for the year ended December 31, 2018. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our Annual Report and elsewhere in this quarterly report. See "Forward-Looking Statements" below.

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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. Forward-Looking statements may include statements about:

- new regulations, delays in drilling permits or other changes in the oil and gas 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;
- 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 expectations regarding the deductibility of goodwill for tax purposes;
- our strategy and acquisitions;
- our ability to develop and market additional products and services;
- our ability to manage and grow our business and execute our business strategy, including developing and marketing additional Apps & IoT solutions, expanding our market share, increasing secondary and tertiary customer penetration at remote sites, enhancing systems integration and extending our presence into complementary remote communication segments through organic growth and strategic acquisitions;
- our ability to pursue, consummate and integrate merger and acquisition opportunities successfully;
- the final disposition of the GX dispute and its effect on our operations, liquidity and financial operations;
- the amount and timing of contingent consideration payments arising from our acquisitions;
- our cost reduction, restructuring activities and related expenses; and
- our financial performance, including our ability to expand Adjusted EBITDA through our operational leverage.

In some cases, forward-looking statements can be identified by terminology such as "may," "could," "should," "would," "expect," "plan," "project," "intend," "will," "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 Quarterly Report on Form 10-Q, are forward-looking statements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q 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 of our Annual Report on Form 10-K for the

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year ended December 31, 2018 and elsewhere in this Quarterly Report on Form 10-Q. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual future results, performance or achievements may vary materially from any projected 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.

Our Operations

We are the leading provider of intelligent networking solutions and specialized applications. Customers use our private networks to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unreliable or unavailable. We provide our clients what is often the sole means of communications for their remote operations. On top of and vertically integrated into these networks we provide services ranging from fully-managed voice, data, and video to more advanced services including: cyber security threat detection and prevention; applications to improve crew welfare, safety or workforce productivity; and a real-time AI-backed data analytics platform to enhance customer decision making and business performance.

MCS and Apps & IoT customers are primarily served under fixed-price contracts, either on a monthly or day rate basis or for equipment sales. Our contracts are generally in the form of Master Service Agreements, or MSAs, with specific services being provided under individual service orders. Offshore contracts generally have a term of up to three years with renewal options. Land-based contracts 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 permit early termination 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). Systems Integration customers are served primarily under fixed-price, long-term contracts.

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. Managed Services was renamed Managed Communications Services (MCS).

- **Managed Communications Services (MCS).** Our MCS provides remote communications, telephony and technology services for offshore and onshore drilling rigs and production facilities, support vessels, and other remote sites.
- **Applications and Internet-of-Things (Apps & IoT).** Our Apps & IoT segment provides applications over-the-top of the network layer including Software as a Service (SaaS) offerings such as cybersecurity, applications for safety and workforce productivity such as weather monitoring primarily in the North Sea (MetOcean), a real-time machine learning and AI data platform (Intelie Pipes and Intelie LIVE) and certain other value-added services such as Adaptive Video Intelligence (AVI). This segment also includes the private machine-to-machine IoT data networks including Supervisory Control and Data Acquisition (SCADA) provided primarily for pipelines.
- **Systems Integration.** Our Systems Integration segment provides design and implementation services for customer telecommunications systems. Solutions are delivered based on the customer's specifications, adhering to international industry standards and best practices. Project services may include consulting, design, engineering, project management, procurement, testing, installation, commissioning and maintenance.

Cost of revenue consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for Systems Integration 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 contracted satellites. Direct service labor consists of field technicians, our Network Operations Center (NOC) employees, and other employees who directly provide services to customers. Network operations expenses consist primarily of costs associated with the operation of our NOC, which is maintained 24 hours a day, seven days a week. Depreciation and amortization are 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. Selling and marketing expenses consist primarily of salaries and commissions, travel costs and marketing communications. General and administrative expenses consist of expenses associated with our management, finance, contract, support and administrative functions.

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

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Recent Developments

On February 13, 2019, the Company entered into the first amendment to the third amended and restated credit agreement (Credit Agreement) with four participating financial institutions. The Credit Agreement provides for a \$15.0 million term loan facility (Term Loan), a \$30.0 million term-out facility (Term-Out Loan) and an \$85.0 million revolving credit facility (RCF). The RCF and Term-Out Loan mature on April 6, 2021. The Term Loan matures on December 31, 2020.

We have committed to upgrade our Gulf of Mexico microwave network. In conjunction with a major U.S. carrier, this upgrade will add 4G LTE services and 5G capabilities to the existing network. We have completed 63% of the total coverage area in the buildout of our 4G LTE and 5G-enabled network. The Company expects to complete construction on the network, already carrying live traffic, in the second quarter of 2019. Additionally, we purchased an office in Lafayette, Louisiana that will consolidate three separate legacy facilities.

As of March 31, 2019, we have backlog for our percentage of completion projects of \$43.1 million.

Known Trends and Uncertainties

Operating Matters

Uncertainties in the oil and gas industry may continue to impact our profitability. The fundamentals of the oil and gas industry we serve remain challenged into 2019, particularly offshore. Although oil prices and U.S. drilling rig counts increased in 2017 and the first three quarters of 2018 from their 2016 lows, the oil and gas environment continues to be challenged with operators focusing on projects with shorter pay-back periods that generally require less capital investment and lower costs from service providers and drilling contractors. The average price of Brent crude, a key indicator of activity for the oil and gas industry, was \$63.10 per barrel for the three months ending March 31, 2019 compared to an average of \$66.86 for the three months ending March 31, 2018. Brent crude spot prices increased in the first three quarters of 2018 and peaked at \$86.07 on October 4, 2018. From the recent October 4, 2018 high, Brent crude oil prices decreased over 40.0% in the fourth quarter of 2018. In the first quarter of 2019, Brent crude oil prices recovered to the \$60 per barrel range. Certain analysts are not presently predicting meaningful increases in offshore drilling rig utilization in 2019, but are predicting more meaningful improvements in utilization and day rates in 2020 or 2021. As a result, we believe drilling contractors are cautiously optimistic about a gradual demand recovery. The offshore drilling contracting environment remains challenged, with major offshore drilling contractors having experienced significant pressure on day rates, which in turn has had a negative impact on the rates we are able to charge customers. 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.

In addition, uncertainties that could impact our profitability include service responsiveness to remote locations, communication network complexities, political and economic instability in certain regions, cyber-attacks, 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 from a state where we have operations. The audit can cover up to a four-year period. We are in the early stages of the audit and do not have any estimates of further exposure, if any, for the tax years under review.

Global Xpress (GX) Dispute

Inmarsat plc (Inmarsat), a satellite telecommunications company, filed arbitration with the International Centre for Dispute Resolution tribunal (the panel) in October 2016 concerning a January 2014 take-or-pay agreement to purchase up to \$65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). Phase I of the arbitration, now concluded, concerned only whether our take-or-pay obligation ever commenced under the agreement. In December 2018, the panel's Phase I ruling found that a take-or-pay obligation under a January 2014 contract had commenced and that we owed Inmarsat \$50.8 million, subject to any offsets from our counterclaims in Phase II of the arbitration. The Phase I ruling is an interim ruling, and we are not required to pay any amounts to Inmarsat until the panel rules on Phase II counterclaims. We currently expect a Phase II ruling in the second half of 2019.

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We have an accrued liability of \$50.8 million, based on the Phase I interim award amount. While we believe we have strong counterclaims, which will be heard in Phase II and could reduce the ultimate liability, the amount of the final award is not estimable at this time. No assurance can be given as to the ultimate outcome of the GX dispute, and the ultimate outcome may differ from the accrued amount. Based on the information available at this time, the potential final loss could be based on the Phase I ruling less any offsets from our counterclaims in Phase II of the arbitration offset by any potential counterclaims by Inmarsat, including interest and fees. As such, the range of the ultimate liability is not currently estimable.

We incurred GX dispute Phase II costs of \$2.1 million for the three months ended March 31, 2019. We incurred legal expenses of \$0.6 million in connection with the GX dispute for the three months ended March 31, 2018. The Company may continue to incur significant legal fees, related expenses and management time in the future.

[Table of Contents](#)**Results of Operations**

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

	Three Months Ended	
	March 31,	
	2019	2018
	<small>(in thousands)</small>	
Revenue	<u>\$ 57,510</u>	<u>\$53,833</u>
Expenses:		
Cost of revenue (excluding depreciation and amortization)	36,456	33,681
Depreciation and amortization	8,912	7,987
Selling and marketing	3,793	2,949
General and administrative	<u>16,470</u>	<u>13,686</u>
Total expenses	<u>65,631</u>	<u>58,303</u>
Operating loss	(8,121)	(4,470)
Other expense, net	<u>(1,166)</u>	<u>(453)</u>
Loss before income taxes	(9,287)	(4,923)
Income tax expense	<u>(2,666)</u>	<u>(603)</u>
Net loss	(11,953)	(5,526)
Less: Net income attributable to non-controlling interest	<u>30</u>	<u>30</u>
Net loss attributable to RigNet, Inc. stockholders	<u>\$(11,983)</u>	<u>\$(5,556)</u>
Other Non-GAAP Data:		
Adjusted EBITDA	\$ 8,386	\$ 7,419

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The following represents selected financial operating results for our segments:

	Three Months Ended	
	March 31,	
	2019	2018
	(in thousands)	
Managed Communications Services:		
Revenue	\$42,333	\$42,050
Cost of revenue (excluding depreciation and amortization)	26,985	25,745
Depreciation and amortization	6,264	5,726
Selling, general and administrative	3,797	4,215
Managed Communication Services operating income	<u>\$ 5,287</u>	<u>\$ 6,364</u>
Applications and Internet-of-Things:		
Revenue	\$ 8,015	\$ 5,336
Cost of revenue (excluding depreciation and amortization)	4,497	3,085
Depreciation and amortization	1,231	847
Selling, general and administrative	565	354
Applications & Internet-of-Things operating income	<u>\$ 1,722</u>	<u>\$ 1,050</u>
Systems Integration:		
Revenue	\$ 7,162	\$ 6,447
Cost of revenue (excluding depreciation and amortization)	4,974	4,851
Depreciation and amortization	662	652
Selling, general and administrative	1,124	323
Systems Integration and Automation operating income	<u>\$ 402</u>	<u>\$ 621</u>

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

Three Months Ended March 31, 2019 and 2018

Revenue. Revenue increased by \$3.7 million, or 6.8%, to \$57.5 million for the three months ended March 31, 2019 from \$53.8 million for the three months ended March 31, 2018. Revenue increased in all segments. Owing the 2018 acquisitions of Intelie, Auto-Comm and SAFCON for the full three months ended March 31, 2019 increased revenue by \$5.0 million. Revenue for the Apps & IoT segment increased \$2.7 million, or 50.2%, due to our focus on growth of the application layer and IoT space, including \$1.8 million from the acquisition of Intelie and \$0.7 million from the acquisition of Auto-Comm and SAFCON. Revenue for the Systems Integration segment increased \$0.7 million, or 11.1%, primarily due to \$2.1 million from the acquisition of Auto-Comm and SAFCON. Revenue for the MCS segment increased \$0.3 million, or 0.7%, due to the Gulf of Mexico LTE network buildout project and \$0.4 million from Auto-Comm and SAFCON, partially offset by the previously announced loss of Noble Drilling as a customer, who is in the process of transitioning to another provider.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) increased by \$2.8 million, or 8.2%, to \$36.5 million for the three months ended March 31, 2019 from \$33.7 million for the three months ended March 31, 2018. Cost of revenue (excluding depreciation and amortization) increased in the Apps & IoT segment by \$1.4 million as we continue our strategy to grow our application layer and IoT space including Intelie. Cost of revenue (excluding depreciation and amortization) increased in the MCS segment by \$1.2 million to serve our increased site count. Cost of revenue (excluding depreciation and amortization) increased in the Systems Integration segment by \$0.1 million.

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Depreciation and Amortization. Depreciation and amortization expense increased by \$0.9 million to \$8.9 million for the three months ended March 31, 2019 from \$8.0 million for the three months ended March 31, 2018. The increase is primarily attributable to additions to property, plant and equipment and intangibles from acquisitions and capital expenditures.

Selling and Marketing. Selling and marketing expense increased \$0.8 million to \$3.8 million for the three months ended March 31, 2019 from \$2.9 million for the three months ended March 31, 2018. This increase was due to investments made towards our growth strategy including increased sales personnel and marketing strategy costs.

General and Administrative. General and administrative expenses increased by \$2.8 million to \$16.5 million for the three months ended March 31, 2019 from \$13.7 million for the three months ended March 31, 2018. General and administrative costs increased primarily due to increased stock-based compensation, increased GX dispute legal costs, restructuring costs and owning the 2018 acquisitions of Intelie, Auto-Comm and SAFCON for the full three months ended March 31, 2019.

Income Tax Expense. Our effective income tax rates were (28.7%) and (12.2%) for the three months ended March 31, 2019 and 2018, respectively. Our effective tax rate is affected by factors including changes in valuation allowances, fluctuations in income across jurisdictions with varying tax rates, and changes in income tax reserves, including related penalties and interest.

Liquidity and Capital Resources

At March 31, 2019, we had working capital, including cash and cash equivalents, of negative \$11.2 million.

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.

During the next twelve months, we expect our principal sources of liquidity to be cash flows from operating activities, cash and cash equivalents on hand and availability under our Credit Agreement.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements, the ultimate outcome of the GX dispute and our expansion plans, we may elect to pursue additional expansion opportunities within the next year or we may require additional liquidity for contingent liabilities, 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 Agreement and additional financing activities we may pursue, which may include debt or equity offerings.

	Three Months Ended	
	March 31,	
	2019	2018
	(in thousands)	
Condensed Consolidated Statements of Cash Flows Data:		
Cash and cash equivalents including restricted cash, January 1,	\$23,296	\$36,141
Net cash provided by (used in) operating activities	4,648	(2,492)
Net cash used in investing activities	(4,748)	(8,152)
Net cash used in financing activities	(3,086)	(2,319)
Changes in foreign currency translation	91	271
Cash and cash equivalents including restricted cash, March 31,	<u>\$20,201</u>	<u>\$23,449</u>

Currently, the Norwegian Kroner, the British Pound Sterling and the Brazilian Real are the foreign currencies that could materially impact our liquidity. We presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. During the three months ended March 31, 2019 and 2018, 91.8% and 92.4% of our revenue was denominated in U.S. dollars, respectively.

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Operating Activities

Net cash provided by operating activities was \$4.6 million for the three months ended March 31, 2019 compared to cash used in operating activities of \$2.5 million for the three months ended March 31, 2018. The increase in cash from operating activities of \$7.1 million was primarily due to the timing of paying our accounts payable partially offset by increased operating loss coupled with the timing of collecting receivables.

Our cash provided by operations is subject to many variables including the volatility of the oil and gas industry and the demand for our services. Other factors impacting operating cash flows include the availability and cost of satellite bandwidth, the ultimate outcome of the GX dispute, 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 our contracted satellite and other communication service costs.

Investing Activities

Net cash used in investing activities was \$4.7 million and \$8.2 million for the three months ended March 31, 2019 and 2018, respectively.

Net cash used in investing activities during the three months ended March 31, 2019 and 2018 included \$4.8 million and \$5.1 million of capital expenditures, respectively. Net Cash used in investing activities during the three months ended March 31, 2018 included \$3.2 million for the acquisition of Intelie.

Financing Activities

Net cash used in financing activities was \$3.1 million for the three months ended March 31, 2019. Cash used in financing activities for the three months ended March 31, 2019 included \$1.3 million in principal payments on our long-term debt, \$1.4 million withheld to cover employee taxes on stock-based compensation and \$0.3 million in financing fees related to the Credit Agreement.

Net cash used in financing activities was \$2.3 million for the three months ended March 31, 2018. Cash used in financing activities for the three months ended March 31, 2018 included \$1.3 million in principal payments on our long-term debt and \$1.0 million withheld to cover employee taxes on stock-based compensation.

Credit Agreement

The Credit Agreement provides for a \$15.0 million Term Loan, a \$30.0 million Term-Out Loan and an \$85.0 million RCF, which includes a \$25.0 million sublimit for the issuance of commercial and standby letters of credit and performance bonds issued by the parties under the Credit Agreement. The Credit Agreement requires a \$45.0 million reserve (Specified Reserve) under the RCF that will be released and made available for borrowing for payment of monetary damages from the GX dispute.

Under the Credit Agreement, the Term Loan, the Term-Out Loan and the RCF bear interest at a rate of LIBOR plus a margin ranging from 1.75% to 3.00%, based on a consolidated leverage ratio defined in the Credit Agreement. Interest is payable monthly and principal installments of \$1.25 million under the Term Loan are due quarterly. Principal installments of \$1.5 million are due quarterly under the Term-Out Loan beginning June 30, 2019.

The weighted average interest rate for the three months ended March 31, 2019 and 2018 were 5.2% and 4.2%, respectively, with an interest rate of 5.2% at March 31, 2019. As of March 31, 2019, the outstanding principal amounts were \$8.8 million for the Term Loan, \$30.0 million for the Term-Out Loan and \$37.2 million for the RCF.

The Credit Agreement contains certain covenants and restrictions, including restricting the payment of cash dividends under default, and maintaining certain financial covenants such as a consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. Additionally, the Credit Agreement requires a consolidated leverage ratio, as defined in the Credit Agreement, of less than or equal to 2.75 to 1.00. The consolidated leverage ratio increases to 3.25 to 1.00 for four quarters starting in the quarter that we make a final irrevocable payment of all monetary damages from the GX dispute. The consolidated leverage ratio then decreases to 3.00 to 1.00 for three quarters, and then decreases to 2.75 to 1.00 for all remaining quarters. If any default occurs related to these covenants that was not cured or waived, the unpaid principal and any accrued interest can be declared immediately due and payable. The facilities under the Credit Agreement are secured by substantially all our assets.

In April 2019, we determined that in periods beginning at least as early as March 31, 2014, we had incurred and not appropriately included certain surety bonds or other similar instruments in our consolidated leverage ratio calculation as defined by the credit agreement. As a result, on May 6, 2019, we entered into a Consent and Waiver (Consent) to the credit agreement with the financial institutions party thereto under which we are permitted to exclude certain incurred surety bonds and other similar instruments from the calculation of Consolidated Funded Indebtedness, as defined in the credit agreement, for the period ended March 31, 2019. In addition, the Consent waived all specified violations for all prior periods.

We continue to work with the financial institutions under our Credit Agreement to ensure that the Credit Agreement does not impede our ordinary-course business operations with respect to surety bonds and other similar instruments.

We believe we have accurately calculated and reported our required debt covenant calculations for the March 31, 2019 reporting period and are in compliance with the required covenant ratios.

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Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet arrangements.

Non-GAAP Measure

Adjusted EBITDA should not be considered as an alternative to net loss, operating income (loss), basic or diluted loss per share or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other companies because other companies may not calculate Adjusted EBITDA or similarly titled measures in the same manner as we do. We prepare Adjusted EBITDA 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. Net loss is the most comparable GAAP measure to Adjusted EBITDA.

We define Adjusted EBITDA as net loss plus interest expense, income tax expense (benefit), depreciation and amortization, impairment of goodwill, intangibles, property, plant and equipment, (gain) loss on sales of property, plant and equipment, net of retirements, change in fair value of earn-outs and contingent consideration, stock-based compensation, acquisition costs, executive departure costs, restructuring charges, the GX dispute, GX Dispute Phase II costs and non-recurring items.

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 Consolidated EBITDA, as defined and used in the financial covenant ratios in the 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, 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;

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- Adjusted EBITDA does not reflect change in fair value of earn-outs and contingent consideration;
- Adjusted EBITDA does not reflect executive departure costs;
- Adjusted EBITDA does not reflect restructuring charges;
- Adjusted EBITDA does not reflect the GX dispute;
- Adjusted EBITDA does not reflect the GX dispute Phase II costs;
- 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.

The following table presents a reconciliation of our net loss to Adjusted EBITDA.

	Three Months Ended	
	March 31,	
	2019	2018
	(in thousands)	
Net loss	\$(11,953)	\$(5,526)
Interest expense	1,238	959
Depreciation and amortization	8,912	7,987
Gain on sales of property, plant and equipment, net of retirements	(7)	(53)
Stock-based compensation	4,458	2,445
Restructuring	573	—
Change in fair value of earn-out/contingent consideration	—	22
Executive departure costs	—	157
Acquisition costs	350	825
GX dispute Phase II costs	2,149	—
Income tax expense (benefit)	2,666	603
Adjusted EBITDA (non-GAAP measure)	<u>\$ 8,386</u>	<u>\$ 7,419</u>

We evaluate Adjusted EBITDA generated from our operations to assess the potential recovery of historical capital expenditures, determine timing and investment levels for growth opportunities, extend commitments of satellite bandwidth cost, invest in new products and services, expand or open new offices and service centers, and assess purchasing synergies.

Adjusted EBITDA increased by \$1.0 million to \$8.4 million for the three months ended March 31, 2019, from \$7.4 million for the three months ended March 31, 2018.

Item 3. 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 presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. During the three months ended March 31, 2019 and 2018, 8.2% and 7.6%, respectively, of our revenues were earned in non-U.S. currencies. At March 31, 2019 and 2018, we had no significant outstanding foreign exchange contracts.

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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 presently do not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. The following analysis reflects the annual impacts of potential changes in our interest rate to net loss attributable to us and our total stockholders' equity based on our outstanding long-term debt on March 31, 2019 and December 31, 2018, assuming those liabilities were outstanding for the previous twelve months:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(in thousands)	
Effect on Net Income (Loss) and Equity - Increase/Decrease:		
1% Decrease/increase in rate	\$ 755	\$ 770
2% Decrease/increase in rate	\$ 1,511	\$ 1,541
3% Decrease/increase in rate	\$ 2,266	\$ 2,311

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. 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 their evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective as of March 31, 2019, due to a material weakness in our disclosure controls and procedures as discussed below.

Description of Material Weakness

In evaluating the effectiveness of our disclosure controls and procedures, management identified an operational deficiency related to our consolidated leverage ratio calculation as defined under our credit agreement. For periods prior to and including December 31, 2018, the definition of “Consolidated Funded Indebtedness” used in our consolidated leverage ratio calculation, included “the maximum amount available to be drawn under issued and outstanding letters of credit (including standby and commercial), bankers’ acceptances, bank guarantees, surety bonds and similar instruments.” In April 2019, we identified that in periods beginning at least as early as March 31, 2014, we had incurred and not appropriately included certain surety bonds or other similar instruments in our consolidated leverage ratio calculation. As a result, on May 6, 2019, the Company entered into a Consent and Waiver (Consent) to the credit agreement with the financial institutions party thereto under which we are permitted to exclude certain incurred surety bonds and other similar instruments from the calculation of Consolidated Funded Indebtedness for the period ended March 31, 2019. In addition, the Consent waived all specified violations for all prior periods.

We continue to work with the financial institutions under our Credit Agreement to ensure that the Credit Agreement does not impede our ordinary-course business operations with respect to surety bonds and other similar instruments.

We have concluded that we did not properly design and operate adequate internal control over monitoring compliance with financial covenants stipulated by our Third-Amended and Restated Credit Agreement. As a result, the technical violation in our leverage ratio calculation could have resulted in the outstanding amounts under our credit agreement being accelerated under the terms of the arrangement.

Therefore, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that, for periods prior to and including March 31, 2019, we had a material weakness in our disclosure controls and procedures.

The material weakness did not result in any misstatement to our consolidated balance sheets or the related consolidated statements of comprehensive loss, cash flows, and equity for the periods prior to and including March 31, 2019.

Remediation Efforts to Address the Material Weakness

Since identifying this deficiency, we have enhanced our internal controls related to our debt covenant calculations by:

- requiring elevated approvals for any instrument which could impact our calculation of Consolidated Funded Indebtedness,
- including additional certifications related to such instruments on our regional financial checklists and SOX sub-certifications, and
- requiring applicable operations personnel to participate in our disclosure committee meetings.

We also believe we have accurately calculated and reported our required debt covenant calculations for the March 31, 2019 reporting period.

Changes in Internal Control over Financial Reporting

Except for the material weakness noted above, 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 March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management included in its assessment of internal control over financial reporting all consolidated entities, but excluded certain acquiree processes related to operations from Auto-Comm and SAFCON acquired by the company on April 18, 2018.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Inmarsat plc (Inmarsat), a satellite telecommunications company, filed arbitration with the International Centre for Dispute Resolution tribunal (the panel) in October 2016 concerning a January 2014 take-or-pay agreement to purchase up to \$65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). Phase I of the arbitration, now concluded, concerned only whether RigNet’s take-or-pay obligation ever commenced under the agreement. In December 2018, the panel’s Phase I ruling found that a take-or-pay obligation under a January 2014 contract had commenced and that RigNet owed Inmarsat \$50.8 million, subject to any offsets from RigNet’s counterclaims in Phase II of the arbitration. The Phase I ruling is an interim ruling, and RigNet is not required to pay any amounts to Inmarsat until the panel rules on Phase II counterclaims. The Company currently expects a Phase II ruling in the second half of 2019.

The Company has an accrued liability of \$50.8 million, based on the Phase I interim award amount. While management believes it has strong counterclaims, which will be heard in Phase II and could reduce the ultimate liability, the amount of the final award is not estimable at this time. No assurance can be given as to the ultimate outcome of the GX dispute, and the ultimate outcome may differ from the accrued amount. Based on the information available at this time, the potential final loss could be based on the Phase I ruling less any offsets from RigNet’s counterclaims in Phase II of the arbitration offset by any potential counterclaims by Inmarsat, including interest and fees. As such, the range of the ultimate liability is not currently estimable.

The Company, in the ordinary course of business, is a claimant or a defendant in various other 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.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in “Part I, Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 6, 2019, the Company, as borrower, and subsidiaries of the Company party thereto, as guarantors, entered into a Consent and Waiver (the “Consent”) to Third Amended and Restated Credit Agreement dated as of November 6, 2017 (as amended from time to time, the “Credit Agreement”) with the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent for the lenders. Pursuant to the Consent, the Company may exclude certain surety and other obligations from the calculation of Consolidated Funded Indebtedness (as defined in the Credit Agreement) for the period ended March 31, 2019. The foregoing description of the Consent is not complete and is qualified in its entirety by reference to the Consent, a copy of which is attached hereto as Exhibit 10.2.

Item 6. Exhibits

The exhibits required to be filed with this Quarterly Report on Form 10-Q are listed in the Exhibit Index attached hereto and are incorporated herein by reference.

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)
2.2	Share Purchase and Sale Agreement between RigNet, Inc. and the shareholders of Intelie Solucoes Em Informatica S.A. dated January 15, 2018 (filed as Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 17, 2018, 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	Second Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.3 to the Registrant’s Annual Report on Form 10-K filed with the SEC on March 6, 2018, and incorporated herein by reference)
10.1	First Amendment to the Third Amended and Restated Credit Agreement, dated as of February 13, 2019, among RigNet, Inc., as Borrower, certain subsidiaries of RigNet, Inc. party thereto as guarantors, Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, and the lenders party thereto (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on February 20, 2019, and incorporated by reference)
10.2	Consent and Waiver to Third Amended and Restated Credit Agreement dated as of May 6, 2019, among RigNet, Inc., as Borrower, certain subsidiaries of RigNet, Inc. party thereto as Guarantors, Bank of America, N.A., as Admirative Agent, Swingline Lender and L/C Issuer, and the lenders party thereto
10.3	Form of 2019 Restricted Stock Unit Agreement
10.4	Form of 2019 Performance Share Unit Agreement
10.5	Form of 2019 Stock Option Agreement
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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2019

RIGNET, INC.

By: /s/ LEE M. AHLSTROM

Lee M. Ahlstrom

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

**CONSENT AND WAIVER TO THIRD AMENDED
AND RESTATED CREDIT AGREEMENT**

THIS CONSENT AND WAIVER TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "*Consent*") is dated as of May 6, 2019 (the "*Effective Date*"), among RIGNET, INC., a Delaware corporation ("*Borrower*"), certain subsidiaries of Borrower party hereto, as guarantors ("*Guarantors*"), the lenders from time to time party hereto ("*Lenders*"), and BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the "*Agent*"), Swingline Lender and L/C Issuer. Capitalized terms used but not defined in this Consent have the meaning given them in the Credit Agreement (defined below).

RECITALS

A. Borrower, the Subsidiaries of Borrower party thereto as Guarantors, Agent, Swingline Lender, L/C Issuer and Lenders are parties to that certain Third Amended and Restated Credit Agreement dated as of November 6, 2017 (as amended by that certain First Amendment to Third Amended and Restated Credit Agreement dated as of February 13, 2019, and as may be further amended, restated or supplemented from time to time, the "*Credit Agreement*").

B. Borrower and its Subsidiaries have incurred Indebtedness, including reimbursement obligations, in respect of performance bonds, surety bonds, and similar guarantee and indemnity agreements, which are furnished by the Borrower and its Subsidiaries under project contracts to ensure completion of their respective obligations in accordance with such project contracts and which are set forth more particularly on Schedule A attached hereto (the "*Specified Contingent Bond Obligations*").

C. As a result of the incurrence by Borrower and its Subsidiaries of Specified Contingent Bond Obligations in excess of the limitations permitted under the Credit Agreement and the failure to report such Specified Contingent Bond Obligations in the calculation of Consolidated Funded Indebtedness (the "*Specified Violations*"), Events of Default have occurred and are continuing under the Credit Agreement.

D. Borrower has requested, and the Lenders have agreed to (i) waive any and all Events of Default arising from or occurring as a result of the Specified Violations prior to the date hereof, and (ii) consent to (x) up to and until June 30, 2019, the incurrence of the Specified Contingent Bond Obligations in an aggregate amount not to exceed \$30,000,000 at any time, and (y) the exclusion of the Specified Contingent Bond Obligations from the calculation of Consolidated Funded Indebtedness set forth in the Compliance Certificate for the fiscal quarter ended March 31, 2019, delivered by Borrower to Agent pursuant to *Section 6.02(a)* of the Credit Agreement (collectively, the "*Specified Consent*"), in each case subject to the terms and conditions of this Consent.

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

1. Waiver of Events of Default. Subject to the terms and conditions set out in this Consent upon effectiveness of this Consent, Lenders hereby (a) waive any and all Events of Default arising from or occurring as a result of the Specified Violations prior to the Effective Date, including but not limited to the inaccuracy of any representations, warranties and certifications made by any of the Loan Parties as a result of the Specified Violations prior to the Effective Date and (b) agree not to exercise any of the rights or remedies available to Agent and Lenders under the Loan Documents solely as a result of the noncompliance described in the immediately preceding *clause (a)*.

2. Specified Consent. Subject to the terms and conditions set out in this Consent upon effectiveness of this Consent, Lenders hereby grant and approve the Specified Consent.

3. Conditions. This Consent shall be effective as of the Effective Date once all of the following have been satisfied or delivered to Agent, in each case in form and substance satisfactory to Agent:

(a) this Consent executed by Borrower, Guarantors, Agent and at least the Required Lenders;

(b) payment to Agent's outside counsel of its legal fees submitted by invoice on or prior to the Effective Date;

(c) payment to Agent of the fees set out in that separate letter agreement dated as of the Effective Date between Agent and the Borrower;
and

(d) such other documents as Agent may request.

4. Representations and Warranties. Borrower and each Guarantor represents and warrants to the Agent and the Lenders on and as of the date hereof that (a) it possesses the requisite power and authority to execute and deliver this Consent, (b) this Consent has been duly authorized and approved by the requisite corporate action on the part of Borrower or such Guarantor, (c) no other consent of any Person (other than Agent and the Lenders) that has not been obtained is required for this Consent to be effective, (d) the execution and delivery of this Consent does not violate its organizational documents, (e) after giving effect to this Consent, the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Consent as though made on the date of this Consent (*except* to the extent that such representations and warranties speak to a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date), (f) after giving effect to this Consent, it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, (g) after giving effect to this Consent, no Default or Event of Default has occurred and is continuing and (h) that each Loan Document to which it is a party remains in full force and effect and is the legal, valid, and binding obligations of Borrower or such Guarantor enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and fair dealing.

5. FATCA. For the purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of this Consent, the Borrower and the Agent shall treat (and the Lenders hereby authorize the Agent to treat) the obligations of the Borrower set forth in the Credit Agreement, as modified by this Consent, as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

6. Scope of Consent; Reaffirmation. Except as expressly modified by this Consent, all references to the Credit Agreement shall refer to the Credit Agreement as affected by this Consent. Except as affected by this Consent, the Loan Documents are unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as affected by this Consent) and any other Loan Document, the terms of the Credit Agreement (as affected by this Consent) shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement (as affected by this Consent). Except as set out in *Sections 1* and *2*, this Consent does not constitute a waiver of, or consent to, any present or future violation of, or noncompliance with, any provision of any Loan Document or a waiver of, or consent by Administrative Agent and Lenders' right to insist upon strict compliance with each term, covenant, condition, and provision of the Loan Documents.

7. Miscellaneous.

(a) Binding Effect. The Credit Agreement as affected by this Consent shall be binding upon and inure to the benefit of each of the undersigned and their respective legal representatives, successors and permitted assigns.

(b) No Waiver of Defaults. Except as expressly provided in **Sections 1** and **2** of this Consent, this Consent does not constitute a waiver of, or a consent to, any present or future violation of or default under, any provision of the Loan Documents, or a waiver of Agent's or any Lender's right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(c) Form. Each agreement, document, instrument or other writing to be furnished the Agent or any Lender under any provision of this Consent must be in form and substance reasonably satisfactory to Agent.

(d) Headings. The headings and captions used in this Consent are for convenience only and will not be deemed to limit, amplify or modify the terms of this Consent, the Credit Agreement, or the other Loan Documents.

(e) Costs, Expenses and Attorneys' Fees. Borrower agrees to pay or reimburse Agent on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Consent, including, without limitation, the reasonable fees and disbursements of Agent's counsel.

(f) Multiple Counterparts. This Consent may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Consent, or any certificate delivered hereunder, by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Consent. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on Borrower, each Guarantor, Agent, and each Lender. Agent may also require that any such documents and signatures be confirmed by a manually-signed original; *provided that*, the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(g) Governing Law. This Consent and the other Loan Documents shall be construed, and their performance enforced, under Texas law.

8. Entirety. **THIS CONSENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG BORROWER, GUARANTORS, LENDERS AND AGENT AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

[Signatures are on the following pages.]

This Consent is executed as of the Effective Date.

BORROWER:

RIGNET, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

GUARANTORS:

LANDTEL, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

RIGNET SATCOM, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

LANDTEL COMMUNICATIONS, L.L.C.,
a Louisiana limited liability company

By: _____
Name: _____
Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

LENDER:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swingline Lender

By: _____

Name: _____

Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

LENDER:

COMPASS BANK,
as a Lender

By: _____

Name: _____

Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

LENDER:

WOODFOREST NATIONAL BANK, as a Lender

By: _____
Name: _____
Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

LENDER:

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION, as
a Lender

By: _____
Name: _____
Title: _____

Signature Page to
Consent and Waiver to Third Amended
and Restated Credit Agreement

SCHEDULE A

SPECIFIED CONTINGENT BOND OBLIGATIONS

(See attached.)

RESTRICTED STOCK UNIT AWARD AGREEMENT
RigNet, Inc. Omnibus Incentive Plan

This RESTRICTED STOCK UNIT AWARD AGREEMENT (this "*Agreement*") is made by and between RigNet, Inc. a Delaware corporation (the "*Company*"), and the Holder effective as of the Grant Date pursuant to the RigNet, Inc. Omnibus Incentive Plan (the "*Plan*"), a copy of which previously has been made available to the Holder and the terms and provisions of which are incorporated by reference herein. The Company hereby grants to the Holder the Restricted Stock Units specified herein (the "*RSUs*"):

Holder: _###PARTICIPANT_NAME###_

Grant Date: _###GRANT_DATE###_____

Number of RSUs: _###TOTAL_AWARDS###_____

Vesting Schedule The RSUs that are granted hereby shall be subject to the Forfeiture Restrictions during the Period of Restriction. The Forfeiture Restrictions shall lapse as to the RSUs that are awarded hereby in accordance with the following schedule, provided that the Holder's employment with the Company and its Affiliates has not terminated prior to the applicable lapse date:

###VEST_SCHEDULE_TABLE###

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated below:

- a. "**Cause**" is defined as any of the following: (i) the Holder's plea of guilty or nolo contendere, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by the Holder of fraud or dishonesty with respect to any aspect of the Company's business including, but not limited to, falsification of Company records; (iii) the Holder's failure to perform his duties (other than by reason of Disability); (iv) the Holder's engagement in misconduct that is materially injurious to the Company (monetarily or otherwise); (v) the Holder's breach of any confidentiality, noncompetition or non-solicitation obligations to the Company, including but not limited to engagement in Detrimental Activity; (vi) the Holder's commencement of employment with an unrelated employer; (vii) material violation by the Holder of any of the Company's written policies, including but not limited to any harassment and/or non-discrimination policies; or (viii) the Holder's gross negligence in the performance of his or her duties.
- b. "**Confidential Information**" means material of a secret or confidential nature relating to the business, products, or services of the Company or any Affiliate acquired by the Holder during employment with the Company or any Affiliate. "Confidential Information" excludes any information readily available to members of the general public.

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- c. **“Detrimental Activity”** shall include, unless otherwise modified by the Company in connection with a Change in Control: (i) rendering services for any person or organization, or engaging directly or indirectly in any business, which is or becomes competitive with the Company or any Affiliate; (ii) disclosing to anyone outside the Company or any Affiliate, other than the Company’s or any Affiliate’s business, without prior written authorization from the Company or any Affiliate, any Confidential Information; (iii) soliciting, interfering, inducing, or attempting to cause any employee of the Company or any Affiliate to leave his or her employment, whether done on the Holder’s own account or on account of any person, organization, or business which is or becomes competitive with the Company or any Affiliate; or (iv) directly or indirectly soliciting the trade or business of any customer of the Company or any Affiliate.
 - d. **“Forfeiture Restrictions”** shall mean the prohibitions and restrictions set forth herein with respect to the sale or other disposition of the RSUs issued to the Holder hereunder and the obligation to forfeit and surrender such RSUs to the Company.
 - e. **“Good Reason”** means the occurrence of any of the following without the Holder’s prior written consent: (i) a material adverse change in the Holder’s position, authority, duties or responsibilities, excluding a change in reporting relationships; (ii) a material reduction in the Holder’s base salary; (iii) a material diminution of the Holder’s employee benefits (including but not limited to medical, dental, life insurance and long-term disability plans); or (iv) the relocation of the Holder’s principal place of employment by more than 50 miles from such location as of the Grant Date. Notwithstanding the foregoing, a “Good Reason” shall not exist unless the Holder notifies the Company of the existence of the condition described in this Section 1(c) within ninety (90) days of the initial existence of the condition and the Company does not remedy the condition within thirty (30) days following receipt of such notice.
 - f. **“Period of Restriction”** shall mean the period during which RSUs are subject to Forfeiture Restrictions.

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

- 2. **Transfer Restrictions.** The RSUs granted hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, any shares of the Stock granted hereby upon vesting of the RSUs (the **“Shares”**) may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable securities laws. The Holder also agrees that the Company may (a) refuse to cause the transfer of the Shares to be registered on the applicable stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law; and (b) give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. The Shares are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Shares is available from the Company.

3. **Vesting.**

- a. **Forfeiture.** If the Holder ceases to be employed by the Company or an Affiliate for any reason before the applicable lapse date, other than in accordance with subsections (b) and (c) below, the Forfeiture Restrictions then applicable to the RSUs shall not lapse and all the RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Holder ceases to be employed by the Company or an Affiliate. If the Holder breaches, before the applicable lapse date, any non-competition, confidentiality, restrictive covenant or other similar agreement with the Company to which the Holder is subject, the Forfeiture Restrictions then applicable to the RSUs shall not lapse and all the RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Holder breaches such agreement or covenant.
 - b. **Death or Disability.** If the Holder's employment terminates due to death or Disability, all unvested RSUs shall automatically become 100% vested on the Holder's date of termination.
 - c. **Change in Control.** If a Change in Control occurs and the Holder's employment is terminated by the Company or an Affiliate without Cause or by the Holder for Good Reason, and the Holder's date of termination occurs within twelve (12) months following the Change in Control, all unvested RSUs shall automatically become 100% vested on the Holder's date of termination.
4. **RSUs Do Not Award Any Rights of a Shareholder.** The Holder shall not have the voting rights or any of the other rights, powers or privileges of a holder of Stock with respect to the RSUs that are awarded hereby. Only after a share is issued in exchange for an RSU will the Holder have all of the rights of a shareholder with respect to such share of Stock issued in exchange for an RSU.
5. **Delivery of Shares.** Upon the lapse of the Forfeiture Restrictions with respect to the RSUs granted hereby, the Company shall cause to be delivered to the Holder the Shares evidenced by stock certificates representing the Shares with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company, and such Shares shall be transferable by the Holder.
6. **Capital Adjustments and Reorganizations.** The existence of the RSUs shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

7. **Covenant Not To Compete; Solicit or Disclose Confidential Information.**

- a. The Holder acknowledges that he or she is in possession of and has access to Confidential Information and that he or she will continue to have such possession and access during employment by the Company. The Holder also acknowledges that the Company's business, products and services are highly specialized and that it is essential that they be protected, and, accordingly, the Holder agrees that as partial consideration for the RSUs granted herein that should the Holder engage in any Detrimental Activity at any time during his or her employment or during a period of one year following his or her termination, the Company shall be entitled to: (i) recover from the Holder the value of any portion of the RSUs that has been paid; (ii) seek injunctive relief against the Holder pursuant to the provisions of subsection (b) below; (iii) recover all damages, court costs, and attorneys' fees incurred by the Company in enforcing the provisions of this Agreement; and (iv) set off any such sums to which the Company is entitled hereunder against any such sum which may be owed to the Holder by the Company.
 - b. Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, the Holder agrees that the foregoing covenants may be enforced by the Company in the event of breach by him or her by injunction relief and restraining order, without the necessity of posting a bond, and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company.
 - c. The covenants and provisions of this Section 7 are severable and separate, and the unenforceability of any specific covenant or provision shall not affect the enforceability of any other covenant or provision. Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope or time set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the panel or court deems reasonable, and this Agreement shall thereby be reformed.
 - d. Each of the covenants in this Section 7 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Holder against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants or provisions.
8. **Tax Withholding.** To the extent that the receipt of the RSUs or the lapse of any Forfeiture Restrictions results in income to the Holder for federal, state or local income, employment or other tax purposes with respect to which the Company or any Affiliate has a withholding obligation, the Holder shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company or any Affiliate may require to meet its obligation under applicable tax laws or regulations, and, if the Holder fails to do so, the Company is authorized to withhold from the Shares granted hereby or from any cash or stock remuneration then or thereafter payable to the Holder in any capacity any tax required to be withheld by reason of such resulting income.
9. **No Fractional Shares.** All provisions of this Agreement concern whole shares. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

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10. **Nontransferability.** This Agreement is not transferable by the Holder otherwise than by will or by the laws of descent and distribution.
 11. **Employment Relationship.** For purposes of this Agreement, the Holder shall be considered to be in the employment of the Company and its Affiliates as long as the Holder has an employment relationship with the Company and its Affiliates. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 12. **Not an Employment Agreement.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Holder and the Company or any Affiliate, to guarantee the right to remain employed by the Company or any Affiliate for any specified term or require the Company or any Affiliate to employ the Holder for any period of time.
 13. **Legend.** The Holder consents to the placing on the certificate for the Shares an appropriate legend restricting resale or other transfer of the Shares except in accordance with all applicable securities laws and rules thereunder.
 14. **Notices.** Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be deemed to have been duly given when delivered or mailed to the Company or the Holder, as applicable, by (a) personal delivery; (b) United States registered mail, return receipt requested, postage prepaid, addressed to the Company at the then current address of the Company's principal corporate office, or to the Holder at the Holder's residential address indicated in the Company's records; or (c) email to the Company at LegalDesk@rig.net or to the Holder at the Holder's email address indicated in the Company's records.
 15. **Amendment and Waiver.** Except as otherwise provided herein or in the Plan or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed by the Company and the Holder. Only a written instrument executed and delivered by the party waiving compliance hereof shall make any waiver of the terms or conditions. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than the Holder. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.
 16. **Arbitration.** In the event of any difference of opinion concerning the meaning or effect of the Plan or this Agreement, such difference shall be resolved by the Committee. Any controversy arising out of or relating to the Plan or this Agreement shall be resolved by arbitration conducted in accordance with the terms of the Plan. The arbitration shall be final and binding on the parties.

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17. **Governing Law and Severability.** The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.
 18. **Successors and Assigns.** Subject to the limitations which this Agreement imposes upon the transferability of the RSUs granted hereby, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and to the Holder, the Holder's permitted assigns, executors, administrators, agents, legal and personal representatives.
 19. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original for all purposes but all of which taken together shall constitute one and the same instrument.
 20. **Recoupment.** If the Holder is subject to the Company's clawback policy (the "*Policy*"), the Holder agrees that the RSUs are subject to the terms of the Policy, as may be amended from time to time.
 21. **Compliance with Section 409A.** It is the Company's intent that this Agreement be exempt from the application of, or otherwise comply with, the requirements of Section 409A. Specifically, any taxable benefits or payments provided under this Agreement are intended to qualify for the short term deferral exception to Section 409A to the maximum extent possible. Although the Company will use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A, the tax treatment of the benefits provided under the Plan is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Holder (or any other individual claiming a benefit through the Holder) as a result of the Plan.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Holder and the Company agree and acknowledge that this grant of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Agreement.

Holder

By: _____
Name: [###PARTICIPANT_NAME###]

RigNet, Inc.

By: /s/ Steven E. Pickett _____
Name: Steven E. Pickett
Title: CEO & President

PERFORMANCE UNIT AWARD AGREEMENT
RigNet, Inc. Omnibus Incentive Plan

This PERFORMANCE UNIT AWARD AGREEMENT (this “*Agreement*”) is made by and between RigNet, Inc. a Delaware corporation (the “*Company*”), and the Holder effective as of the Grant Date pursuant to the RigNet, Inc. Omnibus Incentive Plan (the “*Plan*”), a copy of which previously has been made available to the Holder and the terms and provisions of which are incorporated by reference herein. The Company hereby grants to the Holder pursuant to the Plan the Performance Units specified herein (the “*Performance Units*”):

Holder:	<u>###PARTICIPANT_NAME###</u>
Grant Date:	March 20, 2019
Number of Performance Units:	<u>###TOTAL_AWARDS###</u>

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated below:
- a. “*Apps and IOT Revenue CAGR*” means, as determined in the sole discretion of the Committee, the rate of growth compounded annually in revenues reported in the Company’s Apps and IOT segment beginning on January 1, 2019 and ending on December 31, 2021.
 - b. “*Average 3-year AEBITDA Margin*” means, as determined in the sole discretion of the Committee, the mathematical average of the reported AEBITDA for the Company for each of 2019, 2020 and 2021 divided by the reported revenue of the Company for each of those periods.
 - c. “*Cause*” is defined as any of the following: (i) the Holder’s plea of guilty or nolo contendere, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by the Holder of fraud or dishonesty with respect to any aspect of the Company’s business including, but not limited to, falsification of Company records; (iii) the Holder’s failure to perform his duties (other than by reason of Disability); (iv) the Holder’s engagement in misconduct that is materially injurious to the Company (monetarily or otherwise); (v) the Holder’s breach of any confidentiality, noncompetition or non-solicitation obligations to the Company, including but not limited to engagement in Detrimental Activity; (vi) the Holder’s commencement of employment with an unrelated employer; (vii) material violation by the Holder of any of the Company’s written policies, including but not limited to any harassment and/or non-discrimination policies; or (viii) the Holder’s gross negligence in the performance of his or her duties.
 - d. “*Confidential Information*” means material of a secret or confidential nature relating to the business, products, or services of the Company or any Affiliate acquired by the Holder during employment with the Company or any Affiliate. “Confidential Information” excludes any information readily available to members of the general public.

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- e. **“Detrimental Activity”** shall include, unless otherwise modified by the Company in connection with a Change in Control: (i) rendering services for any person or organization, or engaging directly or indirectly in any business, which is or becomes competitive with the Company or any Affiliate; (ii) disclosing to anyone outside the Company or any Affiliate, other than the Company’s or any Affiliate’s business, without prior written authorization from the Company or any Affiliate, any Confidential Information; (iii) soliciting, interfering, inducing, or attempting to cause any employee of the Company or any Affiliate to leave his or her employment, whether done on the Holder’s own account or on account of any person, organization, or business which is or becomes competitive with the Company or any Affiliate; or (iv) directly or indirectly soliciting the trade or business of any customer of the Company or any Affiliate, which is or becomes competitive with the Company or any Affiliate.
 - f. **“Forfeiture Restrictions”** means the prohibitions and restrictions set forth herein with respect to the sale or other disposition of the Performance Units issued to the Holder hereunder and the obligation to forfeit and surrender such Performance Units to the Company.
 - g. **“Good Reason”** means the occurrence of any of the following without the Holder’s prior written consent: (i) a material adverse change in the Holder’s position, authority, duties or responsibilities, excluding a change in reporting relationships; (ii) a material reduction in the Holder’s base salary; (iii) a material diminution of the Holder’s employee benefits (including but not limited to medical, dental, life insurance and long-term disability plans); or (iv) the relocation of the Holder’s principal place of employment by more than 50 miles from such location as of the Grant Date. Notwithstanding the foregoing, a “Good Reason” shall not exist unless the Holder notifies the Company of the existence of the condition described in this Section 1(g) within ninety (90) days of the initial existence of the condition and the Company does not remedy the condition within thirty (30) days following receipt of such notice.
 - h. **“Payment Date”** means the earlier of (i) the date that is two and one-half (2 ½) months after the end of the calendar year in which the Performance Units become 100% vested, or (ii) the date that is two and one-half (2 ½) months after the end of the calendar year containing the last day of the Performance Award Period.
 - i. **“Performance Award Period”** means the three (3) year period that begins on the first day of the 2019 Performance Period and ends on the last day of the 2021 Performance Period.
 - j. **“Total Revenue CAGR”** means, as determined in the sole discretion of the Committee, the rate of growth compounded annually in consolidated revenues reported by the Company beginning on January 1, 2019 and ending on December 31, 2021.

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

2. Grant of Performance Units.

- a. **Metrics.** For purposes of determining the vesting of, and the payment, if any, to be made with respect to, the Performance Units, the Performance Units are based on three independent metrics: (1) Total Revenue CAGR, (2) Average 3-year AEBITDA Margin, and (3) Apps and IOT Revenue CAGR. One third of the Performance Units will be attributed to each metric. The actual number of Performance Units that may be earned by the Holder will be determined as described below, based upon the actual results for the Performance Award Period:

<u>Funding Metric</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Total Revenue CAGR	4%	6%	8%
Average 3-year AEBITDA Margin	14%	16%	18%
Apps & IOT Revenue CAGR	17%	21%	25%
Performance Factor	80%	100%	200%

The Performance Units that are granted hereby shall be subject to the Forfeiture Restrictions. The Holder shall have no vested interest in the Performance Units credited to his or her bookkeeping ledger account except as set forth in this Section 2. On or before the Payment Date, and after satisfaction of the Holder's tax withholding obligations described in Section 8, the Company shall issue to the Holder that number of shares of Stock, if any, calculated or otherwise determined pursuant to this Agreement in exchange for the Performance Units that vested as a result of the lapse of the applicable Forfeiture Restrictions and thereafter the Holder shall have no further rights with respect to such vested Performance Units.

- b. **Forfeiture.** If the Holder ceases to be employed by the Company or an Affiliate for any reason before the applicable lapse date, other than in accordance with subsections (c) and (d) below, the Forfeiture Restrictions then applicable to the Performance Units shall not lapse and all the Performance Units then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Holder ceases to be employed by the Company or an Affiliate. If the Holder breaches, before the applicable lapse date, any non-competition, confidentiality, restrictive covenant or other similar agreement with the Company to which the Holder is subject, the Forfeiture Restrictions then applicable to the Performance Units shall not lapse and all the Performance Units then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date the Holder breaches such agreement or covenant.
- c. **Death, Disability and Retirement.** If the Holder's employment terminates due to (i) death, (ii) Disability or (iii) retirement after having reached both 60 years of age and five years of service before the last day of the Performance Award Period, all unvested Performance Units (at target) shall automatically become 100% vested on the Holder's date of termination.

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- d. **Change in Control.** If a Change in Control occurs on or before the last day of the Performance Award Period while the Holder is employed with the Company, all unvested Performance Units (at the higher of target or calculated achievement to date) shall automatically become 100% vested upon such Change in Control.
3. **Delivery of Shares.** Upon the lapse of the Forfeiture Restrictions with respect to the Performance Units granted hereby, the Company shall cause to be delivered to the Holder any shares of Stock that are to be issued under the terms of this Agreement in exchange for all vested Performance Units awarded hereby. The shares shall be evidenced by stock certificates with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company, and such shares shall be transferable by the Holder. The maximum number of shares of Stock that may be paid under this Agreement is two times the number of Performance Units indicated on Page 1 of this Agreement.
4. **Performance Units Do Not Award Any Rights of a Shareholder.** The Holder shall not have the voting rights or any of the other rights, powers or privileges of a holder of Stock with respect to the Performance Units that are awarded hereby. Only after a share is issued in exchange for a Performance Unit will the Holder have all of the rights of a shareholder with respect to such share of Stock issued in exchange for a Performance Unit.
5. **Transfer Restrictions.** The Performance Units granted hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, any shares of Stock issued to the Holder in exchange for Performance Units awarded hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable securities laws. The Holder also agrees that the Company may (a) refuse to cause the transfer of any such shares to be registered on the applicable stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law; and (b) give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares of Stock. The shares of Stock that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Stock is available from the Company.
6. **Capital Adjustments and Reorganizations; Acquisitions and Divestitures.** The existence of the Performance Units shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding. If, during the Performance Award Period, the Company or any of its subsidiaries acquire or dispose of, by any means including by asset or equity purchase or sale or by merger, any entity, business or material group of assets, the Committee shall revise the threshold, target and maximum for the Performance Period of such acquisition or disposition and all subsequent Performance Periods as the Committee determines is necessary to properly adjust such amounts to reflect the results of such transaction.

7. **Covenant Not To Compete; Solicit or Disclose Confidential Information.**

- a. The Holder acknowledges that he or she is in possession of and has access to Confidential Information and that he or she will continue to have such possession and access during employment by the Company. The Holder also acknowledges that the Company's business, products and services are highly specialized and that it is essential that they be protected, and, accordingly, the Holder agrees that as partial consideration for the Performance Units granted herein that should the Holder engage in any Detrimental Activity at any time during his or her employment or during a period of one (1) year following his or her termination, the Company shall be entitled to: (i) recover from the Holder the value of any portion of the Performance Units that has been paid; (ii) seek injunctive relief against the Holder pursuant to the provisions of subsection (b) below; (iii) recover all damages, court costs, and attorneys' fees incurred by the Company in enforcing the provisions of this Agreement; and (iv) set off any such sums to which the Company is entitled hereunder against any such sum which may be owed to the Holder by the Company.
 - b. Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, the Holder agrees that the foregoing covenants may be enforced by the Company in the event of breach by him or her by injunction relief and restraining order, without the necessity of posting a bond, and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company.
 - c. The covenants and provisions of this Section 7 are severable and separate, and the unenforceability of any specific covenant or provision shall not affect the enforceability of any other covenant or provision. Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope or time set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the panel or court deems reasonable, and this Agreement shall thereby be reformed.
 - d. Each of the covenants in this Section 7 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Holder against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants or provisions.
8. **Tax Withholding.** To the extent that the receipt of the Performance Units, any payment in cash or shares of Stock or the lapse of any Forfeiture Restrictions results in income to the Holder for federal, state or local income, employment or other tax purposes with respect to which the Company or any Affiliate has a withholding obligation, the Holder shall deliver to the Company at the time of such receipt, payment or lapse, as the case may be, such amount of money as the Company or any Affiliate may require to meet its obligation under applicable tax laws or regulations, and, if the Holder fails to do so, the Company is authorized to withhold from the shares of Stock awarded hereunder or from any cash or stock remuneration then or thereafter payable to the Holder in any capacity any tax required to be withheld by reason of such resulting income.

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9. **No Fractional Shares.** All provisions of this Agreement concern whole shares. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.
 10. **Nontransferability.** This Agreement is not transferable by the Holder otherwise than by will or by the laws of descent and distribution.
 11. **Employment Relationship.** For purposes of this Agreement, the Holder shall be considered to be in the employment of the Company and its Affiliates as long as the Holder has an employment relationship with the Company and its Affiliates. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 12. **Not an Employment Agreement.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Holder and the Company or any Affiliate, to guarantee the right to remain employed by the Company or any Affiliate for any specified term or require the Company or any Affiliate to employ the Holder for any period of time.
 13. **Legend.** The Holder consents to the placing on the certificate for any shares of Stock issued under this Agreement in certificated form an appropriate legend restricting resale or other transfer of such shares except in accordance with all applicable securities laws and rules thereunder.
 14. **Notices.** Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be deemed to have been duly given when delivered or mailed to the Company or the Holder, as applicable, by (a) personal delivery; (b) United States registered mail, return receipt requested, postage prepaid, addressed to the Company at the then current address of the Company's principal corporate office, or to the Holder at the Holder's residential address indicated in the Company's records; or (c) email to the Company at LegalDesk@rignet.com or to the Holder at the Holder's email address indicated in the Company's records.
 15. **Amendment and Waiver.** Except as otherwise provided herein or in the Plan or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed by the Company and the Holder. Only a written instrument executed and delivered by the party waiving compliance hereof shall make any waiver of the terms or conditions. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than the Holder. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.

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16. **Disputes.** In the event of any difference of opinion concerning the meaning or effect of the Plan or this Agreement, such difference shall be resolved by the Committee. Any controversy arising out of or relating to the Plan or this Agreement shall be resolved by the state and federal courts sitting in Harris County, Texas.
 17. **Governing Law and Severability.** The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.
 18. **Successors and Assigns.** Subject to the limitations which this Agreement imposes upon the transferability of the Performance Units granted hereby and any shares of Stock issued hereunder, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and to the Holder, the Holder's permitted assigns, executors, administrators, agents, legal and personal representatives.
 19. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original for all purposes but all of which taken together shall constitute but one and the same instrument.
 20. **Recoupment.** The Holder acknowledges and agrees that all payments made under this Agreement are subject to the Company's clawback policy, as it may be amended from time to time (the "**Policy**"). If at any time after an amount is paid under this Agreement the financial results of the Company and/or its Affiliates are restated (other than a restatement caused by a change in applicable accounting rules or interpretations) and such restated financial results would have resulted in fewer shares of Stock being paid under this Agreement if such restated financial results had been taken into account originally in determining the vesting of the Performance Units then the vesting of the Performance Units shall be recalculated under the applicable provisions of this Agreement taking into account such restated financial results and the Holder or, if the Holder has died, the Holder's estate, will, to the extent required by governing law or regulations, as they may be amended from time to time, and/or the Policy, repay to the Company, upon demand by the Company, any shares of Stock delivered under this Agreement in excess of the number of shares that would have been delivered if the restated financial results had been taken into account originally in determining the vesting of the Performance Units.
 21. **Compliance with Section 409A.** This Agreement is subject to, and intended to comply with the requirements of, Section 409A. This Agreement shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. Although the Company will use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A, the tax treatment of the benefits provided under the Plan is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Holder (or any other individual claiming a benefit through the Holder) as a result of the Plan.

IN WITNESS WHEREOF, the Holder and the Company agree and acknowledge that this grant of Performance Units is granted under and governed by the terms and conditions of the Plan and this Agreement.

Holder

By: _____
Name: ###PARTICIPANT_NAME###

RigNet, Inc.

By: /s/ Steven Pickett _____
Name: Steven Pickett
Title: CEO

INCENTIVE STOCK OPTION AWARD AGREEMENT
RigNet, Inc. Omnibus Incentive Plan

This INCENTIVE STOCK OPTION AWARD AGREEMENT (this “*Agreement*”) is made by and between RigNet, Inc. a Delaware corporation (the “*Company*”), and the Holder effective as of the Grant Date pursuant to the RigNet, Inc. Omnibus Incentive Plan (the “*Plan*”), a copy of which previously has been made available to the Holder and the terms and provisions of which are incorporated by reference herein. The Company hereby grants to the Holder an option to purchase the number of shares of Stock of the Company as specified herein (the “*Option*”):

Holder:	_____##PARTICIPANT_NAME###____
Grant Date:	_____##GRANT_DATE###____
Expiration Date:	_____##EXPIRY_DATE###____
Number of Option Shares:	_____##TOTAL_AWARDS###____
Option Price per Share:	_____##GRANT_PRICE###____
Vesting Schedule	The Option that is granted hereby shall vest and become exercisable in accordance with the following schedule, provided that the Holder’s employment with the Company and its Affiliates has not terminated prior to the applicable vesting date: ###VEST_SCHEDULE_TABLE###

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated below:
 - a. “*Cause*” is defined as any of the following: (i) the Holder’s plea of guilty or nolo contendere, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by the Holder of fraud or dishonesty with respect to any aspect of the Company’s business including, but not limited to, falsification of Company records; (iii) the Holder’s failure to perform his duties (other than by reason of Disability); (iv) the Holder’s engagement in misconduct that is materially injurious to the Company (monetarily or otherwise); (v) the Holder’s breach of any confidentiality, noncompetition or non-solicitation obligations to the Company, including but not limited to engagement in Detrimental Activity; (vi) the Holder’s commencement of employment with an unrelated employer; (vii) material violation by the Holder of any of the Company’s written policies, including but not limited to any harassment and/or non-discrimination policies; or (viii) the Holder’s gross negligence in the performance of his or her duties.
 - b. “*Confidential Information*” means material of a secret or confidential nature relating to the business, products, or services of the Company or any Affiliate acquired by the Holder during employment with the Company or any Affiliate. “Confidential Information” excludes any information readily available to members of the general public.

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- c. **“Detrimental Activity”** shall include, unless otherwise modified by the Company in connection with a Change in Control: (i) rendering services for any person or organization, or engaging directly or indirectly in any business, which is or becomes competitive with the Company or any Affiliate; (ii) disclosing to anyone outside the Company or any Affiliate, other than the Company’s or any Affiliate’s business, without prior written authorization from the Company or any Affiliate, any Confidential Information; (iii) soliciting, interfering, inducing, or attempting to cause any employee of the Company or any Affiliate to leave his or her employment, whether done on the Holder’s own account or on account of any person, organization, or business which is or becomes competitive with the Company or any Affiliate; or (iv) directly or indirectly soliciting the trade or business of any customer of the Company or any Affiliate.
- d. **“Good Reason”** means the occurrence of any of the following without the Holder’s prior written consent: (i) a material adverse change in the Holder’s position, authority, duties or responsibilities, excluding a change in reporting relationships; (ii) a material reduction in the Holder’s base salary; (iii) a material diminution of the Holder’s employee benefits (including but not limited to medical, dental, life insurance and long-term disability plans); or (iv) the relocation of the Holder’s principal place of employment by more than 50 miles from such location as of the Grant Date. Notwithstanding the foregoing, a “Good Reason” shall not exist unless the Holder notifies the Company of the existence of the condition described in this Section 1(c) within ninety (90) days of the initial existence of the condition and the Company does not remedy the condition within thirty (30) days following receipt of such notice.

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

2. **Grant of Option.** The Option is intended to be an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code (the “Code”), although the Company makes no representation or guarantee that the Option will qualify as an Incentive Stock Option. To the extent that the aggregate Fair Market Value (determined on the Grant Date) of the shares of Stock with respect to which Incentive Stock Options are exercisable for the first time by the Holder during any calendar year (under all plans of the Company and its Affiliates) exceeds \$100,000, the Option or portions thereof which exceeds such limit (according to the order in which they were granted) shall be treated as Non-Qualified Stock Options. The Option shall expire on the Expiration Date.
3. **Vesting.**
- a. **Forfeiture.** If the Holder ceases to be employed by the Company or an Affiliate for any reason before the applicable vesting date, other than in accordance with subsections (b) and (c) below, the unvested portion of the Option shall be forfeited to the Company on the date the Holder ceases to be employed by the Company or an Affiliate. If the Holder breaches, before the applicable vesting date, any non-competition, confidentiality, restrictive covenant or other similar agreement with the Company to which the Holder is subject, the unvested portion of the Option shall be forfeited to the Company on the date the Holder breaches such agreement or covenant. The Holder may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (i) the date three (3) months following the termination of the Holder’s employment with the Company, or (ii) the Expiration Date.

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- b. **Death or Disability.** If the Holder's employment terminates due to death or Disability, the unvested portion of the Option shall automatically become 100% vested on the Holder's date of termination. The Holder or, in the case of the Holder's death, the Holder's executor, administrator, heir or legatee, as the case may be, may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (i) the date twelve (12) months following the termination of the Holder's employment with the Company, or (ii) the Expiration Date.
- c. **Change in Control.** If a Change in Control occurs and the Holder's employment is terminated by the Company or an Affiliate without Cause or by the Holder for Good Reason, and the Holder's date of termination occurs within twelve (12) months following the Change in Control, the unvested portion of the Option shall automatically become 100% vested on the Holder's date of termination. The Holder may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (i) the date three (3) months following the termination of the Holder's employment with the Company, or (ii) the Expiration Date.
4. **Option Does Not Award Any Rights of a Shareholder.** The Holder shall not have the voting rights or any of the other rights, powers or privileges of a holder of Stock with respect to the Option that is awarded hereby. Only after the Option is exercised will the Holder have all of the rights of a shareholder with respect to each share of Stock issued in exchange for the Option.
5. **Manner of Exercise.**
- a. **Election to Exercise.** To exercise the Option, the Holder or in the case of exercise after the Holder's death or incapacity, the Holder's executor, administrator, heir or legatee, as the case may be shall deliver to the Company a fully completed and executed notice of exercise ("**Notice of Exercise**"), in such form as may be designated by the Company in its sole discretion, which shall set forth, inter alia:
- i. the Holder's election to exercise the Option;
 - ii. the number of shares of Stock being purchased;
 - iii. any restrictions imposed on the shares; and
 - iv. any representations, warranties and agreements regarding the Holder's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

If someone other than the Holder exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

- b. **Payment of Option Price.** The Option Price for the shares of Stock to be acquired on exercise of the Option shall be payable in full at the time of exercise in accordance with the provisions of the Plan, as amended from time to time, plus an amount sufficient to satisfy any tax withholding obligations of the Company that arise in connection with such exercise (as determined by the Company) in accordance with the provisions of the Plan pertaining to the methods of exercise.
 - c. **Issuance of Shares.** Provided that the exercise notice and payment are in form and substance satisfactory to the Company, the Company shall issue the shares of Stock registered in the name of the Holder, the Holder's authorized assignee, or the Holder's legal representative which shall be evidenced by stock certificates representing the shares with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company, and such shares shall be transferable by the Holder (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable securities law).
6. **Qualification as an Incentive Stock Option.** It is understood that this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code to the extent permitted under applicable law. Accordingly, the Holder understands that in order to obtain the benefits of an Incentive Stock Option, no sale or other disposition may be made of shares for which Incentive Stock Option treatment is desired within one (1) year following the date of exercise of the Option or within two (2) years from the Grant Date. The Holder understands and agrees that the Company shall not be liable or responsible for any additional tax liability the Holder incurs in the event that the Internal Revenue Service for any reason determines that this Option does not qualify as an Incentive Stock Option within the meaning of the Code.
 7. **Disqualifying Disposition.** If the Holder disposes of the shares of Stock prior to the expiration of either two (2) years from the Grant Date or one (1) year from the date the shares are transferred to the Holder pursuant to the exercise of the Option (a "**Disqualifying Disposition**"), the Holder shall notify the Company in writing within ten (10) days after such disposition of the date and terms of such disposition. The Holder also agrees to provide the Company with any information concerning any such dispositions as the Company requires for tax purposes.
 8. **Transferability.** No portion of the Option may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and all Incentive Stock Options granted to an Employee herein shall be exercisable during his or her lifetime only by such Employee.

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9. **Capital Adjustments and Reorganizations.** The existence of the Option shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
10. **Covenant Not To Compete; Solicit or Disclose Confidential Information.**
- a. The Holder acknowledges that he or she is in possession of and has access to Confidential Information and that he or she will continue to have such possession and access during employment by the Company. The Holder also acknowledges that the Company's business, products and services are highly specialized and that it is essential that they be protected, and, accordingly, the Holder agrees that as partial consideration for the Option granted herein that should the Holder engage in any Detrimental Activity at any time during his or her employment or during a period of one year following his or her termination, the Company shall be entitled to: (i) recover from the Holder any shares that have been issued under the Option; (ii) seek injunctive relief against the Holder pursuant to the provisions of subsection (b) below; (iii) recover all damages, court costs, and attorneys' fees incurred by the Company in enforcing the provisions of this Agreement; and (iv) set off any such sums to which the Company is entitled hereunder against any such sum which may be owed to the Holder by the Company.
 - b. Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, the Holder agrees that the foregoing covenants may be enforced by the Company in the event of breach by him or her by injunction relief and restraining order, without the necessity of posting a bond, and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company.
 - c. The covenants and provisions of this Section 10 are severable and separate, and the unenforceability of any specific covenant or provision shall not affect the enforceability of any other covenant or provision. Moreover, in the event any arbitrator or court of competent jurisdiction shall determine that the scope or time set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the panel or court deems reasonable, and this Agreement shall thereby be reformed.
 - d. Each of the covenants in this Section 10 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Holder against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants or provisions.
11. **Tax Withholding.** To the extent that the receipt of the Option, any payment in cash or shares of Stock or the vesting of the Option results in income to the Holder for federal, state or local income, employment or other tax purposes with respect to which the Company or any Affiliate has a withholding obligation, the Holder shall deliver to the Company at the time of such

receipt, payment or vesting, as the case may be, such amount of money as the Company or any Affiliate may require to meet its obligation under applicable tax laws or regulations, and, if the Holder fails to do so, the Company is authorized to withhold from the shares granted hereby or from any cash or stock remuneration then or thereafter payable to the Holder in any capacity any tax required to be withheld by reason of such resulting income.

12. **No Fractional Shares.** All provisions of this Agreement concern whole shares. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.
13. **Nontransferability.** This Agreement is not transferable by the Holder otherwise than by will or by the laws of descent and distribution.
14. **Employment Relationship.** For purposes of this Agreement, the Holder shall be considered to be in the employment of the Company and its Affiliates as long as the Holder has an employment relationship with the Company and its Affiliates. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
15. **Not an Employment Agreement.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Holder and the Company or any Affiliate, to guarantee the right to remain employed by the Company or any Affiliate for any specified term or require the Company or any Affiliate to employ the Holder for any period of time.
16. **Legend.** The Holder consents to the placing on the certificate for the shares issued hereunder an appropriate legend restricting resale or other transfer of the shares except in accordance with all applicable securities laws and rules thereunder.
17. **Notices.** Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be deemed to have been duly given when delivered or mailed to the Company or the Holder, as applicable, by (a) personal delivery; (b) United States registered mail, return receipt requested, postage prepaid, addressed to the Company at the then current address of the Company's principal corporate office, or to the Holder at the Holder's residential address indicated in the Company's records; or (c) email to the Company at LegalDesk@rig.net or to the Holder at the Holder's email address indicated in the Company's records.
18. **Amendment and Waiver.** Except as otherwise provided herein or in the Plan or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed by the Company and the Holder. Only a written instrument executed and delivered by the party waiving compliance hereof shall make any waiver of the terms or conditions. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than the Holder. The failure of any party at any time or times to require performance of any

provisions hereof shall in no manner effect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.

19. **Arbitration.** In the event of any difference of opinion concerning the meaning or effect of the Plan or this Agreement, such difference shall be resolved by the Committee. Any controversy arising out of or relating to the Plan or this Agreement shall be resolved by arbitration conducted in accordance with the terms of the Plan. The arbitration shall be final and binding on the parties.
20. **Governing Law and Severability.** The validity, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.
21. **Successors and Assigns.** Subject to the limitations which this Agreement imposes upon the transferability of the Option granted hereby, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and to the Holder, the Holder's permitted assigns, executors, administrators, agents, legal and personal representatives.
22. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original for all purposes but all of which taken together shall constitute one and the same instrument.
23. **Recoupment.** If the Holder is subject to the Company's clawback policy (the "*Policy*"), the Holder agrees that the Option is subject to the terms of the Policy, as may be amended from time to time.
24. **Compliance with Section 409A.** It is the Company's intent that this Agreement be exempt from the application of, or otherwise comply with, the requirements of Section 409A. Specifically, any taxable benefits or payments provided under this Agreement are intended to qualify for the statutory stock option exception to Section 409A to the maximum extent possible and, to the extent they do not so qualify, are intended to qualify for the nonstatutory stock option exception to Section 409A to the maximum extent possible. Although the Company will use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A, the tax treatment of the benefits provided under the Plan is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Holder (or any other individual claiming a benefit through the Holder) as a result of the Plan.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Holder and the Company agree and acknowledge that this Option is granted under and governed by the terms and conditions of the Plan and this Agreement.

Holder

By: _____
Name: [NAME]

RigNet, Inc.

By: /s/ Steven E. Pickett _____
Name: Steven E. Pickett
Title: CEO & President

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:

- a. I have reviewed this Quarterly Report on Form 10-Q of RigNet, Inc. (the “Registrant”);
- b. 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;
- c. 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;
- d. 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
- e. 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.

Date: May 9, 2019

By: /s/ STEVEN E. PICKETT
Steven E. Pickett
Chief Executive Officer and President

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, Lee Ahlstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

Date: May 9, 2019

/s/ LEE AHLSTROM

Lee Ahlstrom
Chief Financial Officer

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 Quarterly Report on Form 10-Q for the period ended March 31, 2019 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: May 9, 2019

/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 Quarterly Report on Form 10-Q for the period ended March 31, 2019 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee Ahlstrom, 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: May 9, 2019

/s/ LEE AHLSTROM

Lee Ahlstrom
Chief Financial Officer