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 June 30, 2017

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 July 31, 2017, there were outstanding 18,225,241 shares of the registrant's Common Stock.

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PART I – FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements***

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
	(in thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,699	$ 57,152
Restricted cash	41	139
Accounts receivable, net	47,019	48,672
Costs and estimated earnings in excess of billings on uncompleted contracts	3,376	2,382
Prepaid expenses and other current assets	9,312	10,379
Total current assets	**102,447**	**118,724**
Property, plant and equipment, net	57,475	59,757
Restricted cash	1,500	1,514
Goodwill	27,300	21,998
Intangibles, net	20,944	16,028
Deferred tax and other assets	13,039	12,951
TOTAL ASSETS	**$ 222,705**	**$ 230,972**
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 10,878	$ 9,057
Accrued expenses	12,928	12,835
Current maturities of long-term debt	8,546	8,478
Income taxes payable	197	877
Deferred revenue and other current liabilities	8,375	3,625
Total current liabilities	**40,924**	**34,872**
Long-term debt	38,570	52,990
Deferred revenue	231	254
Deferred tax liability	655	256
Other liabilities	28,274	30,022
Total liabilities	**108,654**	**118,394**
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 June 30, 2017 or December 31, 2016	—	—
Common stock - $0.001 par value; 191,000,000 shares authorized; 18,225,241 and 17,932,598 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	18	18
Treasury stock - 5,516 and no shares at June 30, 2017 and December 31, 2016, respectively, at cost	(116)	—
Additional paid-in capital	153,951	147,906
Accumulated deficit	(23,825)	(17,550)
Accumulated other comprehensive loss	(16,205)	(17,971)
Total stockholders' equity	**113,823**	**112,403**
Non-redeemable, non-controlling interest	228	175
Total equity	**114,051**	**112,578**
TOTAL LIABILITIES AND EQUITY	**$ 222,705**	**$ 230,972**

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Revenue	**$ 49,162**	**$ 54,911**	**$ 97,234**	**$ 117,252**
Expenses:				
Cost of revenue (excluding depreciation and amortization)	33,038	33,276	62,913	69,552
Depreciation and amortization	7,552	9,013	14,868	17,256
Impairment of intangible assets	—	397	—	397
Selling and marketing	2,132	1,943	3,568	3,835
General and administrative	9,878	13,576	20,390	28,917
Total expenses	**52,600**	**58,205**	**101,739**	**119,957**
Operating loss	**(3,438)**	**(3,294)**	**(4,505)**	**(2,705)**
Other income (expense):				
Interest expense	(613)	(643)	(1,232)	(1,311)
Other income (expense), net	(260)	315	(147)	29
Loss before income taxes	(4,311)	(3,622)	(5,884)	(3,987)
Income tax benefit (expense)	101	(1,234)	(313)	(2,136)
Net loss	**(4,210)**	**(4,856)**	**(6,197)**	**(6,123)**
Less: Net income (loss) attributable to non-redeemable, non-controlling interest	39	(105)	78	(39)
Net loss attributable to RigNet, Inc. stockholders	**$ (4,249)**	**$ (4,751)**	**$ (6,275)**	**$ (6,084)**
COMPREHENSIVE LOSS				
Net loss	$ (4,210)	$ (4,856)	$ (6,197)	$ (6,123)
Foreign currency translation	905	(2,133)	1,766	(1,591)
Comprehensive loss	**(3,305)**	**(6,989)**	**(4,431)**	**(7,714)**
Less: Comprehensive income (loss) attributable to non-controlling interest	39	(105)	78	(39)
Comprehensive loss attributable to RigNet, Inc. stockholders	**$ (3,344)**	**$ (6,884)**	**$ (4,509)**	**$ (7,675)**
LOSS PER SHARE - BASIC AND DILUTED				
Net loss attributable to RigNet, Inc. common stockholders	$ (4,249)	$ (4,751)	$ (6,275)	$ (6,084)
Net loss per share attributable to RigNet, Inc. common stockholders, basic	$ (0.24)	$ (0.27)	$ (0.35)	$ (0.35)
Net loss per share attributable to RigNet, Inc. common stockholders, diluted	$ (0.24)	$ (0.27)	$ (0.35)	$ (0.35)
Weighted average shares outstanding, basic	17,985	17,634	17,929	17,624
Weighted average shares outstanding, diluted	17,985	17,634	17,929	17,624

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

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (6,197)	$ (6,123)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	14,868	17,256
Impairment of intangible assets	—	397
Stock-based compensation	1,942	1,842
Amortization of deferred financing costs	151	85
Deferred taxes	74	(1,627)
Change in fair value of earn-out/contingent consideration	(846)	—
Accretion of discount of contingent consideration payable for acquisitions	272	234
(Gain) loss on sales of property, plant and equipment, net of retirements	50	(150)
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	1,777	13,676
Costs and estimated earnings in excess of billings on uncompleted contracts	(894)	4,670
Prepaid expenses and other assets	909	(2,727)
Accounts payable	(24)	(2,777)
Accrued expenses	(1,034)	(5,952)
Deferred revenue	5,325	(1,161)
Other liabilities	(7,090)	797
Net cash provided by operating activities	**9,283**	**18,440**
Cash flows from investing activities:		
Acquisition of Cyphre Security Solutions and Orgtec S.A.P.I. de C.V., d.b.a. Tecnor, respectively	(4,900)	(4,841)
Capital expenditures	(6,522)	(9,430)
Proceeds from sales of property, plant and equipment	247	183
Increase (decrease) in restricted cash	112	(1,255)
Net cash used in investing activities	**(11,063)**	**(15,343)**
Cash flows from financing activities:		
Proceeds from issuance of common stock	683	644
Subsidiary distributions to non-controlling interest	(25)	(123)
Repayments of long-term debt	(14,503)	(4,280)
Payment of financing fees	—	(100)
Net cash used in financing activities	**(13,845)**	**(3,859)**
Net decrease in cash and cash equivalents	**(15,625)**	**(762)**
Cash and cash equivalents:		
Balance, January 1,	57,152	60,468
Changes in foreign currency translation	1,172	(250)
Balance, June 30,	**$ 42,699**	**$ 59,456**
Supplemental disclosures:		
Income taxes paid	$ 1,103	$ 4,910
Interest paid	$ 873	$ 991
Non-cash investing - capital expenditures accrued	$ 3,595	$ 969
Non-cash investing - tenant improvement allowance	$ 1,728	$ —
Non-cash investing - contingent consideration for acquisitions	$ 3,798	$ 6,425
Non-cash investing and financing - stock for Cyphre Security Solutions	$ 3,304	$ —
Liabilities assumed in acquisitions	$ 100	$ 2,408

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

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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						
						(in thousands)				
Balance, January 1, 2016	**17,758**	**$ 18**	**—**	**$ —**	**$ 143,012**	**$ (6,043)**	**$ (13,836)**	**$ 123,151**	**$ 162**	**$ 123,313**
Issuance of common stock upon the exercise of stock options	81	—	—	—	644	—	—	644	—	644
Restricted common stock cancellations	(33)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,842	—	—	1,842	—	1,842
Foreign currency translation	—	—	—	—	—	—	(1,591)	(1,591)	—	(1,591)
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(123)	(123)
Net income (loss)	—	—	—	—	—	(6,084)	—	(6,084)	(39)	(6,123)
Balance, June 30, 2016	**17,806**	**$ 18**	**—**	**$ —**	**$ 145,498**	**$ (12,127)**	**$ (15,427)**	**$ 117,962**	**$ —**	**$ 117,962**
Balance, January 1, 2017	**17,933**	**$ 18**	**—**	**$ —**	**$ 147,906**	**$ (17,550)**	**$ (17,971)**	**$ 112,403**	**$ 175**	**$ 112,578**
Issuance of common stock upon the exercise of stock options	57	—	—	—	799	—	—	799	—	799
Issuance of common stock upon the vesting of Restricted Stock Units, net of share cancellations	49	—	—	—	—	—	—	—	—	—
Issuance of common stock upon the acquisition of Cyphre	192	—	—	—	3,304	—	—	3,304	—	3,304
Stock witheld to cover employee taxes on stock-based compensation	(6)	—	6	(116)	—	—	—	(116)	—	(116)
Stock-based compensation	—	—	—	—	1,942	—	—	1,942	—	1,942
Foreign currency translation	—	—	—	—	—	—	1,766	1,766	—	1,766
Non-controlling owner distributions	—	—	—	—	—	—	—	—	(25)	(25)
Net income (loss)	—	—	—	—	—	(6,275)	—	(6,275)	78	(6,197)
Balance, June 30, 2017	**18,225**	**$ 18**	**6**	**$ (116)**	**$ 153,951**	**$ (23,825)**	**$ (16,205)**	**$ 113,823**	**$ 228**	**$ 114,051**

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, 2016 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2017.

Significant Accounting Policies

Please refer to RigNet's Annual Report on Form 10-K for fiscal year 2016 for information regarding the Company's accounting policies.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 (ASU 2015-14), Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08 (ASU 2016-08), Revenue from Contracts with Customers: Principal versus Agent Considerations. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. In April and May of 2016, the FASB issued Accounting Standards Update No. 2016-10 (ASU 2016-10) and Accounting Standards Update No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606), respectively, that provide scope amendments, performance obligations clarification and practical expedients. These ASUs allow for the use of either the full or modified retrospective transition method and are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company will adopt this ASU on January 1, 2018. The Company does not expect the adoption of this ASU to have a material impact on its condensed consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases. This ASU is effective for annual reporting periods beginning after December 15, 2018. This ASU introduces a new lessee model that generally brings leases on the balance sheet. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

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

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new ASU reduces diversity of practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics, including the treatment of contingent consideration payments made after a business combination. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18), which includes restricted cash in the cash and cash equivalents balance in the statement of cash flows. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's consolidated financial statements.

Note 2 – Business Combinations

Energy Satellite Services

On July 28, 2017, RigNet acquired substantially all the assets of Energy Satellite Services (ESS). ESS is a supplier of wireless communications services via satellite networks primarily to the midstream sector of the oil and gas industry. The assets acquired enhance RigNet's product offering, add to the Company's existing midstream Supervisory Control and Data Acquisition (SCADA) customer portfolio, and strengthen the Company's US land and Internet-of-Things (IoT) market position. The Company has paid approximately $22.2 million in cash for the ESS assets. ESS is based in Texas.

For the six months ended June 30, 2017, RigNet incurred $0.2 million, of acquisition-related costs, which are reported as general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Loss. Additional costs related to this acquisition will be incurred and recorded as expense during the remainder of 2017.

Due to the limited time since the acquisition date, the initial purchase accounting for the business combination is incomplete at this time. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired and resulting from the transaction, including any intangible assets or goodwill. The Company is also unable to provide supplemental pro forma revenue and earnings of the combined entity. This information will be included in the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2017.

Data Technology Solutions Acquisition

On July 24, 2017, RigNet acquired substantially all the assets of Data Technology Solutions (DTS). DTS provides comprehensive communications and IT services to the onshore, offshore, and maritime industries, as well as disaster relief solutions to global corporate clients. The Company has paid approximately $5.2 million in cash for the DTS assets. DTS is based in Louisiana.

For the six months ended June 30, 2017, RigNet incurred $0.1 million, of acquisition-related costs, which are reported as general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Loss. Additional costs related to this acquisition will be incurred and recorded as expense during the remainder of 2017.

Due to the limited time since the acquisition date, the initial purchase accounting for the business combination is incomplete at this time. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired and resulting from the transaction, including any intangible assets or goodwill. The Company is also unable to provide supplemental pro forma revenue and earnings of the combined entity. This information will be included in the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2017.

Cyphre Security Solutions

On May 18, 2017, RigNet completed its acquisition of Cyphre Security Solutions (Cyphre) for an estimated aggregate purchase price of $12.0 million. Of this aggregate purchase price, RigNet paid $4.9 million in cash in May 2017, $3.3 million in stock and expects to pay $3.8 million of contingent consideration for intellectual property, estimated as of the date of acquisition. The initial estimate of the contingent consideration for intellectual property is preliminary and remains subject to change based on certain post-closing contractual options under the acquisition agreement. Cyphre is a cybersecurity company that provides advanced enterprise data protection leveraging BlackTIE® hardware-based encryption featuring low latency protection for files at rest and in transit for both public and private cloud. Cyphre is based in Texas.

The contingent consideration for Cyphre is 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. As of June 30, 2017, the fair value of the contingent consideration was $3.8 million. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the Cyphre contingent consideration of $0.1 million with corresponding increases to other liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities of Cyphre 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 $4.6 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 Cyphre, 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 deductible for income tax purposes. The acquisition of Cyphre, including goodwill, is included in the Company's condensed consolidated financial statements as of the acquisition date and is reflected in the Managed Services segment.

	Weighted Average Estimated Useful Life (Years)	Fair Market Values	
		(in thousands)	
Property and equipment			$ 18
Trade Name	7	1,590	
Technology	7	5,571	
Customer Relationships	7	332	
Total identifiable intangible assets			7,493
Goodwill			4,591
Accrued Expenses			(100)
Total purchase price			$12,002 (a)

(a) Includes a $3.8 million contingent consideration, estimated as of the date of acquisition.

For the six months ended June 30, 2017, RigNet incurred $0.4 million, of acquisition-related costs, which are reported as general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Loss.

Actual and Pro Forma Impact of the Cyphre Acquisition

Cyphre's revenue and net loss were zero and $0.3 million, respectively, for the three and six months ended June 30, 2017.

The Pro forma impact of the Cyphre acquisition was immaterial.

TECNOR

On February 4, 2016, RigNet completed its acquisition of Orgtec S.A.P.I. de C.V., d.b.a. TECNOR (TECNOR) for an estimated aggregate purchase price of $11.4 million. Of this aggregate purchase price, RigNet paid $4.8 million in cash in February 2016, paid $0.1 million for final net working capital and expected to pay a $6.5 million contingent consideration earn-out, estimated as of the date of acquisition. The initial estimate of the earn-out payable was preliminary and remains subject to change based on the achievement of certain post-closing performance targets under the acquisition agreement. The maximum earn-out is $21.3 million. TECNOR provides telecommunications solutions for remote sites on land, sea and air, including a wide array of equipment, voice and data services, satellite coverage and bandwidth options in Mexico. These services are provided to industrial, commercial and private users in diverse activity segments including mission critical military and government applications, oil and gas operations, commercial fishing and leisure. TECNOR is based in Monterrey, Mexico.

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

The earn-out for TECNOR is measured at fair value, based on level 3 inputs, with any change to fair value recorded in the Condensed Consolidated Statements of Comprehensive Loss in each reporting period. As of June 30, 2017, the fair value of the earn-out was $5.1 million. There was a $0.8 million reduction in fair value to the TECNOR earn-out for the three and six months ended June 30, 2017 recorded as a reduction of other current liabilities and a decrease to general and administrative expense in the Corporate segment. The change in fair value was due to a forecast of TECNOR's future achievement of the post-closing performance targets. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the TECNOR earn-out liability of $0.1 million and $0.2 million, respectively, with corresponding increases to other current liabilities. The earn-out is payable in 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

For the three and six months ended June 30, 2016, RigNet incurred $0.1 million and $0.2 million, respectively, of acquisition-related costs, which are reported as general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Loss.

Actual and Pro Forma Impact of the TECNOR Acquisition

TECNOR's revenue and net income were $3.0 million and $0.2 million, respectively, for the three months ended June 30, 2016. TECNOR's revenue and net income were $5.1 million and $0.6 million, respectively, for the six months ended June 30, 2016.

The following table represents supplemental pro forma information as if the TECNOR acquisition had occurred on January 1, 2016. Pro forma adjustments include:

- Adjusting interest expense to remove interest on a debt instrument previously held by TECNOR; and
- Removing nonrecurring transaction costs incurred in 2016 prior to acquisition.

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	Six Months Ended June 30, 2016
	(in thousands)
Revenue	$ 118,287
Expenses	124,207
Net loss	$ (5,920)
Net loss attributable to RigNet, Inc. common stockholders	$ (5,881)
Net loss per share attributable to RigNet, Inc. common stockholders:	
Basic	$ (0.33)
Diluted	$ (0.33)

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 and the British pound sterling 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 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 industry. The Company mitigates the risk of financial loss from defaults through defined collection terms in each contract or service agreement and periodic evaluations of the collectability of accounts receivable. The Company provides an allowance for doubtful accounts which is adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable.

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 2017 or 2016. 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 $4.6 million of goodwill in the Cyphre acquisition completed on May 18, 2017 (see Note 2 – Business Combinations).

The Company acquired $6.5 million of goodwill in the TECNOR acquisition completed on February 4, 2016 (see Note 2 – Business Combinations).

The Company performs its annual impairment test on July 31st of each year, with the most recent annual test being performed as of July 31, 2016. The July 2016 annual test resulted in no impairment as the fair value of each reporting unit exceeded the carrying value plus goodwill of that reporting unit. No impairment indicators have been identified in any reporting unit as of June 30, 2017 and December 31, 2016.

As of June 30, 2017 and December 31, 2016, goodwill was $27.3 million and $22.0 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, brand name, technology, backlog and licenses acquired as part of the Company's acquisitions. Intangibles also include internal-use software. The Company's intangibles have useful lives ranging from 1.7 to 7.0 years and are amortized on a straight-line basis. Impairment testing is performed when events or circumstances indicate that the carrying value of the assets may not be recoverable.

In June 2016, the Company identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections. In June 2016, the Company conducted an intangibles impairment test and as a result of such test, recognized a $0.4 million impairment of licenses in the Corporate segment, which was the full amount of the Company's intangibles within Kazakhstan.

No impairment indicators have been identified in any reporting unit as of June 30, 2017.

As of June 30, 2017 and December 31, 2016, intangibles were $20.9 million and $16.0 million, respectively. During the three months ended June 30, 2017 and 2016, the Company recognized amortization expense of $1.5 million and $1.3 million, respectively. During the six months ended June 30, 2017 and 2016, the Company recognized amortization expense of $2.8 million and $2.6 million, respectively.

The following table sets forth expected amortization expense of intangibles for the remainder of 2017 and the following years (in thousands):

2017	2,630
2018	4,984
2019	3,974
2020	3,065
2021	2,772
Thereafter	3,519
	$20,944

Note 5 – Restricted Cash

As of June 30, 2017, the Company had restricted cash of $0.1 million and $1.5 million, in current and long-term assets, respectively. As of December 31, 2016, the Company had restricted cash of $0.1 million and $1.5 million, in current and long-term assets, respectively. The restricted cash in long-term assets was primarily used to collateralize a performance bond in the Managed

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Services segment (see Note 6 – Long-Term Debt). The restricted cash in current assets as of December 31, 2016 was an escrowed portion of the purchase price for the acquisition of TECNOR.

Note 6 – Long-Term Debt

As of June 30, 2017 and December 31, 2016, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	June 30, 2017	December 31, 2016
	(in thousands)	
Term loan, net of unamortized deferred financing costs	$29,859	$ 34,053
Revolving loan	17,000	27,000
Capital lease	257	415
	47,116	61,468
Less: Current maturities of long-term debt	(8,412)	(8,399)
Current maturities of capital lease	(134)	(79)
	$38,570	$ 52,990

Term Loan

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

The amended Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5% based on a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure as defined in the credit agreement. Interest is payable monthly along with quarterly principal installments of $2.1 million, with the balance due October 2018. The weighted average interest rate for the three months ended June 30, 2017 and 2016 was 3.1% and 2.4%, respectively. The weighted average interest rate for the six months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively, with an interest rate of 3.2% at June 30, 2017.

The Term Loan is secured by substantially all the assets of the Company. As of June 30, 2017, the Term Loan had an outstanding principal balance of $30.0 million.

Revolving Loans

Under the credit agreement, the Company maintains a $75.0 million revolving credit facility, which includes a $15 million sublimit for the issuance of standby letters of credit. As of June 30, 2017, $17.0 million in draws remain outstanding on the revolving credit facility. The revolving credit facility matures in October 2018 with any outstanding borrowings then payable. As of June 30, 2017, there were $6.3 million in standby letters of credit issued.

The revolving loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5% based on a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure as defined in the credit agreement. The weighted average interest rate for the three months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively. The weighted average interest rate for the six months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively, with an interest rate of 3.2% at June 30, 2017.

Performance Bonds

On September 14, 2012, NesscoInvsat Limited, a subsidiary of RigNet, secured a performance bond facility with a lender in the amount of £4.0 million, or $5.2 million. This facility has a maturity date of October 3, 2018. As of June 30, 2017, the amount available under this facility was £2.0 million or $2.6 million. As of June 30, 2017, there were $5.6 million in standby letters of credit issued to collateralize this performance bond facility.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Covenants and Restrictions

The Company's credit agreement contains certain covenants and restrictions, including restricting the payment of cash dividends and maintaining certain financial covenants such as a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure as defined in the credit agreement, of less than or equal to 2.5 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0 as of June 30, 2017. If any default occurs related to these covenants, the unpaid principal and any accrued interest shall be declared immediately due and payable. As of June 30, 2017, and December 31, 2016, the Company believes it was in compliance with all covenants in the credit agreement.

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

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

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 2017 and the following years (in thousands):

2017	4,269
2018	42,771
2019	76
Total debt, including current maturities	$47,116

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.

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 contingent consideration for Cyphre is 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. As of June 30, 2017, the fair value of the contingent consideration was $3.8 million. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the Cyphre contingent consideration of $0.1 million with corresponding increases to other liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The earn-out for TECNOR is 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. As of June 30, 2017, the fair value of the earn-out was $5.1 million. As of December 31, 2016, the fair value of the earn-out was $5.7 million. There was a $0.8 million reduction in fair value to the TECNOR earn-out for the three and six months ended June 30, 2017 recorded as a reduction of other current liabilities and a decrease to general and administrative expense in the Corporate segment. The change in fair value was due to a forecast of TECNOR's future achievement of the post-closing performance targets. During the three and six months ended June 30, 2017, RigNet recognized accreted interest expense on the TECNOR earn-out liability of $0.1 million and $0.2 million, respectively, with corresponding increases to other liabilities. (see Note 2 – Business Combinations).

Note 8 – Income Taxes

The Company's effective income tax rate was 2.3% and (5.3%) for the three and six months ended June 30, 2017, respectively. The Company's effective income tax rate was (34.1%) and (53.6%) for the three and six months ended June 30, 2016, 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 believes that it is reasonably possible that a decrease of up to $3.1 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations.

Note 9 – Stock-Based Compensation

During the six months ended June 30, 2017, the Company granted a total of 226,974 restricted stock units (RSUs) to certain directors, officers and employees of the Company under the 2010 Omnibus Incentive Plan (2010 Plan). Of these, the Company granted (i) 125,852 RSUs to certain officers and employees that generally vest over a four year period of continued employment, with 25% of the RSUs vesting on each of the first four anniversaries of the grant date, (ii) 33,586 RSUs issued to directors that vest in May 2018 and (iii) 67,536 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 restricted stock units 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.

During the six months ended June 30, 2017, 63,293 RSUs and 20,863 stock options were forfeited.

Stock-based compensation expense related to the Company's stock-based compensation plans for the six months ended June 30, 2017 and 2016 was $1.9 million and $1.8 million, respectively. As of June 30, 2017, there was $9.5 million of total unrecognized compensation cost related to unvested options and restricted stock expected to vest. This cost is expected to be recognized over a remaining weighted-average period of 2.1 years.

Note 10 – Earnings (loss) per Share

Basic earnings (loss) per share (EPS) are computed by dividing 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 and RSUs. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017, there were approximately 541,964 and 575,214 potentially issuable shares, respectively, 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 and six months ended June 30, 2016, there were approximately 1,591,554 and 1,309,565 potentially issuable shares, respectively, 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.

Note 11 – Commitments and Contingencies

Global Xpress (GX) Dispute

Inmarsat plc (Inmarsat), a satellite telecommunications company, and the Company are in a dispute relating to a January 2014 agreement regarding the purchase by the Company of up to $65.0 million, under certain conditions, of GX capacity from Inmarsat over several years (GX dispute). The parties are attempting to resolve the GX dispute through a contractually stipulated arbitration process that began in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to its contractual rights under the agreement, the Company delivered a notice of termination of the agreement to Inmarsat.

The Company has incurred legal expenses of $0.5 million in connection with the GX dispute for the six months ended June 30, 2017. The Company may continue to incur significant legal fees, related expenses and management time in the future. The Company cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and management's understanding of the GX dispute, the Company does not deem the likelihood of a material loss related to this dispute to be probable, so it has not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

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

Contractual Dispute Settlement

The Company's Systems Integration and Automation (SI&A) business reached a settlement in the first quarter of 2016 related to a contract dispute associated with a percentage of completion project. The dispute related to the payment for work related to certain change orders. After the settlement, the Company recognized $2.3 million of gain in the first quarter of 2016. In the Company's Annual Report on form 10-K for the year ended December 31, 2016, the Company reported that it had received the certificate of final acceptance from the customer acknowledging completion of the project. The total loss incurred over the life of this project amounted to $11.2 million.

The Company incurred legal expenses of $0.2 million in connection with the dispute for the six months ended June 30, 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Operating Leases

The Company leases office space under lease agreements expiring on various dates through 2025. For the three months ended June 30, 2017 and 2016, the Company recognized expense under operating leases of $1.0 million and $1.0 million, respectively. For the six months ended June 30, 2017 and 2016, the Company recognized expense under operating leases of $2.0 million and $2.1 million, respectively.

As of June 30, 2017, future minimum lease obligations for the remainder of 2017 and future years were as follows (in thousands):

2017	1,618
2018	1,650
2019	1,009
2020	740
2021	468
Thereafter	1,750
	$7,235

Commercial Commitments

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

As of June 30, 2017, the Company had the following commercial commitments related to satellite and network services for the remainder of 2017 and the future years thereafter (in thousands):

2017	5,561
2018	5,440
2019	2,152
2020	693
2021	676
	$14,522

The Company is no longer reporting $65.0 million in the above table for capacity from Inmarsat's GX network. Please see paragraph "GX Dispute" above for details of the ongoing arbitration and the Company's notice to terminate the contract 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

RigNet considers its business to consist of two segments:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company’s business segment information as of and for the three and six months ended June 30, 2017 and 2016, is presented below.

	Three Months Ended June 30, 2017			
	Managed Services	Systems Integration and Automation	Corporate and Eliminations	Consolidated Total
	(in thousands)			
Revenue	$ 43,055	$ 6,107	$ —	$ 49,162
Cost of revenue (excluding depreciation and amortization)	27,544	5,494	—	33,038
Depreciation and amortization	6,229	611	712	7,552
Selling, general and administrative	5,272	422	6,316	12,010
Operating income (loss)	$ 4,010	$ (420)	$ (7,028)	$ (3,438)
Capital expenditures	4,266	—	645	4,911

	Three Months Ended June 30, 2016			
	Managed Services	Systems Integration and Automation	Corporate and Eliminations	Consolidated Total
	(in thousands)			
Revenue	$ 50,219	$ 4,692	$ —	$ 54,911
Cost of revenue (excluding depreciation and amortization)	29,682	3,594	—	33,276
Depreciation and amortization	7,585	9	1,419	9,013
Impairment of goodwill and intangible assets	—	—	397	397
Selling, general and administrative	7,635	721	7,163	15,519
Operating income (loss)	$ 5,317	$ 368	$ (8,979)	$ (3,294)
Capital expenditures	4,020	—	650	4,670

	Six Months Ended June 30, 2017			
	Managed Services	Systems Integration and Automation	Corporate and Eliminations	Consolidated Total
	(in thousands)			
Revenue	$ 87,149	$ 10,085	$ —	$ 97,234
Cost of revenue (excluding depreciation and amortization)	54,346	8,567	—	62,913
Depreciation and amortization	12,260	1,198	1,410	14,868
Selling, general and administrative	10,237	892	12,829	23,958
Operating income (loss)	$ 10,306	$ (572)	$ (14,239)	$ (4,505)
Total assets	194,829	16,869	11,007	222,705
Capital expenditures	7,426	—	645	8,071

	Six Months Ended June 30, 2016			
	Managed Services	Systems Integration and Automation	Corporate and Eliminations	Consolidated Total
	(in thousands)			
Revenue	$ 104,640	$ 12,612	$ —	$ 117,252
Cost of revenue (excluding depreciation and amortization)	60,682	8,870	—	69,552
Depreciation and amortization	14,774	38	2,444	17,256
Impairment of goodwill and intangible assets	—	—	397	397
Selling, general and administrative	15,530	1,642	15,580	32,752
Operating income (loss)	$ 13,654	$ 2,062	$ (18,421)	$ (2,705)
Total assets	216,073	29,539	3,209	248,821
Capital expenditures	8,429	—	1,146	9,575

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table presents revenue earned from the Company's domestic and international operations for the three and six months ended June 30, 2017 and 2016. 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Domestic	$14,022	$16,261	$28,974	$ 32,228
International	35,140	38,650	68,260	85,024
Total	$49,162	$54,911	$97,234	$117,252

The following table presents goodwill and long-lived assets, net of accumulated depreciation, for the Company's domestic and international operations as of June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
	(in thousands)	
Domestic	$ 31,317	$ 27,682
International	74,402	70,101
Total	$105,719	$ 97,783

Note 13 – Restructuring Costs – Cost Reduction Plans

During the three months ended June 30, 2016, the Company incurred pre-tax restructuring expense of $1.1 million in the corporate segment consisting of $0.7 million of termination costs associated with the reduction of 26 employees and $0.4 million of exit costs from the corporate office lease. The termination costs are reported as $0.5 million and $0.2 million in general and administrative expense and cost of revenue, respectively, in the Condensed Consolidated Statements of Comprehensive Income (Loss). The $0.4 million of exit costs from the lease for the corporate office are reported as general and administrative expense in the Condensed Consolidated Statements of Comprehensive Income (Loss).

During the six months ended June 30, 2016, the Company incurred net pre-tax restructuring expense of $0.5 million in the Corporate segment consisting of $0.4 million of exit costs from the corporate office lease and $0.9 million associated with the reduction of 42 employees partially offset by a net reduction to restructuring charges of $0.8 million due to a reversal of previously accrued restructuring charges for employees that the Company did not release and expense not incurred. The Company undertook restructuring plans in 2016 to reduce costs and improve the Company's competitive position.

Note 14 – Executive Departure costs

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

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 June 30, 2017 and for the three and six months ended June 30, 2017 and 2016 included elsewhere herein, and with our annual report on Form 10-K for the year ended December 31, 2016. 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. These statements may include statements about:

- new regulations, delays in drilling permits or other changes in the drilling industry;
- competition and competitive factors in the markets in which we operate;
- demand for our services and solutions;
- the advantages of our services compared to others;
- changes in technology and customer preferences and our ability to adapt our product and services offerings;
- our ability to develop and maintain positive relationships with our customers;
- our ability to retain and hire necessary employees and appropriately staff our marketing, sales and distribution efforts;
- our cash needs and expectations regarding cash flow from operations and capital expenditures;
- our ability to manage and grow our business and execute our business strategy, including expanding our penetration of the U.S. and international onshore and offshore drilling rigs and expanding our business into remote communication market adjacencies;
- our strategy and acquisitions;
- our ability to pursue, consummate and integrate merger and acquisition opportunities successfully;
- the GX dispute
- our resource reallocation 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," "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 year ended December 31, 2016 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 a leading global specialized provider of customized systems and solutions serving customers with complex data networking and operational requirements. We provide solutions ranging from fully-managed voice and data networks to more advanced applications that include video conferencing and monitoring, crew welfare, asset and weather monitoring and real-time data services under a multi-tenant revenue model. Our customers use our private extranet to manage information flows and execute mission-critical operations primarily in remote areas where conventional telecommunications infrastructure is either unavailable or unreliable. We offer our clients what is often the sole means of communications for their remote operations, including offshore and onshore drilling rigs, production facilities, oilfield service equipment, maritime vessels, midstream assets and regional support offices.

Network service 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 that have a term of one to three years with renewal options, while land-based locations are generally shorter term or terminable on short notice without a penalty. Service orders are executed under the MSA for individual remote sites or groups of sites, and generally may be terminated early on short notice without penalty in the event of force majeure, breach of the MSA or cold stacking of a drilling rig (when a rig is taken out of service and is expected to be idle for a protracted period of time).

Segment information is prepared consistent with the components of the enterprise for which separate financial information is available and regularly evaluated by the chief operating decision-maker for the purpose of allocating resources and assessing performance.

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

- ***Managed Services***. Our Managed Services segment provides remote communications and technology services for offshore and onshore drilling rigs and production facilities, support vessels, midstream assets and other remote sites. Our Managed Services segment primarily operates out of our United States, United Kingdom, Norway, Qatar, UAE, Singapore, Brazil and Mexico based offices for customers globally.

- ***Systems Integration and Automation (SI&A)***. Our SI&A segment provides customized solutions for customer telecommunications systems. SI&A solutions are delivered based on the customer's specifications, in addition to international industry standards and best practices. SI&A project elements may include consultancy services, design, engineering, project management, procurement, testing, installation, commissioning and maintenance services. Our SI&A segment primarily operates out of our Aberdeen, Houston and Monterrey offices for customers globally.

Cost of revenue consists primarily of satellite charges, voice and data termination costs, network operations expenses, internet connectivity fees, equipment purchases for SI&A projects and direct service labor. Satellite charges consist of the costs associated with obtaining satellite bandwidth (the measure of capacity) used in the transmission of service to and from leased satellites. Direct service labor consists of field technicians, our 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 is recognized on all property, plant and equipment either installed at a customer's site or held at our corporate and regional offices, as well as intangibles arising from acquisitions and internal use software. 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 a 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.

Recent Developments

On July 28, 2017, we acquired substantially all the assets of Energy Satellite Services (ESS). ESS is a supplier of wireless communications services via satellite networks primarily to the midstream sector of the oil and gas industry. The assets acquired enhance our product offering, add to our existing midstream Supervisory Control and Data Acquisition (SCADA) customer portfolio, and strengthen our US land and Internet-of-Things (IoT) market position. We have paid approximately $22.2 million in cash for the ESS assets. ESS is based in Texas.

On July 24, 2017, we acquired substantially all the assets of Data Technology Solutions (DTS). DTS provides comprehensive communications and IT services to the onshore, offshore, and maritime industries, as well as disaster relief solutions to global corporate clients. We have paid approximately $5.2 million in cash for the DTS assets. DTS is based in Louisiana.

As noted under paragraph GX Dispute below, in July 2017, we delivered a notice of termination of an agreement with Inmarsat to acquire capacity from Inmarsat's GX network. As a result, the Company will continue to offer other solutions to its customers as it has in the past. The Company will continue to evaluate and make available the best service options for its customers' telecommunication needs.

On May 18, 2017, we completed our acquisition of Cyphre Security Solutions (Cyphre) for an estimated aggregate purchase price of $12.0 million. Of this aggregate purchase price, we paid $4.9 million in cash, $3.3 million in stock and expect to pay $3.8 million of contingent consideration for intellectual property, estimated as of the date of acquisition. The initial estimate of the contingent consideration for intellectual property is preliminary and remains subject to change based on certain post-closing contractual options under the acquisition agreement. Cyphre is a cybersecurity company that provides advanced enterprise data protection leveraging BlackTIE® hardware-based encryption featuring low latency protection for files at rest and in transit for both public and private cloud. Cyphre is based in Texas.

In January 2017, we signed and announced an eight-year lease for new headquarters space, comprised of 28,808 square feet located at 15115 Park Row Blvd, Suite 300, Houston, Texas. The term of this lease runs through June 2025.

Known Trends and Uncertainties

Operating Matters

Uncertainties and negative trends in the oil and gas industry may continue to impact our profitability. The fundamentals of the oil and gas industry we serve deteriorated throughout 2015 and 2016 and remain challenged into 2017, particularly offshore. Oil prices declined significantly throughout 2015 and into 2016 from the highs in mid-year 2014 due to lower-than-expected global oil demand growth, increased supply from U.S. unconventional sources and increased production from several international countries. Although oil prices and U.S. onshore drilling rig counts have increased since their 2016 lows, the oil and gas environment continues to be challenged with operators focusing on shorter term, land-based projects that generally require less capital investment. Generally, a prolonged lower oil price environment decreases exploration and development drilling investment, utilization of drilling rigs and the activity of the global oil and gas industry that we serve. Several global exploration and production companies reduced their capital spending budgets, including the cancellation or deferral of existing programs, and are expected to continue operating under reduced budgets in the current commodity price environment.

For the periods referenced below, we were billing on the following sites listed in the table below:

	2nd Quarter 2017	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016
Selected Operational Data:					
Offshore drilling rigs (1)	173	173	175	194	211
Offshore Production	296	290	280	287	287
Maritime	134	124	122	128	105
International Land	112	104	104	101	99
Other sites (2)	336	304	240	238	236
Total	1,051	995	921	948	938

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

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

GX Dispute

We are in a dispute with Inmarsat relating to 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. We are attempting to resolve the dispute through a contractually stipulated arbitration process that began in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to our contractual rights under the agreement, we delivered a notice of termination of the agreement to Inmarsat.

We have incurred legal expenses of $0.5 million in connection with the GX dispute for the six months ended June 30, 2017. We may continue to incur significant legal fees, related expenses and management time in the future. We cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and our understanding of the GX dispute, we do not deem the likelihood of a material loss related to this dispute to be probable, so we have not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Revenue	$49,162	$54,911	$ 97,234	$117,252
Expenses:				
Cost of revenue (excluding depreciation and amortization)	33,038	33,276	62,913	69,552
Depreciation and amortization	7,552	9,013	14,868	17,256
Impairment of intangible assets	—	397	—	397
Selling and marketing	2,132	1,943	3,568	3,835
General and administrative	9,878	13,576	20,390	28,917
Total expenses	52,600	58,205	101,739	119,957
Operating loss	(3,438)	(3,294)	(4,505)	(2,705)
Other expense, net	(873)	(328)	(1,379)	(1,282)
Loss before income taxes	(4,311)	(3,622)	(5,884)	(3,987)
Income tax benefit (expense)	101	(1,234)	(313)	(2,136)
Net loss	(4,210)	(4,856)	(6,197)	(6,123)
Less: Net income attributable to non-controlling interest	39	(105)	78	(39)
Net loss attributable to RigNet, Inc. stockholders	$ (4,249)	$ (4,751)	$ (6,275)	$ (6,084)
Other Non-GAAP Data:				
Unlevered Free Cash Flow	$ 1,142	$ 3,954	$ 5,207	$ 9,715
Adjusted EBITDA	$ 6,053	$ 8,624	$ 13,278	$ 19,290

The following represents selected financial operating results for our segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Managed Services:				
Revenue	$43,055	$50,219	$87,149	$104,640
Cost of revenue (excluding depreciation and amortization)	27,544	29,682	54,346	60,682
Depreciation and amortization	6,229	7,585	12,260	14,774
Selling, general and administrative	5,272	7,635	10,237	15,530
Managed Services operating income	$ 4,010	$ 5,317	$10,306	$ 13,654
Systems Integration and Automation (SI&A):				
Revenue	$ 6,107	$ 4,692	$10,085	$ 12,612
Cost of revenue (excluding depreciation and amortization)	5,494	3,594	8,567	8,870
Depreciation and amortization	611	9	1,198	38
Selling, general and administrative	422	721	892	1,642
Systems Integration and Automation operating income (loss)	$ (420)	$ 368	$ (572)	$ 2,062

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

Three Months Ended June 30, 2017 and 2016

Revenue. Revenue decreased by $5.7 million, or 10.5%, to $49.2 million for the three months ended June 30, 2017 from $54.9 million for the three months ended June 30, 2016. This decrease was driven by lower revenue in the Managed Services segment, partially offset by increased revenues in the SI&A segment. The Managed Services segment decreased $7.2 million, or 14.3%, primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease of 38 offshore drilling sites served was primarily due to offshore drilling rigs we previously served being cold-stacked or scrapped partially offset by new sales wins. The decreased revenue-per-site from offshore drilling rigs is primarily due to decreased multi-tenancy ratios from operators on offshore drilling rigs. As rigs that we serve increasingly hot-stack (when a rig is taken out of service but is ready to mobilize on short notice) due to the current economic environment, the opportunity to serve the operator and earn additional revenue is lost until the drilling rig is subsequently contracted for service. Revenue continues to be impacted by previously announced reductions in offshore drilling. The SI&A segment increased $1.4 million, or 30.2%, due to the timing of SI&A projects.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) decreased by $0.2 million, or 0.7%, to $33.0 million for the three months ended June 30, 2017 from $33.3 million for the three months ended June 30, 2016. Cost of revenue (excluding depreciation and amortization) decreased in the Managed Services segment by $2.1 million primarily due to reductions in ongoing expenses. This was partially offset by an increase in cost of revenue in the SI&A segment of $1.9 million due to the timing of SI&A projects.

Depreciation and Amortization. Depreciation and amortization expense decreased by $1.5 million to $7.6 million for the three months ended June 30, 2017 from $9.0 million for the three months ended June 30, 2016. The decrease is primarily attributable to lower levels of capital expenditures in recent years.

Impairment of Intangible Assets. We recognized $0.4 million in impairment for the three months ended June 30, 2016. In June 2016, we identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections. In June 2016, we conducted an intangibles impairment test and as a result of such test, recognized a $0.4 million impairment of licenses in the Corporate segment, which was the full amount of intangibles within Kazakhstan.

Selling and Marketing. Selling and marketing expense increased $0.2 million to $2.1 million for the three months ended June 30, 2017 from $1.9 million for the three months ended June 30, 2016.

General and Administrative. General and administrative expenses decreased by $3.7 million to $9.9 million for the three months ended June 30, 2017 from $13.6 million for the three months ended June 30, 2016. General and administrative costs decreased in both segments due to reductions in ongoing expenses.

Income Tax Expense. Our effective income tax rate was 2.3% and (34.1%) for the three months ended June 30, 2017 and 2016, 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.

Six Months Ended June 30, 2017 and 2016

Revenue. Revenue decreased by $20.0 million, or 17.1%, to $97.2 million for the six months ended June 30, 2017 from $117.3 million for the six months ended June 30, 2016. This decrease was driven by lower revenues across both segments. The Managed Services segment decreased $17.5 million, or 16.7%, primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease of 38 offshore drilling sites served was primarily due to offshore drilling rigs we previously served being cold-stacked or scrapped partially offset by new sales wins. The decreased revenue-per-site from offshore drilling rigs is primarily due to decreased multi-tenancy ratios from operators on offshore drilling rigs. As rigs that we serve increasingly hot-stack (when a rig is taken out of service but is ready to mobilize on short notice) due to the current economic environment, the opportunity to serve the operator and earn additional revenue is lost until the drilling rig is subsequently contracted for service. Revenue continues to be impacted by previously announced reductions in offshore drilling. The SI&A segment decreased $2.5 million, or 20.0%, due to the timing of SI&A projects.

Cost of Revenue (excluding depreciation and amortization). Cost of revenue (excluding depreciation and amortization) decreased by $6.6 million, or 9.5%, to $62.9 million for the six months ended June 30, 2017 from $69.6 million for the six months ended June 30, 2016. Cost of revenue (excluding depreciation and amortization) decreased in both segments primarily due to reductions in ongoing expenses.

Depreciation and Amortization. Depreciation and amortization expense decreased by $2.4 million to $14.9 million for the six months ended June 30, 2017 from $17.3 million for the six months ended June 30, 2016. The decrease is primarily attributable to lower levels of capital expenditures in recent years.

Impairment of Intangible Assets. We recognized $0.4 million in impairment for the six months ended June 30, 2016. In June 2016, we identified a triggering event for a license in Kazakhstan associated with a decline in cash flow projections. In June 2016, we conducted an intangibles impairment test and as a result of such test, recognized a $0.4 million impairment of licenses in the Corporate segment, which was the full amount of intangibles within Kazakhstan.

Selling and Marketing. Selling and marketing expense decreased $0.3 million to $3.6 million for the six months ended June 30, 2017 from $3.8 million for the six months ended June 30, 2016.

General and Administrative. General and administrative expenses decreased by $8.5 million to $20.4 million for the six months ended June 30, 2017 from $28.9 million for the six months ended June 30, 2016. General and administrative costs decreased in both segments due to reductions in ongoing expenses.

Income Tax Expense. Our effective income tax rate was (5.3%) and (53.6%) for the six months ended June 30, 2017 and 2016, 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 June 30, 2017, we had working capital, including cash, of $61.5 million.

On July 28, 2017, concurrent with our acquiring substantially all the assets of ESS, we made a $15.0 million draw on the Revolving Credit Facility (RCF).

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 facility. In forecasting our cash flows we have considered factors including contracted services related to long-term deepwater drilling programs, U.S. land rig count trends, projected oil and natural gas prices, and contracted and available satellite bandwidth.

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

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

	Six Months Ended June 30,	
	2017	2016
	(in thousands)	
Condensed Consolidated Statements of Cash Flows Data:		
Cash and cash equivalents, January 1,	$ 57,152	$ 60,468
Net cash provided by operating activities	9,283	18,440
Net cash used in investing activities	(11,063)	(15,343)
Net cash used in financing activities	(13,845)	(3,859)
Changes in foreign currency translation	1,172	(250)
Cash and cash equivalents, June 30,	$ 42,699	$ 59,456

Currently, the Norwegian kroner and the British pound sterling 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 six months ended June 30, 2017 and 2016, 89.5% and 84.0% of our revenue was denominated in U.S. dollars, respectively.

Operating Activities

Net cash provided by operating activities was $9.3 million for the six months ended June 30, 2017 compared to $18.4 million for the six months ended June 30, 2016. The decrease in cash provided by operating activities during 2017 of $9.2 million was primarily due to decreased operating activity.

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

Investing Activities

Net cash used in investing activities was $11.1 million and $15.3 million for the six months ended June 30, 2017 and 2016, respectively.

Net Cash used in investing activities during the six months ended June 30, 2017 included $4.9 million paid in connection with the acquisition of Cyphre. Net Cash used in investing activities during the six months ended June 30, 2016 included $4.8 million paid for the acquisition of TECNOR. Net cash used in investing activities during the six months ended June 30, 2017 and 2016 includes capital expenditures of $6.5 million and $9.4 million, respectively. We expect capital expenditures for 2017 to be lower than the previous year due to continued low levels of global offshore oil and gas drilling activity.

Financing Activities

Net cash used in financing activities was $13.8 million and $3.9 million for the six months ended June 30, 2017 and 2016, respectively. Cash used in financing activities for the six months ended June 30, 2017 included $14.5 million in principal payments on our long-term debt consisting primarily of $4.3 million on the Term Loan and $10.0 million on the RCF. Cash used in financing activities for the six months ended June 30, 2016 included $4.3 million in principal payments on our long-term debt.

Credit Agreement

The Company has a $60.0 million term loan (Term Loan) and a $75.0 million RCF, which includes a $15 million sublimit for the issuance of standby letters of credit.

The Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5%, based on a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure defined in the credit agreement. Interest is payable monthly along with quarterly principal installments of $2.1 million, with the balance due October 2018. The weighted average interest rate for the three months ended June 30, 2017 and 2016 was 3.1% and 2.4%, respectively. The weighted average interest rate for the six months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively, with an interest rate of 3.2% at June 30, 2017. The Term Loan is secured by substantially all the assets of the Company. As of June 30, 2017, the outstanding principal balance of the Term Loan was $30.0 million.

The RCF matures in October 2018 with any outstanding borrowings then payable. Borrowings under the RCF carry an interest rate of LIBOR plus an applicable margin ranging from 1.5% to 2.5%, which varies as a function of the Company's leverage ratio. As of June 30, 2017, $17.0 million in draws on the facility remain outstanding. The weighted average interest rate for the three months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively. The weighted average interest rate for the six months ended June 30, 2017 and 2016 was 3.1% and 2.3%, respectively, with an interest rate of 3.2% at June 30, 2017.

As of June 30, 2017, there were $6.3 million in standby letters of credit issued, which reduces our availability under the RCF.

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

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

Our credit agreement imposes certain restrictions including limitations on our ability to obtain additional debt financing and on our payment of cash dividends. It also requires us to maintain certain financial covenants such as a funded debt to Consolidated EBITDA ratio of less than or equal to 2.5 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0. At June 30, 2017, we believe we were in compliance with all covenants.

Off-Balance Sheet Arrangements

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

Non-GAAP Measures

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

We define Adjusted EBITDA as net loss plus interest expense, income tax expense, depreciation and amortization, impairment of goodwill, intangibles, property, plant and equipment, foreign exchange impact of intercompany financing activities, (gain) loss on retirement of property, plant and equipment, change in fair value of earn-outs/contingent consideration, stock-based compensation, merger/acquisition costs, executive departure costs, restructuring charges 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;
- Adjusted EBITDA does not reflect change in fair value of earn-outs/contingent consideration;
- Adjusted EBITDA does not reflect executive departure costs;
- Adjusted EBITDA does not reflect restructuring charges;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate Adjusted EBITDA or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Net loss	$(4,210)	$(4,856)	$ (6,197)	$ (6,123)
Interest expense	613	643	1,232	1,311
Depreciation and amortization	7,552	9,013	14,868	17,256
Impairment of intangible assets	—	397	—	397
(Gain) loss on sales of property, plant and equipment, net of retirements	13	(134)	50	(150)
Stock-based compensation	1,116	1,128	1,942	1,842
Restructuring	—	1,129	—	497
Change in fair value of earn-out/contingent consideration	(846)	—	(846)	—
Executive departure costs	—	—	—	1,884
Acquisition costs	1,916	70	1,916	240
Income tax expense (benefit)	(101)	1,234	313	2,136
Adjusted EBITDA (non-GAAP measure)	$ 6,053	$ 8,624	$13,278	$19,290
Adjusted EBITDA (non-GAAP measure)	$ 6,053	$ 8,624	$13,278	$19,290
Capital expenditures	4,911	4,670	8,071	9,575
Unlevered Free Cash Flow (non-GAAP measure)	$ 1,142	$ 3,954	$ 5,207	$ 9,715

We evaluate Adjusted EBITDA and Unlevered Free Cash Flow 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 assist purchasing synergies.

Adjusted EBITDA decreased by $2.6 million to $6.1 million for the three months ended June 30, 2017, from $8.6 million for the three months ended June 30, 2016. Adjusted EBITDA decreased by $6.0 million to $13.3 million for the six months ended June 30, 2017, from $19.3 million for the six months ended June 30, 2016. The decrease resulted primarily from lower revenue partially offset by a reduction in ongoing operating expenses.

Unlevered Free Cash Flow was $1.1 million in the three months ended June 30, 2017, a decrease of $2.8 million over the prior year quarter. The decrease in Unlevered Free Cash Flow over the prior year quarter was due to decreased Adjusted EBITDA. Unlevered Free Cash Flow was $5.2 million in the six months ended June 30, 2017, a decrease of $4.5 million over the prior year period. The decrease in Unlevered Free Cash Flow over the prior year period was due to decreased Adjusted EBITDA partially offset by a decline in capital expenditures.

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 six months ended June 30, 2017 and 2016, 10.5% and 16.0%, respectively of our revenues were earned in non-U.S. currencies. At June 30, 2017 and 2016, we had no significant outstanding foreign exchange contracts.

Our results of operations and cash flows are subject to fluctuations due to changes in interest rates primarily from our variable interest rate long-term debt. We 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 June 30, 2017 and December 31, 2016, assuming those liabilities were outstanding for the previous twelve months:

	June 30, 2017	December 31, 2016
	(in thousands)	
Effect on Net Income (Loss) and Equity—Increase/Decrease:		
1% Decrease/increase in rate	$ 471	$ 615
2% Decrease/increase in rate	$ 942	$ 1,229
3% Decrease/increase in rate	$ 1,413	$ 1,844

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Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

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 June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings*

Inmarsat and the Company are in a dispute relating to 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. The parties are attempting to resolve the dispute through a contractually stipulated arbitration process with the International Centre for Dispute Resolution that began in October 2016. The parties dispute whether Inmarsat has met its contractual obligations with respect to the service under the agreement. In July 2017, pursuant to its contractual rights under the agreement, the Company delivered a notice of termination of the agreement to Inmarsat.

The Company has incurred legal expenses of $0.5 million in connection with the GX dispute for the six months ended June 30, 2017. The Company may continue to incur significant legal fees, related expenses and management time in the future. The Company cannot predict the ultimate outcome of the GX dispute, the total costs to be incurred or the potential impact on personnel.

Based on the information available at this time and management's understanding of the GX dispute, the Company does not deem the likelihood of a material loss related to this dispute to be probable, so it has not accrued any liability related to the dispute. At this stage of the arbitration, the range of possible loss is not reasonably estimable, but could range from zero to the maximum amount payable under the contract for the services plus expenses.

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, 2016.

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

192,136 shares valued at $3.3 million were used in the May 18, 2017 acquisition of Cyphre Security Solutions (Cyphre), a private Texas based company. Cyphre is a cybersecurity company that provides advanced enterprise data protection leveraging BlackTIE® hardware-based encryption featuring low latency protection for files at rest and in transit for both public and private cloud.

Item 3. *Defaults Upon Senior Securities*

None

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None

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

2.2	Share Purchase Agreement between RigNet, Inc. and the shareholders of Orgtec S.A.P.I. de C.V., d.b.a. TECNOR dated November 3, 2015 (filed as Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2016, and incorporated herein by reference)
3.1	Amended and Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
3.2	Amendment to Amended and Restated Certificate of Incorporation, effective May 18, 2016. (filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
3.3	Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2016, and incorporated herein by reference)
3.4	Amendment to the Amended and Restated Bylaws of RigNet, Inc., effective May 18, 2016 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 24, 2016, and incorporated herein by reference)
10.1+	Consulting Services Agreement between the Registrant and William Sutton dated July 13, 2017
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.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation 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.

RIGNET, INC.

Date: August 7, 2017

By: /s/ CHARLES E. SCHNEIDER
Charles E. Schneider
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CONSULTING SERVICES AGREEMENT

Consulting Services Agreement ("**Agreement**"), dated as of July 13, 2017, by and between RigNet, Inc. ("**RigNet**") and, together with its subsidiaries, divisions, affiliates, predecessors and successors, the "**Company**") and William D. Sutton ("**Executive**") and CB Sutton Co, LLC, dba Sutton and Associates, ("**Consultant**").

WHEREAS, in connection with his retirement from active service, Executive has voluntarily resigned his position with the Company effective at the close of business on June 23, 2017 ("**Employment Termination Date**"), and the Company has accepted his resignation as of such date;

WHEREAS, the Company and Executive desire to set forth certain agreements and understandings regarding, among other things, (1) Executive's voluntary termination of employment with the Company, (2) certain benefits the Company has agreed to provide to Executive upon termination of employment and (3) the parties mutual release of any and all claims against the other;

WHEREAS, in connection with Executive's retirement, the Company wishes to continue to benefit from Executive's knowledge and experience by retaining Consultant (which shall provide the Services (as defined below) of the Executive) to perform consulting services and by requiring Executive to fulfill certain other duties and obligations under the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of (a) the mutual covenants and agreements set forth in this Agreement, and (b) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Retirement and Resignation**.** Effective as of the Employment Termination Date, Executive has resigned from active employment with the Company as Senior Vice President and General Counsel and all other appointments and offices held by Executive with the Company. In connection with Executive's retirement on the Employment Termination Date:

    a. On the Employment Termination Date, the Company shall pay Executive his unpaid base salary through the Employment Termination Date plus any accrued but unused vacation up to a maximum of four weeks, plus up to the maximum unused carry-over of vacation provided in the Company's written vacation policy then in effect and any business expenses incurred by the Executive prior to the Employment Termination Date in accordance with Company policies.

    b. On the Employment Termination Date, Executive's participation in any Company employee benefit plans or programs (including without limitation any matching contributions under the Company's 401(k) plan and life insurance premium programs) shall cease, except as otherwise expressly provided in this Agreement or in the applicable Company plan. For the avoidance of doubt, Executive shall not be eligible for severance benefits under any Company plan or other agreement.

    c. Until such time as Executive has qualified for Medicare coverage, the Company will offer Executive the opportunity to receive continuation coverage for Executive and Executive's eligible dependents under the Company's medical, dental and vision plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") following the Employment Termination Date. Executive will be subject to all COBRA eligibility requirements and will be

responsible for applying for COBRA coverage and paying the applicable premiums. Company will promptly provide to Executive full details of the process and forms for applying for COBRA coverage upon the execution of this Agreement.

2. Return of Information. Executive and Company agree that Executive has returned to the Company all Company property required to be returned, including, but not limited to, all originals of Company documents or records, as well as all computer-related equipment, hardware, software, files, disks, keys, credit cards, and access cards. Company has agreed to allow Executive use of his laptop computer for the duration of this Agreement, provided that Executive will promptly return the laptop within 10 business days of the termination of this Agreement. Company further agrees to provide Executive access to those files, records and to certain agreed subscription services to which Executive had access while in the active employment of Company to facilitate Executive's provision of Services hereunder. Company will provide an email account and access to the Company's normal email system for the provision of Services.

3. Consulting Services.

   a. Capacity. Commencing on June 23, 2017, Company and Consultant agree that Company has engaged Consultant to provide consulting services and transition assistance to the management of the Company primarily related to those matters for which Executive was responsible during his tenure with the Company and as may be requested from time to time by the Company, it being agreed that such services will be consulting in nature and shall not be legal advice or tax advice (hereinafter, the "**Services**"). Consultant agrees to, among other things, facilitate an orderly transition of responsibilities and information to the Company's new General Counsel.

   b. Term and Operation. The terms of the consulting Services under this Agreement will commence on the Employment Termination Date and will continue until, and will end upon the Consultant's Last Service Date. Consultant's "**Last Service Date**" shall be June 23, 2020, subject to any earlier termination of this Agreement. The period between the Employment Termination Date and the Last Service Date, is hereinafter referred to as the "**Consulting Period**".

   c. Time Commitment. During the Consulting Period, Consultant shall (i) dedicate the amount of time and attention which the parties agree to be reasonably necessary to perform the Services, (it being contemplated that the Services will not involve more than 20 hours per month) and (ii) perform the Services at such locations as Consultant reasonably deems appropriate. Consultant and Company will reasonably accommodate schedules so that the timing of the provision of Services under this Agreement both meet the Company's requirements and do not unreasonably prevent Consultant from providing services to others.

   d. Reimbursement of Expenses. The Company shall reimburse Consultant for all reasonable and documented expenses incurred by Consultant in the performance of the Services in accordance with the Company's policies and procedures in effect from time to time. Executive agrees to provide proper documentation for such expenses as required by the Company's policies. Company will reimburse approved expenses within 30 days of the date of submission.

e. Independent Contractor. In rendering the Services described herein, Consultant will at all times be and remain an independent contractor. Consultant will be free to exercise its own judgment as to the manner and method of providing the Services to the Company, subject to applicable laws and safety requirements reasonably imposed by the Company. Consultant and Executive acknowledge and agree that, during the term of this Agreement, Executive will not be treated as an employee of the Company or any of its affiliates for purposes of federal, state, local or foreign income tax withholding, nor, unless otherwise specifically provided by law, for purposes of the Federal Insurance Contributions Act, the Social Security Act, the Federal Unemployment Tax Act or any Worker's Compensation law of any state or country, and for purposes of benefits provided to employees of the Company or any of its affiliates under any employee benefit plan. Consultant acknowledges and agrees that, as an independent contractor, Consultant shall be required, during the term of this Agreement, to pay any applicable taxes on the amounts payable to him under this Agreement attributable to the Services.

4. Restrictive Covenants.

Executive understands and agrees that:

i. the purpose of this Paragraph 4 is to protect the Company's legitimate business interests, including, but not limited to, the Company's Confidential Information, customer relationships and goodwill, all of which contribute to the Company's competitive advantage and the restrictive covenants contained in this Agreement are necessary to protect the Company's legitimate business assets and interests, and they are reasonable in time, territory, and scope, and in all other respects;

ii. the restrictive covenants contained in this Agreement constitute a material inducement to the Company entering this Agreement, without which the Company would not have entered into this Agreement to engage the Executive on the terms and conditions stated herein; and

iii. the covenants set forth in this Paragraph 4 are essential elements of this Agreement and shall be construed as agreements independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company, whether predicated on this Agreement or otherwise, shall not excuse the Executive's breach, or constitute a defense to the enforcement by the Company, of these restricted covenants. The Company and the Executive have had the opportunity to independently consult with their respective counsel for advice in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the businesses conducted by the Company.

Therefore, to the fullest extent permitted by applicable law, the Executive agrees to the restrictions set forth in this Paragraph 4 and all subparagraphs as follows:

a. Executive acknowledges that, given the position that he has held with the Company, he has had access to and he has acquired Confidential Information, and will continue to have access to and acquire Confidential Information during the Consulting Period. "**Confidential Information**" means any information that is, or should reasonably be understood to be, confidential or proprietary to the Company, including, but not limited to all information Confidential Information refers to any information, not generally known in the Business, which was obtained from the Company and its affiliates, or which was learned, discovered, developed, conceived, originated or prepared by Executive in the scope of his employment. Executive also recognizes that a portion of the business of the Company is dependent on trade secrets ("**Trade Secrets**"). Confidential Information and Trade Secrets include, but are not limited to, any information, whether tangible or intangible and in whatever medium, relating directly or indirectly to any proposed or existing business systems, strategies and models, proposed acquisitions, joint ventures or other strategic transactions, pricing strategies, technical data or know-how, finances, research, development, clients, customers, prospective clients and customers, contractual relationships, markets, marketing or business plans, manufacturing, personnel, products, services, formulas, inventions, processes, formulations, extracts, techniques, equipment, methods, designs, and drawings or engineering concepts of the Company and its affiliates, whether created, produced, manufactured, discovered, licensed, utilized, under development or otherwise obtained by the Company and its affiliates through contractual or other relationships, as well as all information generated by the Company and its affiliates that contains, reflects, or is derived from such information, which contains or otherwise reflects or is generated from such information and any other information which is identified as confidential by the Company. Executive acknowledges and agrees that the Confidential Information and Trade Secrets the Company is providing Executive under this Agreement is new Confidential Information and Trade Secrets to which Executive did not have access or knowledge of prior to signing this Agreement. The protection of this new Confidential Information and Trade Secrets, as well as past Confidential Information and Trade Secrets that became known to Executive during employment with the Company up to the Last Service Date, against unauthorized disclosure or use is of critical importance to the Company. Accordingly, Executive agrees that he will maintain in confidence and shall not disclose or use (other than in the provision of Services to Company under this Agreement), either during or after the Last Service Date, any past or new Confidential Information and Trade Secrets belonging to the Company and its affiliates.

Executive further acknowledges that the Company has a legitimate and significant business interest in preventing the unauthorized disclosure of the Confidential Information. Accordingly, Executive shall not, without the prior written consent of the Company or unless in connection with the performance of Services, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity, for any reason or purpose whatsoever, any Confidential Information, except when required to do so by a court of competent jurisdiction or any Governmental Authority, in any case, with jurisdiction to order the Executive to divulge, disclose or

make accessible such information. If Executive becomes compelled to disclose any Confidential Information in the circumstances described in the preceding sentence, Executive shall: promptly provide the Company's Chief Executive Officer with written notice thereof, so as to permit the Company to seek a protective order or other appropriate remedy, and Executive shall cooperate with the Company in its efforts in connection therewith; and disclose only that portion of the Confidential Information that Executive is advised by his counsel (which counsel will be reasonably acceptable to the Company and the reasonable costs and expenses of which will be borne by the Company) Executive is legally required to disclose and shall use reasonable efforts to have such disclosed Confidential Information accorded confidential treatment.

b. Executive and Company further agree that neither party shall disparage or defame the other in any manner. For purposes of this paragraph, the p Company, shall include the Company or any of their past or present employees, officers, directors, trustees, board members, stockholders, agents, affiliates, parent entities, subsidiaries, successors, assigns and other representatives, and anyone acting on their joint or several behalf, or any aspect of his employment with the Company.

c. During the Consulting Period and for one (1) year after the date of the termination of the Consulting Period for any reason, Executive covenants and agrees that:

i. Executive shall not directly or indirectly solicit or induce, or attempt to induce, any employee, consultant, customer or vendor of the Company or its affiliates to terminate employment or any other relationship with the Company or its applicable affiliate.

ii. To the maximum extent permitted by law, for a period of one year after the Employment Termination Date, Executive agrees that, without the prior written consent of the Company, Executive shall not directly or indirectly, within the Geographic Area, whether as an owner, employee, officer, director, investor, independent contractor, consultant, or otherwise, in any job function or capacity, participate or engage in the Business, or work for or provide services to any person, partnership, entity, business, association, or corporation engaged or involved in the Business within the Geographic Area. The Geographic Area means the states of Texas, Louisiana (within the parishes listed in **Exhibit A**), Colorado, Wyoming, or any other state in the United States or any other country worldwide in which the Company engages in Business on, or has engaged in Business within two years before, the date of Executive's termination from the Company. Nothing in this Agreement prohibits Executive from owning a passive investment interest of less than 5% in a publicly traded company. Executive acknowledges that the foregoing non-competition covenant may restrict his ability to work for certain companies, but that he will receive sufficient consideration from the Company hereunder to justify such restriction and that the restriction is reasonable.

d. Executive agrees that any breach of the covenants contained in this Paragraph 4 would irreparably injure the Company and that their remedies at law would be inadequate. Accordingly, in the event of any breach or threatened breach of this Paragraph 4, the Company, in addition to any other rights and remedies available at law or in equity, shall be entitled to an injunction (and/or other equitable relief), restraining such breach or threatened breach. The rights and remedies under this Agreement provided to the Company shall be cumulative and shall be in addition to any other rights or remedies available at law, in equity or under this Agreement.

5. Commitment to Provide Assistance and Other Obligations.

a. In addition to any other obligations of the Executive under law or any other agreement with the Company, in consideration of this Agreement, Executive specifically agrees that:

i. All data, records and other written material prepared or compiled by Consultant and/or Executive for Company in the provision of Services, furnished directly or indirectly to Executive by the Company or its affiliates, or to which Executive may have access while providing Services to the Company, shall be the sole and exclusive property of the Company, and none of such data, documents or other information, or copies thereof, shall be retained by Executive upon termination of the Consulting Period, except for the purpose of demonstrating Consultant's or Executive's compliance with this Agreement, or otherwise for the purpose of complying with applicable legal or ethical requirements. Executive shall deliver promptly to the Company at termination, all materials provided by Company to Executive including Company Confidential Information and Trade Secrets. Any Company Confidential Information and Trade Secrets incorporated into reports created by Executive may be retained by Executive in the same format for archival purposes or proof of services, but subject to strict obligations of confidentiality. Executive shall not use or disclose any such Confidential Information or Trade Secrets except in performance of this Agreement or proceedings related thereto.

ii. Consultant and Executive, will use reasonable best efforts to promptly assist the Company with any of its reasonable requests for information related to Executive's former job responsibilities and activities, it being understood by Company that during the consulting period Consultant and Executive will be engaged in other business activities and professional assignments unrelated to Company. Company acknowledges and agrees that its requests for Consultant's and Executive's Services will be reasonable in time and scope. Further, the parties will coordinate in good faith to accommodate the timing of the provision of Services under this Agreement. Consultant, acting through Executive, agrees to respond in good faith to any telephone calls and/or information requests from the Company. Consultant represents that it will use reasonable best

efforts to initiate a response to Company requests as soon as practicable, and absent unusual circumstances, no later than five (5) business days of the request. Executive further agrees to cooperate with the Company to the extent reasonably required in all matters relating to the winding up of his pending or ongoing work assignments on behalf of the Company and the orderly transfer of any such pending or ongoing work as requested by the Company. In addition to the foregoing, Executive shall reasonably cooperate with the Company in the prosecution or defense of any lawsuits or administrative proceedings as may be requested by Company. Executive's cooperation shall include making himself available to provide written or oral sworn testimony, assisting in the preparation of the defense of such proceeding, and providing any documentation in his possession or control that relates to such proceeding.

iii. In the event that a party breaches this Agreement by its failure to timely perform its obligations, the injured party shall provide written notice of the deficiency to the breaching party, and the breaching party will have ten (10) business days to cure the breach. If, after 10 days from the receipt of the notice, the breach is not remedied, the injured party may terminate the Agreement upon written notice to the other party.

e. If any of the provisions of this Paragraph 4 are determined by a court of law to be excessively broad, whether as to geographical area, time, scope, or otherwise, such provision shall be reduced to whatever extent is reasonable and shall be enforced as so modified. Any provisions of this Paragraph 4 not so modified shall remain in full force and effect.

5. Consideration.

a. In exchange for Executive's obligations under this Agreement:

i. The Company shall take such action as may be necessary so that solely for purposes of Executive's stock option awards, Executive shall not be deemed to have terminated employment, and Executive shall be permitted to exercise any vested and unexpired stock options until Executive's Last Service Date as defined in Section 3 above; however, such stock options shall continue to expire in accordance with the expiration date set forth in the applicable stock option award agreement. Nothing contained herein shall have the effect of extending any stock option expiration date beyond the expiration date set forth in the applicable stock option award agreement.

ii. The Company shall take such action as may be necessary so that solely for purposes of Executive's unvested RSA and RSU awards, Executive shall not be deemed to have terminated employment, and Executive's unvested RSAs and RSUs shall continue to vest according to the vesting schedule set forth in the applicable award agreement until Executive's Last Service Date as defined in Section 3 above. Any unvested RSAs and RSUs as of the Last Service Date shall be immediately forfeited.

iii. Executive shall be entitled to receive a number of shares of stock calculated in accordance with the performance metrics applicable to the relevant performance period and as set forth in the applicable Performance Unit Award Agreements and pro-rated based on the number of days Executive was employed by the Company in 2017. Any such determination by Company will be made no later than 90 days after the end of the year for the which the calculation is made and shall be provided to Executive in writing with the applicable calculations clearly defined.

iv. Executive shall be entitled to receive a pro-rated amount equal to the annual bonus that would have been paid to the Executive had he remained employed with the Company through the end of the calendar year in which Executive's employment terminates, to be calculated based on the level of achievement of the Company's financial targets under the 2017 Short-Term Incentive Plan ("**STIP**") at the end of the calendar year without the application of any modifier that is based on individual performance and such bonus amount achieved, if any, shall be prorated based on a fraction, the numerator of which is the number of days of Executive's employment with the Company during the applicable calendar year and the denominator of which is 365. Such prorated amount shall be paid during the immediately following calendar year, and not later than, when STIP participants are paid and shall be less any required taxes and withholdings. In accordance with the requirements of the Dodd-Frank Act, in the event the Company is required to restate its publicly filed financial statements for any reason, the Compensation Committee of the Company will review all incentive-based compensation awarded that was based on the restated financial statements and may require the Executive to return such compensation to the extent it would have been less based on the restated financial statements.

v. The Company agrees to compensate Executive at a rate of $250 per hour for Services rendered to the Company during the first twelve (12) months of the Consulting Period and $350 per hour thereafter for Services rendered during the remainder of the Consulting Period. Executive shall submit an invoice to the Company for Services performed by the Consultant on a monthly basis with payment due to Consultant within 30 days of the Company's receipt of invoice.

vi. For the avoidance of doubt, in the event that the Company terminates this Agreement for any reason other than Executive's uncured breach of this Agreement, the vesting set forth in the preceding subparagraphs 5 (a) (i) through (iv) shall continue in full force so that Executive does not forfeit the applicable award.

6. Taxes. The Company will issue appropriate Internal Revenue Service forms for the benefits provided herein. Executive acknowledges and agrees that the Company has made no representations to Executive regarding the tax consequences of such benefits. The Company may withhold such taxes from any payments to Executive hereunder as it determines is required by law. Executive understands that he must comply with any obligation to pay taxes on the proceeds received from the Company under this Agreement.

7. Time for Acceptance; Revocation. Executive understands that Executive is being provided with a period of at least Forty-five (45) days to consider the terms of this Agreement, and in the event Executive decides to execute this Agreement in fewer than Forty-five (45) days, Executive acknowledges that Executive has done so with the express understanding that Executive has been given and declined the opportunity to consider this Agreement for a full Forty-five (45) days. Executive further acknowledges that Executive's decision to sign the Agreement in fewer than Forty-five (45) was not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the Forty-five (45) day time period. Executive further acknowledges that: (i) he may revoke his acceptance of this Agreement by notifying the Company in writing (by delivery of written notice to the person listed below) within seven (7) days after he signs and returns this Agreement. If Executive does not timely revoke his acceptance, this Agreement will become effective and enforceable on the eighth (8th) day after Executive signs and returns this Agreement (the **"Effective Date"**). Executive agrees with the Company that changes, whether material or immaterial, do not restart the running of the Forty-five (45) day consideration period.

Executive may accept this Agreement by signing and returning it to:

Shelly Buchman
Associate General Counsel & Corporate Secretary
RigNet, Inc.
15115 Park Row Blvd., STE 300
Houston, Texas 77084

8. Acknowledgments**.** Executive acknowledges that he has fully informed himself of the terms, contents, conditions and effects of this Agreement and that, in executing this Agreement, he does not rely and has not relied upon any representation (oral or written) or statement made by RigNet or its attorneys. Additionally, the parties acknowledge that any violation or threatened violation of any of the provisions of this Agreement could constitute a material breach of this Agreement. The parties further agree that in the event that a lawsuit is brought to enforce this Agreement, the prevailing party shall be entitled to its actual (but no special, indirect or consequential) damages, attorneys' fees, costs, and such other and further relief to which the prevailing party may show itself justly entitled.

9. Governing Law; Jurisdiction. This Agreement is made and entered into in the State of Texas and shall in all respects be interpreted, enforced, and governed under the laws of the State of Texas (without regard to its conflicts of law principles). Each Party hereby submits to the jurisdiction and venue of the courts in Harris County, Texas for purpose of any litigation related to this Agreement and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

10. Severability. If any paragraph, term or provision of this Agreement shall be held or determined to be unenforceable, the balance of this Agreement shall nevertheless continue in full force and effect, unaffected by such holding or determination. In addition, in any such event, the Parties hereto agree that it is their intention and agreement that any such paragraph, term or provision which is held or determined to be unenforceable, as written, shall nonetheless be in force and binding to the fullest extent permitted by law as though such paragraph, term or provision had been written in such a manner and to such an extent as to be enforceable under the circumstance.

11. Entirety of the Agreement. Except as provided in Paragraph 4(g), Executive agrees that this is the parties' hereto entire agreement on the subject matter encompassed herein. This Agreement supersedes and replaces any other agreement between the parties with respect to Executive's separation from employment and release of claims. There are no other agreements on that subject matter between Executive and any Released Party, whether spoken, implied or in writing. To the extent that any other spoken agreements or understandings may have existed prior to this Agreement, this Agreement fully takes the place of those prior spoken agreements or understandings

12. Binding Effect. It is agreed and understood that this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, representatives, successors, and assigns.

13. No Assignment. Executive shall not assign this Agreement or any part hereof. Any purported assignment by Executive shall be null and void from the initial date of the purported assignment.

14. Execution Date. The parties hereto have executed this Agreement as of the dates set forth below.

[REMAINDER OF PAGE BLANK – FOLLOWED BY SIGNATURE PAGE]

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

Dated: July 13, 2017

CB Sutton Co., LLC d/b/a Sutton and Associates

/s/ William D. Sutton
William D. Sutton, Managing Member

Dated: July 13, 2017

William D. Sutton

Signature: /s/ William D. Sutton

RigNet, Inc.

Dated: July 13, 2017

Signature: /s/ Steven Pickett
Name: Steven Pickett
Title: Chief Executive Officer and President

EXHIBIT A
to the Agreement
between RigNet, Inc.
and the Executive

The following parishes in Louisiana are included in the Geographic Area applicable to the non-competition provision in Section 7(d).

Acadia

Allen

Ascension

Assumption

Avoyelles

Beauregard

Bienville

Bossier

Caddo

Calcasieu

Caldwell

Cameron

Catahoula

Claiborne

Concordia

DeSoto

East Baton Rouge

East Carroll

East Feliciana

Evangeline

Franklin

Grant

Iberia

Iberville

Jackson

Jefferson

Jefferson Davis

Lafayette

Lafourche
LaSalle

Lincoln

Livingston

Madison

Morehouse

Natchitoches

Orleans

Ouachita

Plaquemines

Pointe Coupee

Rapides

Red River

Richland

Sabine

St. Bernard

St. Charles

St. Helena

St. James

St. John

St. Landry

St. Martin

St. Mary

St. Tammany

Tangipahoa

Tensas

Terrebonne

Union

Vermilion

Vernon

Washington

Webster

West Baton Rouge

West Carroll

West Feliciana

Winn

EXHIBIT B

Full and Final Release

This Full and Final Release, dated as of July 13, 2017 ("**Release**"), is by and between RigNet, Inc. (the "**Company**") and William D. Sutton (the "**Executive**").

1. In exchange for, and as a condition to, the Company's obligations under the Consulting Services Agreement, dated as of July 13, 2017, by and between the Company, Consultant and Executive (the "**Agreement**"), except as limited by paragraph 8 below, Executive does hereby **RELEASE AND FOREVER DISCHARGE** the Company and each of its present and former officers, directors, employees, affiliates, agents, representatives, successors and assigns (all of whom are hereinafter collectively referred to as the "**Released Parties**") from any and all claims, demands, causes of action and liabilities, whether known or unknown, suspected or unsuspected, which Executive has, may have, or may claim to have, against the Released Parties arising from Executive's employment, employment separation, or any and all causes, acts, omissions, or events (herein referred to collectively as "**Released Claims**"), however denominated, occurring prior to or contemporaneously with the execution of this Agreement. Without limiting the generality of the foregoing, it is understood and agreed that this release constitutes and includes a release by Executive of the Released Parties from any and all claims, grievances, demands, charges, liabilities, obligations, actions, causes of action, damages, costs, losses of services, expenses, and compensation of any nature whatsoever, whether based on tort, contract or other theory of recovery, on account of, or in any way growing out of Executive's employment with or separation from RigNet, including, but not limited to, any claims arising under any of the following statutes: Title VII of the Civil Rights Act of 1964; the Americans with Disabilities Act of 1990; **the Age Discrimination in Employment Act; the Older Workers' Benefit Protection Act**; the Fair Labor Standards Act; the National Labor Relations Act; the Fair Credit Reporting Act; the Genetic Information Nondiscrimination Act; the Equal Pay Act; the Employee Retirement Income Security Act of 1974; 42 U.S.C. § 1981; the Civil Rights Act of 1991; the Family and Medical Leave Act; the Texas Commission on Human Rights Act; the Texas Payday Law; the Texas Labor Code; the Texas Workers' Compensation Act; and any other foreign, state or federal statute or regulation governing the employment relationship or Executive's rights, or the Company's obligations, in connection with any of the foregoing. This release also constitutes a release of any claim or cause of action for the following: invasion of privacy; intentional or negligent infliction of emotional distress; promissory estoppel; false imprisonment; defamation; negligent hiring, retention, and/or supervision; negligence or gross negligence; breach of express or implied contract; breach of any implied covenant; tortious interference with contract or business relations; misrepresentation; deceptive trade practices; fraud; and any other employment-related claims, or for any personal injuries, however characterized, or by virtue of any facts, acts or events occurring prior to or as of the execution of this Agreement. Notwithstanding anything to the contrary in this Agreement, this release does not constitute a release or waiver of Executive's right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("**EEOC**"), or any other governmental entity with jurisdiction to regulate employment conditions or relations; however, Executive does release and relinquish any right to receive any money, property, or any other thing of value, or any other financial benefit or award, as a result of any proceeding of any kind or character initiated by the EEOC or any other governmental entity with jurisdiction to regulate employment conditions or relations.

2. Executive hereby acknowledges and agrees that this Release is a general release against the Released Parties, and Executive hereby expressly waives and assumes the risk of any and all claims for damages against any of the Released Parties that exist as of the date of this Agreement but of which he does not know or suspect to exist, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect Executive's decision to enter into this Agreement. Executive further hereby agrees that he is accepting the additional consideration contained herein as a full and complete compromise of any and all matters involving disputed issues of law and/or fact against the Released Parties, and that he assumes the risk that the facts or law may be otherwise than he believes.

3. Neither the execution of this Release nor the performance of the consideration given for this Release shall constitute nor be deemed to be an admission of liability on the part of any party hereto, all of which is expressly denied.

4. OWBPA Representations and Acknowledgments**:**

    a. This Release constitutes a release and discharge of claims arising under the Age Discrimination in Employment Act, 29 U.S.C. §§ 621-634, including the Older Workers Benefit Protection Act ("OWBPA");

    b. Executive acknowledges that he has carefully read and fully understands all of the provisions of this Release, and Executive agrees that this Release is written in a manner that he understands;

    c. Executive acknowledges and understands that he is, through this Release, releasing RigNet from any and all claims he may have against RigNet and/or the Released Parties;

    d. Executive acknowledges and understands that in exchange for executing this Release, the benefits provided pursuant to the Agreement, as described therein, constitute consideration for this Release, in that they are benefits and things of value to which Executive would not have been entitled had he not signed this l Release;

    e. Executive declares that his agreement to all of the terms set forth in this Release is knowing and voluntary;

    f. Executive knowingly and voluntarily intends to be legally bound by the terms of this Release; and

    g. Executive acknowledges that he was advised and hereby is advised in writing to consider the terms of this Release and consult with an attorney of his choice prior to executing this Release; and Executive acknowledges and understands that rights or claims that may arise after the date this Release is executed are not waived.

5. All provisions and portions of this Release are severable. If any portion or portions of this Release or the application of any provision or portion of this Release to any person, to any circumstance, or to any Claims, is determined to be invalid or unenforceable to any extent for any reason, the remaining provisions and portions of this Release shall be unaffected and shall continue to be enforceable to the fullest and greatest extent permitted by law.

6. Executive understands that this Release is being offered in the State of Texas and agrees that the laws of the State of Texas shall govern this agreement without respect to Texas conflict of law principles.

7. In exchange for, and as a condition to, the Executive's obligations under the Consulting Services Agreement, dated as of July 13, 2017, by and between the Company, Consultant and Executive (the "**Agreement**"), Company does hereby **RELEASE AND FOREVER DISCHARGE** the Executive and each of his heirs, successors, attorneys, representatives, successors and assigns (all of whom are hereinafter collectively referred to as the "**Company Released Parties**") from any and all claims, demands, causes of action and liabilities, whether known or unknown, suspected or unsuspected, which Company has, may have, or may claim to have, against the Company Released Parties arising from Executive's employment, employment separation, or any and all causes, acts, omissions, or events (herein referred to collectively as "**Company Released Claims**"), however denominated, occurring prior to or contemporaneously with the execution of this Agreement.

8. The release and discharge provided in paragraph 1 above shall not modify, amend or otherwise limit Executive's rights to indemnification from the Company under Delaware law or under RigNet's certification of incorporation or by-laws.

[REMAINDER OF PAGE BLANK – FOLLOWED BY SIGNATURE PAGE]

IN WITNESS WHEREOF, Executive and a duly authorized representative of the Company hereby certify that they have read this Release in its entirety and voluntarily executed it in the presence of competent witnesses, as of the date set forth under their respective signatures.

Dated: July 13, 2017	**William D. Sutton**
	Signature: /s/ William D. Sutton
	RigNet, Inc.
Dated: July 13, 2017	Signature: /s/ Steven Pickett
	Name: Steven Pickett
	Title: Chief Executive Officer and President

Exhibit 31.1

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: August 7, 2017

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

Exhibit 31.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF RIGNET, INC.
PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Charles E. Schneider, certify that:

1. I have reviewed this 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: August 7, 2017

By: /s/ CHARLES E. SCHNEIDER
Charles E. Schneider
Chief Financial Officer

Exhibit 32.1

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 June 30, 2017 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: August 7, 2017

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

Exhibit 32.2

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 June 30, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Schneider, Chief Financial Officer of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 7, 2017

/s/ CHARLES E. SCHNEIDER
Charles E. Schneider
Chief Financial Officer