

---

---

**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, 2016

or

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

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)

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

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

**77077-4760**  
(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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, 2016, there were outstanding 17,806,244 shares of the registrant's Common Stock.

---

---

---

[Table of Contents](#)

TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I – FINANCIAL INFORMATION</u></b>	
Item 1	<a href="#">Condensed Consolidated Financial Statements (Unaudited)</a> 3
Item 2	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a> 21
Item 3	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a> 34
Item 4	<a href="#">Controls and Procedures</a> 35
<b><u>PART II – OTHER INFORMATION</u></b>	
Item 1	<a href="#">Legal Proceedings</a> 36
Item 1A	<a href="#">Risk Factors</a> 36
Item 2	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a> 36
Item 3	<a href="#">Defaults Upon Senior Securities</a> 36
Item 4	<a href="#">Mine Safety Disclosures</a> 36
Item 5	<a href="#">Other Information</a> 36
Item 6	<a href="#">Exhibits</a> 36

**PART I – FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements**

**CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	(in thousands, except share amounts)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 59,456	\$ 60,468
Restricted cash	298	543
Accounts receivable, net	51,184	62,105
Costs and estimated earnings in excess of billings on uncompleted contracts	2,047	6,757
Prepaid expenses and other current assets	9,892	7,142
<b>Total current assets</b>	<b>122,877</b>	<b>137,015</b>
Property, plant and equipment, net	67,633	72,547
Restricted cash	1,500	—
Goodwill	23,346	18,058
Intangibles, net	19,031	18,974
Deferred tax and other assets	14,434	11,522
<b>TOTAL ASSETS</b>	<b>\$ 248,821</b>	<b>\$ 258,116</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 6,154	\$ 6,849
Accrued expenses	17,323	19,946
Current maturities of long-term debt	8,388	8,421
Income taxes payable	306	3,091
Deferred revenue	3,582	4,670
<b>Total current liabilities</b>	<b>35,753</b>	<b>42,977</b>
Long-term debt	64,976	69,238
Deferred revenue	311	359
Deferred tax liability	22	220
Other liabilities	29,797	22,009
<b>Total liabilities</b>	<b>130,859</b>	<b>134,803</b>
Commitments and contingencies (Note 12)		
<b>Equity:</b>		
<b>Stockholders' equity</b>		
Preferred stock - \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at June 30, 2016 or December 31, 2015	—	—
Common stock - \$0.001 par value; 191,000,000 shares authorized; 17,806,244 and 17,757,945 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	18	18
Additional paid-in capital	145,498	143,012
Accumulated deficit	(12,127)	(6,043)
Accumulated other comprehensive loss	(15,427)	(13,836)
<b>Total stockholders' equity</b>	<b>117,962</b>	<b>123,151</b>
Non-redeemable, non-controlling interest	—	162
<b>Total equity</b>	<b>117,962</b>	<b>123,313</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 248,821</b>	<b>\$ 258,116</b>

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

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(in thousands, except per share amounts)			
<b>Revenue</b>	<b>\$ 54,911</b>	<b>\$ 75,106</b>	<b>\$ 117,252</b>	<b>\$ 152,756</b>
<b>Expenses:</b>				
Cost of revenue (excluding depreciation and amortization)	33,276	39,736	69,552	83,669
Depreciation and amortization	9,013	8,211	17,256	16,307
Impairment of intangible assets	397	—	397	—
Selling and marketing	1,943	2,262	3,835	4,940
General and administrative	13,576	15,794	28,917	36,285
<b>Total expenses</b>	<b>58,205</b>	<b>66,003</b>	<b>119,957</b>	<b>141,201</b>
<b>Operating income (loss)</b>	<b>(3,294)</b>	<b>9,103</b>	<b>(2,705)</b>	<b>11,555</b>
<b>Other income (expense):</b>				
Interest expense	(643)	(508)	(1,311)	(1,019)
Other income (expense), net	315	160	29	(409)
Income (loss) before income taxes	(3,622)	8,755	(3,987)	10,127
Income tax expense	(1,234)	(2,635)	(2,136)	(4,949)
<b>Net income (loss)</b>	<b>(4,856)</b>	<b>6,120</b>	<b>(6,123)</b>	<b>5,178</b>
Less: Net income (loss) attributable to non-redeemable, non-controlling interest	(105)	81	(39)	168
<b>Net income (loss) attributable to RigNet, Inc. stockholders</b>	<b>\$ (4,751)</b>	<b>\$ 6,039</b>	<b>\$ (6,084)</b>	<b>\$ 5,010</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>				
Net income (loss)	\$ (4,856)	\$ 6,120	\$ (6,123)	\$ 5,178
Foreign currency translation	(2,133)	3,255	(1,591)	(1,328)
<b>Comprehensive income (loss)</b>	<b>(6,989)</b>	<b>9,375</b>	<b>(7,714)</b>	<b>3,850</b>
Less: Comprehensive income (loss) attributable to non-controlling interest	(105)	81	(39)	168
<b>Comprehensive income (loss) attributable to RigNet, Inc. stockholders</b>	<b>\$ (6,884)</b>	<b>\$ 9,294</b>	<b>\$ (7,675)</b>	<b>\$ 3,682</b>
<b>INCOME (LOSS) PER SHARE - BASIC AND DILUTED</b>				
Net income (loss) attributable to RigNet, Inc. common stockholders	\$ (4,751)	\$ 6,039	\$ (6,084)	\$ 5,010
Net income (loss) per share attributable to RigNet, Inc. common stockholders, basic	\$ (0.27)	\$ 0.35	\$ (0.35)	\$ 0.29
Net income (loss) per share attributable to RigNet, Inc. common stockholders, diluted	\$ (0.27)	\$ 0.34	\$ (0.35)	\$ 0.28
Weighted average shares outstanding, basic	17,634	17,499	17,624	17,482
Weighted average shares outstanding, diluted	17,634	17,893	17,624	17,857

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

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

	<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
	(in thousands)	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (6,123)	\$ 5,178
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	17,256	16,307
Impairment of intangible assets	397	—
Stock-based compensation	1,842	1,982
Amortization of deferred financing costs	85	87
Deferred taxes	(1,627)	202
Accretion of discount of contingent consideration for acquisition of Tecnor	234	—
Gain on sales of property, plant and equipment, net of retirements	(150)	(13)
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	13,676	2,954
Costs and estimated earnings in excess of billings on uncompleted contracts	4,670	(4,561)
Prepaid expenses and other assets	(2,727)	(161)
Accounts payable	(2,777)	(2,519)
Accrued expenses	(5,952)	(9,939)
Deferred revenue	(1,161)	314
Other liabilities	797	3,604
<b>Net cash provided by operating activities</b>	<b>18,440</b>	<b>13,435</b>
<b>Cash flows from investing activities:</b>		
Acquisition of Orgtec S.A.P.I. de C.V., d.b.a. Tecnor	(4,841)	—
Capital expenditures	(9,430)	(14,331)
Proceeds from sales of property, plant and equipment	183	21
(Increase) decrease in restricted cash	(1,255)	419
<b>Net cash used in investing activities</b>	<b>(15,343)</b>	<b>(13,891)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	644	105
Subsidiary distributions to non-controlling interest	(123)	(168)
Repayments of long-term debt	(4,280)	(4,324)
Payment of financing fees	(100)	—
Excess tax benefits from stock-based compensation	—	92
<b>Net cash used in financing activities</b>	<b>(3,859)</b>	<b>(4,295)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(762)</b>	<b>(4,751)</b>
<b>Cash and cash equivalents:</b>		
Balance, January 1,	60,468	66,576
Changes in foreign currency translation	(250)	(301)
<b>Balance, June 30,</b>	<b>\$ 59,456</b>	<b>\$ 61,524</b>
<b>Supplemental disclosures:</b>		
Income taxes paid	\$ 4,910	\$ 5,455
Interest paid	\$ 991	\$ 940
Non-cash investing - capital expenditures accrued	\$ 969	\$ 4,221
Non-cash investing - contingent earn-out liability for Tecnor acquisition	\$ 6,425	\$ —
Liabilities assumed - Tecnor acquisition	\$ 2,408	\$ —

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

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

	<u>Common Stock</u>		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non- Redeemable, Non- Controlling Interest	Total Equity
	Shares	Amount						
<b>Balance, January 1, 2015</b>	<b>17,630</b>	<b>\$ 18</b>	<b>\$137,662</b>	<b>\$ 10,931</b>	<b>\$ (6,682)</b>	<b>\$ 141,929</b>	<b>\$ 162</b>	<b>\$ 142,091</b>
Issuance of common stock upon the exercise of stock options	5	—	105	—	—	105	—	105
Issuance of restricted common stock, net of share cancellations	58	—	—	—	—	—	—	—
Stock-based compensation	—	—	1,982	—	—	1,982	—	1,982
Excess tax benefits from stock-based compensation	—	—	92	—	—	92	—	92
Foreign currency translation	—	—	—	—	(1,328)	(1,328)	—	(1,328)
Non-controlling owner distributions	—	—	—	—	—	—	(168)	(168)
Net income	—	—	—	5,010	—	5,010	168	5,178
<b>Balance, June 30, 2015</b>	<b>17,693</b>	<b>\$ 18</b>	<b>\$139,841</b>	<b>\$ 15,941</b>	<b>\$ (8,010)</b>	<b>\$ 147,790</b>	<b>\$ 162</b>	<b>\$ 147,952</b>
<b>Balance, January 1, 2016</b>	<b>17,758</b>	<b>\$ 18</b>	<b>\$143,012</b>	<b>\$ (6,043)</b>	<b>\$ (13,836)</b>	<b>\$ 123,151</b>	<b>\$ 162</b>	<b>\$ 123,313</b>
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 loss	—	—	—	(6,084)	—	(6,084)	(39)	(6,123)
<b>Balance, June 30, 2016</b>	<b>17,806</b>	<b>\$ 18</b>	<b>\$145,498</b>	<b>\$ (12,127)</b>	<b>\$ (15,427)</b>	<b>\$ 117,962</b>	<b>\$ —</b>	<b>\$ 117,962</b>

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, 2015 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016.

Subsequent to the issuance of the Company's June 30, 2015 condensed consolidated financial statements, the Company identified a misclassification in the presentation of operating expenses between selling and marketing expense and general and administrative expense in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2015. This error resulted in the understatement of selling and marketing expense of \$0.6 million and \$1.4 million for the three and six months ended June 30, 2015 and an offsetting overstatement of general and administrative expense, in the same amounts. The prior period amounts have been revised to reflect the correct classification. The correction had no impact on total expenses or net income for the three and six months ended June 30, 2015.

#### *Significant Accounting Policies*

Please refer to RigNet's Annual Report on Form 10-K for fiscal year 2015 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. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently in the process of evaluating the impact the adoption of this ASU will have on the Company's condensed consolidated financial statements.

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

In September 2015, the FASB issued Accounting Standards Update No. 2015-16 (ASU 2015-16), Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This new standard specifies that an acquirer should recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, eliminating the current requirement to retrospectively account for these adjustments. Additionally, the full



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts should be recognized in the same period as the adjustments to the provisional amounts. The Company adopted ASU 2015-16 as of January 1, 2016. The adoption of ASU 2015-16 did not have any impact on the Company's 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 requires reflection of 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 have 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.

### Note 2 – Business Combinations

#### *TECNOR*

On February 4, 2016, RigNet completed its acquisition of TECNOR for an estimated aggregate purchase price of \$11.6 million. Of this aggregate purchase price, RigNet paid \$4.8 million in cash in February 2016 and paid \$0.3 million in escrow subject to final net working capital adjustments and estimates paying \$6.5 million in an earn-out payable in 2018. The estimate of the earn-out payable is preliminary and 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 Company's allocation of the purchase price is preliminary as the amounts are still being finalized.

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 Income (Loss) in each reporting period. There was no change in fair value to the TECNOR earn-out for the three and six months ended June 30, 2016 other than accretion of discount and the correction of error in estimated purchase price.

The goodwill of \$6.7 million arising from the acquisition consists largely of 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 Western Hemisphere reporting segment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	<u>Weighted Average Estimated Useful Life (Years)</u>	<u>Fair Market Values</u> (in thousands)
Accounts Receivable		\$ 2,672
Other assets		1,280
Property and equipment		809
Backlog	2.0	366
Customer Relationships	7.0	<u>2,210</u>
Total identifiable intangible assets		2,576
Goodwill		6,669
Accounts Payable		(1,914)
Accrued Expenses		(494)
Total purchase price		<u>\$ 11,598</u> (a) (b)

- (a) Includes \$0.3 million of estimated net working capital adjustments and an estimated earnout of \$6.5 million expected to be paid in 2018.
- (b) During the second quarter of 2016, the Company corrected the calculation of the preliminary estimated earn-out payable for the acquisition of TECNOR as reported in the unaudited condensed consolidated financial statements for the three months ended March 31, 2016. The error resulted in a \$3.3 million overstatement of other liabilities and goodwill initially recognized in the preliminary purchase price allocation as of March 31, 2016. The error was corrected in the second quarter in order to properly report the balances of other liabilities and goodwill as of June 30, 2016 and to correct the disclosure for preliminary purchase price allocation.

For the three and six months ended June 30, 2016, RigNet incurred \$0.1 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 Income (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, 2015. 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 2015 prior to acquisition.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	(in thousands)			
Revenue	\$ 54,911	\$ 77,213	\$ 118,287	\$ 157,259
Expenses	59,767	71,293	124,207	152,284
Net income (loss)	<u>\$ (4,856)</u>	<u>\$ 5,920</u>	<u>\$ (5,920)</u>	<u>\$ 4,975</u>
Net income (loss) attributable to RigNet, Inc. common stockholders	<u>\$ (4,751)</u>	<u>\$ 5,839</u>	<u>\$ (5,881)</u>	<u>\$ 4,807</u>
Net income (loss) per share attributable to RigNet, Inc. common stockholders:				
Basic	<u>\$ (0.27)</u>	<u>\$ 0.33</u>	<u>\$ (0.33)</u>	<u>\$ 0.27</u>
Diluted	<u>\$ (0.27)</u>	<u>\$ 0.33</u>	<u>\$ (0.33)</u>	<u>\$ 0.27</u>

**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 hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary.

***Foreign Currency Risk***

The Company has exposure to foreign currency risk, as a portion of the Company's activities are conducted in currencies other than U.S. dollars. Currently, the Norwegian kroner, the British pound sterling and the Australian dollar are the currencies that could materially impact the Company's financial position and results of operations. The Company presently does not hedge these risks, but evaluate financial risk on a regular basis and may utilize financial instruments in the future if deemed necessary. Foreign currency translations are reported as accumulated other comprehensive income (loss) in the Company's condensed consolidated financial statements.

***Credit Risk***

Credit risk, with respect to accounts receivable, is due to the limited number of customers concentrated in the oil and gas 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 2016 or 2015. 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 \$6.7 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 31<sup>st</sup> of each year, with the most recent annual test being performed as of July 31, 2015. The July 2015 annual test resulted in a full \$10.9 million impairment of goodwill in the North America Land reporting unit, which reports through the Western Hemisphere reportable segment. This impairment resulted from reduced internal cash flow projections for the North America Land reporting unit which has been adversely impacted by a significant decline in U.S. land rig counts since December 2014. The July 2015 annual test resulted in no impairment to the remaining goodwill as the fair value of each other reporting unit continues to exceed the carrying value plus goodwill.

As of June 30, 2016 and December 31, 2015, goodwill was \$23.3 million and \$18.1 million, respectively. In addition to additions from acquisition, goodwill increases or decreases in value due to the effect of foreign currency translation.

***Intangibles***

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

In 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.

In July 2015, the Company identified a triggering event in the North America Land reporting unit associated with a significant decline in U.S. land rig counts since December 2014. This circumstance resulted in a reduction in the Company’s cash flow projections during the revision of internal forecasts. In July 2015, the Company conducted an intangibles impairment test and as a result of such test, recognized a \$1.7 million impairment of customer relationships, the full amount of intangibles within the North America Land reporting unit, which reports through the Western Hemisphere reportable segment. Except as noted above, no other impairment indicators have been identified in any reporting unit as of June 30, 2016.

As of June 30, 2016 and December 31, 2015, intangibles were \$19.0 million. During the three months ended June 30, 2016 and 2015, the Company recognized amortization expense of \$1.3 million and \$1.5 million, respectively. During the six months ended June 30, 2016 and 2015, the Company recognized amortization expense of \$2.6 million and \$2.8 million, respectively.

The following table sets forth expected amortization expense of intangibles for the remainder of 2016 and the following years (in thousands):

2016	2,822
2017	4,717
2018	4,550
2019	3,307
2020	2,490
Thereafter	1,145
	<u>\$19,031</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 5 – Restricted Cash**

As of June 30, 2016 and December 31, 2015, the Company had restricted cash of \$0.3 million and \$0.5 million in current assets, respectively. The restricted cash in current assets as of June 30, 2016 is primarily used for working capital adjustments for the TECNOR acquisition. The restricted cash in current assets as of December 31, 2015 was primarily used to collateralize outstanding performance bonds for Nessco's telecoms systems integration projects which were in effect prior to RigNet acquiring Nessco.

As of June 30, 2016, the Company had restricted cash of \$1.5 million in long-term assets. The restricted cash in long-term assets is primarily used to collateralize a performance bond in the Eastern Hemisphere segment (see Note 6 – Long-Term Debt).

**Note 6 – Long-Term Debt**

As of June 30, 2016 and December 31, 2015, the following credit facilities and long-term debt arrangements with financial institutions were in place:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	(in thousands)	
Term loan, net of unamortized deferred financing costs	\$38,364	\$ 42,659
Revolving loan	<u>35,000</u>	<u>35,000</u>
	73,364	77,659
Less: Current maturities of long-term debt	<u>(8,388)</u>	<u>(8,421)</u>
	<u>\$64,976</u>	<u>\$ 69,238</u>

***Term Loan***

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

The amended Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5% based on a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure as defined in the credit agreement. Interest is payable monthly along with quarterly principal installments of \$2.1 million, with the balance due October 2018. The weighted average interest rate for the three months ended June 30, 2016 and 2015 were 2.4% and 2.0%, respectively. The weighted average interest rate for the six months ended June 30, 2016 and 2015 were 2.3% and 2.0%, respectively, with an interest rate of 2.5% at June 30, 2016.

The Term Loan is secured by substantially all the assets of the Company. As of June 30, 2016, the Term Loan had an outstanding principal balance of \$38.6 million.

***Revolving Loans***

Under the credit agreement, the Company maintains a \$125.0 million revolving credit facility, which includes a \$15 million sublimit for the issuance of standby letters of credit. As of June 30, 2016, \$35.0 million in draws remain outstanding. The revolving credit facility matures in October 2018 with any outstanding borrowings then payable.

Borrowings under the revolving credit facility bear 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, 2016 and 2015 was 2.3% and 2.0%, respectively. The weighted average interest rate for the six months ended June 30, 2016 and 2015 was 2.3% and 1.9%, respectively, with an interest rate of 2.5% at June 30, 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### *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 \$5.4 million. This facility has a maturity date of June 30, 2017. As of June 30, 2016, the amount available under this facility was £1.7 million or \$2.3 million.

In June 2016, the Company secured a performance bond facility with a lender in the amount of \$1.5 million for its Eastern Hemisphere 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 under default and maintaining certain financial covenants such as a ratio of funded debt to Consolidated EBITDA, a non-GAAP financial measure as defined in the credit agreement, of less than or equal to 2.5 to 1.0 and a fixed charge coverage ratio of not less than 1.25 to 1.0 as of June 30, 2016. If any default occurs related to these covenants, the unpaid principal and any accrued interest shall be declared immediately due and payable. As of June 30, 2016 and December 31, 2015, the Company believes it was in compliance with all covenants.

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

### *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 2016 and the following years (in thousands):

2016	\$ 4,191
2017	8,521
2018	<u>60,652</u>
Total debt, including current maturities	<u>\$73,364</u>

### **Note 7 – Fair Value Disclosures**

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

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

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

The earn-out for 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 Income (Loss) in each reporting period. There was no change in fair value to the TECNOR earn-out for the three and six months ended June 30, 2016 other than accretion of discount and the correction of error in estimated purchase price (see Note 2 – Business Combinations).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 8 – Income Taxes**

The Company's effective income tax rate was -34.1% and 30.1% for the three months ended June 30, 2016 and 2015, respectively. The Company's effective income tax rate was -53.6% and 48.9% for the six months ended June 30, 2016 and 2015, 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 \$0.8 million in unrecognized tax benefits, including related interest and penalties, may be necessary within the coming year due to lapse in statute of limitations. If the tax benefits were recognized the impact to the tax provision would be \$0.6 million, which would affect the effective tax rate.

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

**Note 9 – Stock-Based Compensation**

During the six months ended June 30, 2016, the Company granted a total of 616,897 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 316,017 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. These also include 156,430 RSUs issued to certain officers and employees that generally cliff vest after 3 years, 65,084 RSUs issued to directors that vest in May 2017, and 79,366 performance based RSUs issued to certain officers that generally cliff vest after 3 years and are subject to certain performance based targets. The ultimate number of performance based RSUs 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, 2016, the Company also granted 100,000 stock options with an exercise price of \$12.60 to an officer of the Company under the 2010 Plan. Options granted have a contractual term of ten years and vest over a four year period of continued employment, with 25% of the options vesting on each of the first four anniversaries of the grant date.

The fair value of each stock option award is estimated on the grant date using a Black-Scholes option valuation model, which uses certain assumptions as of the date of grant. The assumptions used for the stock option grants made during the six months ended June 30, 2016 and 2015, were as follows:

	<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Expected volatility	49%	44%
Expected term (in years)	7	7
Risk-free interest rate	1.7%	1.9%
Dividend yield	—	—

Based on these assumptions, the weighted average grant date fair value of stock options granted during the six months ended June 30, 2016 and 2015 was \$6.46 and \$13.09 per option.

During the six months ended June 30, 2016, 33,400 shares of restricted stock, 57,851 RSUs and 132,370 stock options were forfeited.

Stock-based compensation expense related to the Company's stock-based compensation plans for the six months ended June 30, 2016 and 2015 was \$1.8 million and \$2.0 million, respectively. As of June 30, 2016, there was \$10.7 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 2.7 years.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Note 10 – Related Party Transactions

The Company utilized a consulting vendor, KKR Capstone, which performs services exclusively for portfolio companies of Kohlberg Kravis Roberts & Co. L.P. (KKR). KKR is a significant stockholder of the Company. The Company purchased no consulting services from KKR Capstone in the three and six months ended June 30, 2016. The Company purchased consulting services in the ordinary course of business totaling \$0.2 and \$0.3 million from KKR Capstone during the three and six months ended June 30, 2015, respectively.

### Note 11 – Income (loss) per Share

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

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 of which 1,073,579 and 1,096,848, respectively, were excluded due to the antidilutive position of the security. The remaining 517,975 and 212,717, respectively, were excluded because the Company incurred a loss in the period and to include them would have been anti-dilutive, meaning the loss per share would be reduced.

For the three and six months ended June 30, 2015, there were approximately 162,755 and 163,174, respectively, potentially issuable shares excluded from the Company's calculation of diluted EPS due to the antidilutive position of the security.

For the three and six months ended June 30, 2015, 393,878 and 374,338 shares of unexercised or unvested securities, respectively, were included in the diluted earnings per share computation due to the dilutive effect.

### Note 12 – Commitments and Contingencies

#### *Litigation*

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

#### *Contractual Dispute Settlement*

The Company's Telecoms Systems Integration (TSI) 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 six months ended June 30, 2016. After the aforementioned settlement and gain, the Company now has an accrued estimated loss of \$12.0 million for this project, which represents the total evident probable and estimable loss expected to be incurred over the life of this project. The Company expects remaining estimated project completion costs of \$0.7 million. The Company will continue incurring costs and recognizing revenue related to this change order, as the project is not yet complete and is expected to continue incurring costs through 2016. The ultimate actual results from the project may differ from the estimated \$12.0 million loss.

The Company has 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*****Regulatory Matter***

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

The Company incurred legal expenses of \$0.1 million and \$0.1 million in connection with the investigation for the six months ended June 30, 2016 and 2015, respectively. The Company may continue to incur significant legal fees and related expenses and the investigations may involve management time in the future in order to cooperate with OFAC and BIS. The Company cannot predict the ultimate outcome of the investigation, the total costs to be incurred in completing the investigation, the potential impact on personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, the Company could be subject to fines, sanctions or other penalties.

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

***Operating Leases***

The Company leases office space under lease agreements expiring on various dates through 2020. For the three months ended June 30, 2016 and 2015, the Company recognized expense under operating leases of \$1.0 million and \$0.9 million, respectively. For the six months ended June 30, 2016 and 2015, the Company recognized expense under operating leases of \$2.1 million and \$1.6 million, respectively.

As of June 30, 2016, future minimum lease obligations for the remainder of 2016 and future years were as follows (in thousands):

2016	2,087
2017	2,838
2018	1,390
2019	603
2020	313
	<u>\$7,231</u>

On June 30, 2016, the Company provided notice of early termination of its lease with Hartman Ashford Crossing, LLC for office space located at 1880 S. Dairy Ashford, Houston, TX 77077. In accordance with the terms of that lease, the Company exercised its option for early termination, effective February 28, 2017. The total amount of the lease termination obligation is \$0.4 million, of which \$0.1 million has been paid. The Company is entitled to reimbursement from the landlord for construction costs and tenant improvements in the amount of \$0.5 million, and intends to utilize part of such reimbursement to pay the remainder of the termination payment.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

***Commercial Commitments***

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

As of June 30, 2016, the Company had the following commercial commitments related to satellite and network services for the remainder of 2016 and the four years thereafter (in thousands):

2016	\$20,786
2017	24,968
2018	16,116
2019	16,489
2020	18,017
	<u>\$96,376</u>

RigNet has agreed, under certain conditions, to purchase up to \$65.0 million of capacity from the high-throughput Inmarsat's Global Xpress (GX) network during the five years after it becomes operational. The Company expects to utilize GX across RigNet's legacy operations as well as the operations acquired from Inmarsat. The portion of this agreement expected to be committed through 2020, assuming the GX network is commercially available in 2016, is reflected in the table above.

**Note 13 – 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.

Certain operating segments are aggregated into one reportable segment based on similar economic characteristics. Accordingly, RigNet considers its business to consist of three reportable segments:

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

Corporate and eliminations primarily represents unallocated corporate office activities, interest expenses, 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, 2016 and 2015, is presented below.

	<b>Three Months Ended June 30, 2016</b>				
	<b>Eastern Hemisphere</b>	<b>Western Hemisphere</b>	<b>Telecoms Systems Integration</b>	<b>Corporate and Eliminations</b>	<b>Consolidated Total</b>
	(in thousands)				
Revenue	\$ 29,131	\$ 21,088	\$ 4,692	\$ —	\$ 54,911
Cost of revenue (excluding depreciation and amortization)	15,643	12,080	3,594	1,959	33,276
Depreciation and amortization	4,864	2,721	9	1,419	9,013
Impairment of intangible assets	—	—	—	397	397
Selling, general and administrative	2,911	3,286	721	8,601	15,519
Operating income (loss)	<u>\$ 5,713</u>	<u>\$ 3,001</u>	<u>\$ 368</u>	<u>\$ (12,376)</u>	<u>\$ (3,294)</u>
Capital expenditures	3,321	699	—	650	4,670

	<b>Three Months Ended June 30, 2015</b>				
	<b>Eastern Hemisphere</b>	<b>Western Hemisphere</b>	<b>Telecoms Systems Integration</b>	<b>Corporate and Eliminations</b>	<b>Consolidated Total</b>
	(in thousands)				
Revenue	\$ 38,085	\$ 26,654	\$ 10,367	\$ —	\$ 75,106
Cost of revenue (excluding depreciation and amortization)	18,734	11,714	7,715	1,573	39,736
Depreciation and amortization	3,988	2,964	774	485	8,211
Selling, general and administrative	3,664	4,326	1,356	8,710	18,056
Operating income (loss)	<u>\$ 11,699</u>	<u>\$ 7,650</u>	<u>\$ 522</u>	<u>\$ (10,768)</u>	<u>\$ 9,103</u>
Capital expenditures	3,681	2,915	166	1,321	8,083

	<b>Six Months Ended June 30, 2016</b>				
	<b>Eastern Hemisphere</b>	<b>Western Hemisphere</b>	<b>Telecoms Systems Integration</b>	<b>Corporate and Eliminations</b>	<b>Consolidated Total</b>
	(in thousands)				
Revenue	\$ 60,581	\$ 44,059	\$ 12,612	\$ —	\$ 117,252
Cost of revenue (excluding depreciation and amortization)	32,139	25,209	8,870	3,334	69,552
Depreciation and amortization	9,337	5,437	38	2,444	17,256
Impairment of intangible assets	—	—	—	397	397
Selling, general and administrative	5,987	6,456	1,642	18,667	32,752
Operating income (loss)	<u>\$ 13,118</u>	<u>\$ 6,957</u>	<u>\$ 2,062</u>	<u>\$ (24,842)</u>	<u>\$ (2,705)</u>
Total assets	122,080	93,993	29,539	3,209	248,821
Capital expenditures	7,212	1,217	—	1,146	9,575

	<b>Six Months Ended June 30, 2015</b>				
	<b>Eastern Hemisphere</b>	<b>Western Hemisphere</b>	<b>Telecoms Systems Integration</b>	<b>Corporate and Eliminations</b>	<b>Consolidated Total</b>
	(in thousands)				
Revenue	\$ 77,056	\$ 54,782	\$ 20,918	\$ —	\$ 152,756
Cost of revenue (excluding depreciation and amortization)	36,634	25,668	15,788	5,579	83,669
Depreciation and amortization	7,960	5,980	1,538	829	16,307
Selling, general and administrative	7,192	8,880	2,436	22,717	41,225
Operating income (loss)	<u>\$ 25,270</u>	<u>\$ 14,254</u>	<u>\$ 1,156</u>	<u>\$ (29,125)</u>	<u>\$ 11,555</u>
Total assets	153,033	138,833	45,434	(42,798)	294,502
Capital expenditures	7,702	5,039	166	3,249	16,156

**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, 2016 and 2015. 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.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(in thousands)			
Domestic	\$ 16,261	\$ 20,810	\$ 32,228	\$ 43,516
International	38,650	54,296	85,024	109,240
<b>Total</b>	<b>\$ 54,911</b>	<b>\$ 75,106</b>	<b>\$ 117,252</b>	<b>\$ 152,756</b>

The following table presents long-lived assets for the Company's domestic and international operations as of June 30, 2016 and December 31, 2015.

	<u>June 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Domestic	\$ 33,529	\$ 36,506
International	76,481	73,073
<b>Total</b>	<b>\$110,010</b>	<b>\$ 109,579</b>

**Note 14 – 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.

In the first quarter of 2015, the Company instituted a resource reallocation plan to vacate and eliminate redundant facilities and eliminate certain excess positions in response to deteriorating oil and gas industry market conditions including declining oil and gas prices, increased stacking and scrapping of rigs and the declining Baker Hughes U.S. Land Rig Count. The plan primarily consisted of a corporate initiative to reallocate resources from the corporate function and the North America Land reporting unit within the Western Hemisphere segment to growth areas of the Company.

During the six months ended June 30, 2015, the Company incurred pre-tax expense of approximately \$6.2 million in the corporate segment related to the plan. The restructuring costs include \$2.4 million associated with the reduction of 59 employees, of which \$1.9 million and \$0.5 million are reported as general and administrative expense and cost of revenue, respectively, in the Condensed Consolidated Statements of Comprehensive Income (Loss). The restructuring costs also include \$3.8 million associated with ceasing the use of and vacating six Company facilities, of which \$2.3 million and \$1.5 million are reported as general and administrative expense and cost of revenue, respectively, in the Condensed Consolidated Statements of Comprehensive Income (Loss).

The Company undertook these plans in 2015 and 2016 to reduce costs and improve the Company's competitive position.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 15 – Executive Departure costs**

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

**Note 16 – Subsequent Events – Additional Cost Reduction Plans**

On July 15, 2016, the Company announced an organizational and cost restructuring plan. The Company anticipates incurring a pre-tax expense of approximately \$2.6 million in the third quarter of 2016 consisting of the reduction of 73 employees and related expenses. The Company anticipates that it will substantially complete the plan by December 31, 2016. The Company is executing this plan to further reduce costs and improve its operational efficiencies by reducing layers of management and streamlining decision making.

---

## [Table of Contents](#)

### **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, 2016 and for the three and six months ended June 30, 2016 and 2015 included elsewhere herein, and with our annual report on Form 10-K for the year ended December 31, 2015. 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:

- the level of activity for oil and natural gas exploration, development and production;
- new regulations, delays in drilling permits or other changes in the drilling industry;
- competition and competitive factors in the markets in which we operate;
- demand for our products and services;
- the advantages of our services compared to others;
- changes in customer preferences and our ability to adapt our product and services offerings;
- our ability to develop and maintain positive relationships with our customers;
- our ability to retain and hire necessary employees and appropriately staff our marketing, sales and distribution efforts;
- our cash needs and expectations regarding cash flow from operations and capital expenditures;
- our ability to manage and grow our business and execute our business strategy, including expanding our penetration of the U.S. and international onshore and offshore drilling rigs;
- our strategy;
- our resource reallocation and cost reduction activities and related expense;
- our financial performance, including our ability to expand Adjusted EBITDA through our operational leverage;
- our acquisition of TECNOR, including our estimated earn-out liability payable to former owners of TECNOR and our ability to recognize synergies following the integration of TECNOR; and
- the costs associated with being a public company.

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, 2015 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.

---

## [Table of Contents](#)

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

Network service customers are primarily served under fixed-price 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.

Certain operating segments are aggregated into one reportable segment based on similar economic characteristics. We operate three reportable segments, which are managed as distinct business units by our chief operating decision-maker.

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

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

---

## [Table of Contents](#)

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 February 4, 2016, we completed our acquisition of Orgtec S.A.P.I. de C.V., d.b.a TECNOR (TECNOR) for an aggregate purchase price of \$11.6 million. Of this aggregate purchase price, we paid \$4.8 million of cash in February 2016 and paid \$0.3 million in escrow subject to final net working capital adjustments and estimate paying \$6.5 million in an earn-out payable in 2018. The estimate of the earn-out payable is preliminary and 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 from mission critical military and government applications, oil and gas operations, commercial fishing and leisure. TECNOR is based in Monterrey, Mexico. The acquisition of TECNOR, including goodwill, is included in the Western Hemisphere reporting segment.

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

On July 15, 2016, we announced an additional organizational and cost restructuring plan. Pursuant to the plan, we anticipate incurring pre-tax expense of approximately \$2.6 million in the third quarter of 2016 resulting from the reduction of 73 employees and related expenses. We anticipate that we will substantially complete the plan by December 31, 2016. We are executing this plan to further reduce costs and improve our operational efficiencies by reducing layers of management and streamlining decision making.

During the six months ended June 30, 2016, we 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 a termination expense of \$0.9 million associated with the reduction of 42 employees. We undertook these plans to reduce costs and improve our competitive position. This was 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 we did not release and expense not incurred.

In the first quarter of 2016, we reached a settlement 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, we recognized \$2.3 million of gain in the six months ended June 30, 2016. After the aforementioned settlement and gain, we now have an accrued estimated loss of \$12.0 million for this project, which represents the total evident probable and estimable loss expected to be incurred over the life of this project. We expect remaining estimated project completion costs of \$0.7 million. We will continue incurring costs and recognizing revenue related to this change order, as the project is not yet complete and is expected to continue incurring costs through 2016.

### **Known Trends and Uncertainties**

#### *Operating Matters*

Uncertainties and negative trends in the oil and gas industry could continue to impact our profitability. The fundamentals of the oil and gas industry we serve have deteriorated. Oil prices have declined significantly throughout 2015 and into 2016 from the recent high 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. Generally, a prolonged lower oil price environment decreases exploration and development drilling investment, utilization of drilling rigs and the activity of the global oil and gas industry that we serve. Several global exploration and production companies have reduced their 2016 capital budgets compared to 2015 and 2014 as a result of lower oil prices.

Although management has observed a sustained decline in demand, the global oil and gas industry that we serve is expected to move towards higher specification drilling rigs to perform contract drilling services either as a response to increased technical challenges or for the safety, reliability and efficiency typical of the newer, more capable rigs. This trend is commonly referred to as the bifurcation of the drilling fleet. Bifurcation is occurring in both the jackup and floater rig classes and is evidenced by the higher specification drilling rigs operating at generally higher overall utilization levels and day rates than the lower specification or standard



---

## [Table of Contents](#)

drilling rigs. As the offshore drilling sector continues to construct and deliver newer, higher specification drilling units, we expect lower specification drilling units to experience reduced overall utilization and day rates leading to a significant number of rigs being either warm or cold-stacked or scrapped. Although management has observed the pace of cold stacking and scrapping of offshore lower specification drilling rigs recently increasing, management plans to aggressively pursue opportunities to provide our services on the higher specification new build offshore rigs.

As of June 30, 2016, we were serving a total of 211 jack up, semi-submersible and drillship rigs, a decrease of 59 rigs since June 30, 2015. We calculate our market share to be based on an IHS-Petrodata RigBase Current Activity report as of June 30, 2016 excluding cold-stacked rigs, rigs under construction, rigs out of service and rigs in sanctioned countries, as the marketplace does not consider these rigs to be addressable. We approximate our addressable market share to be 29.5% as of June 30, 2016, which is down compared to 35.4% as of June 30, 2015. As of June 30, 2016, we were serving 491 strategic initiative sites, a decrease of 24 sites since June 30, 2015. Strategic initiative sites include production facilities, support vessels and international onshore rigs. As of June 30, 2016, we were also serving 236 other sites, a decrease of 206 sites since June 30, 2015. Other sites include U.S. onshore drilling rigs, completion facilities, remote support offices and supply bases.

Drilling rig owners have announced and begun to cold stack and scrap drilling rigs which generally are older and not expected to be competitive. We expect that additional announcements are likely in the near future as a result of the overall lower global demand for offshore drilling rigs and expectations that many of the scheduled new build drilling rigs will be delivered and compete for global rig activity. Since October 1, 2014, we have been notified directly by customers or through public announcements that 95 offshore drilling rigs we served will be cold-stacked or scrapped. Revenue earned in 2015 from these 95 offshore drilling rigs was \$17.5 million. Revenue earned in the recent peak year of 2014 from these 95 offshore drilling rigs was \$26.2 million. As of June 30, 2016, we have stopped providing communication services on 80 of the 95 offshore drilling rigs as a result of being cold-stacked or scrapped. Revenue earned in 2015 and 2014 from these 80 offshore drilling rigs was \$11.2 million and \$19.0 million, respectively. Additionally, since June 30, 2015, our strategic initiatives and other sites, which include U.S. land, have declined by 24 and 206 sites, respectively, as a result of declining market conditions. According to The Baker Hughes Rig Count, U.S. land rigs have declined approximately 76.1% to 462 units in July 2016 since its most recent peak of 1,931 in late November 2014. According to The Baker Hughes Rig Count, U.S. land rigs have increased approximately 14.6% since its recent low of 404 units in May 2016. It is uncertain if rig counts will recover to 2014 levels.

In addition, uncertainties that could impact our profitability include service responsiveness to remote locations, communication network complexities, political and economic instability in certain regions, export restrictions, licenses and other trade barriers. These uncertainties may result in the delay of service initiation, which may negatively impact our results of operations. Additional uncertainties that could impact our operating cash flows include the availability and cost of satellite bandwidth, timing of collecting our receivables, and our ability to increase our contracted services through sales and marketing efforts while leveraging the contracted satellite and other communication service costs.

### ***Regulatory Matter***

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

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(in thousands)			
Revenue	\$54,911	\$75,106	\$117,252	\$152,756
Expenses:				
Cost of revenue (excluding depreciation and amortization)	33,276	39,736	69,552	83,669
Depreciation and amortization	9,013	8,211	17,256	16,307
Impairment of intangible assets	397	—	397	—
Selling and marketing	1,943	2,262	3,835	4,940
General and administrative	13,576	15,794	28,917	36,285
Total expenses	58,205	66,003	119,957	141,201
Operating income (loss)	(3,294)	9,103	(2,705)	11,555
Other expense, net	(328)	(348)	(1,282)	(1,428)
Income (loss) before income taxes	(3,622)	8,755	(3,987)	10,127
Income tax expense	(1,234)	(2,635)	(2,136)	(4,949)
Net income (loss)	(4,856)	6,120	(6,123)	5,178
Less: Net income (loss) attributable to non-controlling interests	(105)	81	(39)	168
Net income (loss) attributable to RigNet, Inc. stockholders	<u>\$ (4,751)</u>	<u>\$ 6,039</u>	<u>\$ (6,084)</u>	<u>\$ 5,010</u>
<b>Other Non-GAAP Data:</b>				
Gross Profit (excluding depreciation and amortization)	\$21,635	\$35,370	\$ 47,700	\$ 69,087
Unlevered Free Cash Flow	\$ 3,954	\$10,423	\$ 9,715	\$ 19,464
Adjusted EBITDA	\$ 8,624	\$18,506	\$ 19,290	\$ 35,620

[Table of Contents](#)

The following represents selected financial operating results for our segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
(in thousands)				
<b>Eastern Hemisphere:</b>				
Revenue	\$29,131	\$38,085	\$60,581	\$77,056
Cost of revenue (excluding depreciation and amortization)	15,643	18,734	32,139	36,634
Gross Profit (non-GAAP measure)	13,488	19,351	28,442	40,422
Depreciation and amortization	4,864	3,988	9,337	7,960
Selling, general and administrative	2,911	3,664	5,987	7,192
Eastern Hemisphere operating income	<u>\$ 5,713</u>	<u>\$11,699</u>	<u>\$13,118</u>	<u>\$25,270</u>
<b>Western Hemisphere:</b>				
Revenue	\$21,088	\$26,654	\$44,059	\$54,782
Cost of revenue (excluding depreciation and amortization)	12,080	11,714	25,209	25,668
Gross Profit (non-GAAP measure)	9,008	14,940	18,850	29,114
Depreciation and amortization	2,721	2,964	5,437	5,980
Selling, general and administrative	3,286	4,326	6,456	8,880
Western Hemisphere operating income	<u>\$ 3,001</u>	<u>\$ 7,650</u>	<u>\$ 6,957</u>	<u>\$14,254</u>
<b>Telecoms Systems Integration:</b>				
Revenue	\$ 4,692	\$10,367	\$12,612	\$20,918
Cost of revenue (excluding depreciation and amortization)	3,594	7,715	8,870	15,788
Gross Profit (non-GAAP measure)	1,098	2,652	3,742	5,130
Depreciation and amortization	9	774	38	1,538
Selling, general and administrative	721	1,356	1,642	2,436
Telecom Systems Integration operating income	<u>\$ 368</u>	<u>\$ 522</u>	<u>\$ 2,062</u>	<u>\$ 1,156</u>

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

**Three Months Ended June 30, 2016 and 2015**

**Revenue.** Revenue decreased by \$20.2 million, or 26.9%, to \$54.9 million for the three months ended June 30, 2016 from \$75.1 million for the three months ended June 30, 2015. This decrease was driven by lower revenues across all segments. The Eastern and Western Hemisphere segments decreased \$9.0 million, or 23.5% and \$5.6 million, or 20.9%, respectively. The decrease in revenue in the Eastern and Western Hemisphere segments is primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease of 59 offshore drilling sites served is primarily due to offshore drilling rigs we previously served being cold-stacked or scrapped partially offset by new sales wins. The decreased revenue-per-site from offshore drilling rigs is primarily due to decreased multi-tenancy ratios from operators on offshore drilling rigs. As rigs that we serve increasingly hot-stack (when a rig is taken out of service but is ready to mobilize on short notice) due to the current economic environment, the opportunity to serve the operator and earn additional revenue is lost until the drilling rig is subsequently contracted for service. The Western Hemisphere segment, to a lesser extent, was also adversely impacted by decreased U.S. Land activity partially offset by \$3.0 million of revenue from the acquisition of TECNOR. The TSI segment decreased \$5.7 million, or 54.7% due to decreased demand for TSI services. The decrease in all segments is amid a backdrop of lower oil prices, decreased oil and gas activity and reduced offshore and onshore drilling budgets.

**Cost of Revenue.** Cost of revenue decreased by \$6.5 million, or 16.3%, to \$33.3 million for the three months ended June 30, 2016 from \$39.7 million for the three months ended June 30, 2015. Cost of revenue decreased in the Eastern Hemisphere and TSI segments primarily due to cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third party spend.

---

## [Table of Contents](#)

Gross Profit (excluding depreciation and amortization) decreased by \$13.7 million, or 38.8%, to \$21.6 million for the three months ended June 30, 2016 from \$35.4 million for the three months ended June 30, 2015. Gross Profit (excluding depreciation and amortization) as a percentage of revenue, or Gross Profit Margin, decreased to 39.4% for the three months ended June 30, 2016 compared to 47.1% for the three months ended June 30, 2015. The decreased Gross Profit (excluding depreciation and amortization) and Gross Profit Margin is primarily attributable to lower revenue partially offset by benefits from cost containment actions.

**Depreciation and Amortization.** Depreciation and amortization expense increased by \$0.8 million to \$9.0 million for the three months ended June 30, 2016 from \$8.2 million for the three months ended June 30, 2015. This increase is primarily attributable to accelerated depreciation on tenant improvements in space abandoned as part of our corporate office lease restructuring coupled with additions to property, plant and equipment and intangibles from the acquisition of TECNOR and capital expenditures.

**Impairment of 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 decreased \$0.3 million to \$1.9 million for the three months ended June 30, 2016 from \$2.3 million for the three months ended June 30, 2015 due to the effect of cost reduction plans.

**General and Administrative.** General and administrative expenses decreased by \$2.2 million to \$13.6 million for the three months ended June 30, 2016 from \$15.8 million for the three months ended June 30, 2015. General and administrative costs decreased in all segments due to cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third party spend partially offset by \$0.9 million of restructuring costs, Enterprise Resource Planning (ERP) system implementation costs and CEO search costs.

**Income Tax Expense.** Our effective income tax rate was -34.1% and 30.1% for the three months ended June 30, 2016 and 2015, 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, 2016 and 2015**

**Revenue.** Revenue decreased by \$35.5 million, or 23.2%, to \$117.3 million for the six months ended June 30, 2016 from \$152.8 million for the six months ended June 30, 2015. This decrease was driven by lower revenues across all segments. The Eastern and Western Hemisphere segments decreased \$16.5 million, or 21.4% and \$10.7 million, or 19.6%, respectively. The decrease in revenue in the Eastern and Western Hemisphere segments is primarily due to decreased offshore sites served and decreased revenue-per-site from offshore drilling rigs. The decrease of 59 offshore drilling sites served is primarily due to offshore drilling rigs we previously served being cold-stacked or scrapped partially offset by new sales wins. The decreased revenue-per-site from offshore drilling rigs is primarily due to decreased multi-tenancy ratios from operators on offshore drilling rigs. As rigs that we serve increasingly hot-stack (when a rig is taken out of service but is ready to mobilize on short notice) due to the current economic environment, the opportunity to serve the operator and earn additional revenue is lost until the drilling rig is subsequently contracted for service. The Western Hemisphere segment, to a lesser extent, was also adversely impacted by decreased U.S. Land activity partially offset by \$5.1 million of revenue from the acquisition of TECNOR. The TSI segment decreased \$8.3 million, or 39.7% due to decreased demand for TSI services. The decrease in all segments is amid a backdrop of lower oil prices, decreased oil and gas activity and reduced offshore and onshore drilling budgets.

**Cost of Revenue.** Cost of revenue decreased by \$14.1 million, or 16.9%, to \$69.6 million for the six months ended June 30, 2016 from \$83.7 million for the six months ended June 30, 2015. Cost of revenue decreased in all segments due to cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third party spend.

Gross Profit (excluding depreciation and amortization) decreased by \$21.4 million, or 31.0%, to \$47.7 million for the six months ended June 30, 2016 from \$69.1 million for the six months ended June 30, 2015. Gross Profit (excluding depreciation and amortization) as a percentage of revenue, or Gross Profit Margin, decreased to 40.7% for the six months ended June 30, 2016 compared to 45.2% for the six months ended June 30, 2015. The decreased Gross Profit (excluding depreciation and amortization) and Gross Profit Margin is primarily attributable to lower revenue partially offset by benefits from cost containment actions.

---

## [Table of Contents](#)

**Depreciation and Amortization.** Depreciation and amortization expense increased by \$0.9 million to \$17.3 million for the six months ended June 30, 2016 from \$16.3 million for the six months ended June 30, 2015. This increase is primarily attributable to accelerated depreciation on tenant improvements in space abandoned as part of our corporate office lease restructuring coupled with additions to property, plant and equipment and intangibles from the acquisition of TECNOR and capital expenditures.

**Impairment of 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 \$1.1 million to \$3.8 million for the six months ended June 30, 2016 from \$4.9 million for the six months ended June 30, 2015 due to the effect of cost reduction plans.

**General and Administrative.** General and administrative expenses decreased by \$7.4 million to \$28.9 million for the six months ended June 30, 2016 from \$36.3 million for the six months ended June 30, 2015. General and administrative costs decreased in all segments due to cost reduction plans coupled with decreased costs from separate cost savings initiatives focused on reducing third party spend partially offset by \$1.9 million of executive departure costs, Enterprise Resource Planning ERP system implementation costs and CEO search costs.

**Income Tax Expense.** Our effective income tax rate was -53.6% and 48.9% for the six months ended June 30, 2016 and 2015, 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, 2016, we had working capital, including cash, of \$87.1 million.

Based on our current expectations, we believe our liquidity and capital resources will be sufficient for the conduct of our business and operations for the foreseeable future. We may also use a portion of our available cash to finance growth through the acquisition of, or investment in, businesses, products, services or technologies complementary to our current business, through mergers, acquisitions, joint ventures or otherwise, or to pay down outstanding debt.

During the next twelve months, we expect our principal sources of liquidity to be cash flows from operating activities, cash and cash equivalents 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.

---

[Table of Contents](#)

	Six Months Ended	
	June 30,	
	2016	2015
	(in thousands)	
<b>Condensed Consolidated Statements of Cash Flows Data:</b>		
Cash and cash equivalents, January 1,	\$ 60,468	\$ 66,576
Net cash provided by operating activities	18,440	13,435
Net cash used in investing activities	(15,343)	(13,891)
Net cash used in financing activities	(3,859)	(4,295)
Changes in foreign currency translation	(250)	(301)
Cash and cash equivalents, June 30,	<u>\$ 59,456</u>	<u>\$ 61,524</u>

Currently, the Norwegian kroner, the British pound sterling and the Australian dollar 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, 2016 and 2015, 84.0% and 85.8% of our revenue was denominated in U.S. dollars, respectively.

### Operating Activities

Net cash provided by operating activities was \$18.4 million for the six months ended June 30, 2016 compared to \$13.4 million for the six months ended June 30, 2015. The increase in cash provided by operating activities during 2016 of \$5.0 million was primarily due to the timing of collection of our accounts receivable partially offset by lower operating income (loss).

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

### Investing Activities

Net cash used in investing activities was \$15.3 million and \$13.9 million for the six months ended June 30, 2016 and 2015, respectively.

Net Cash used in investing activities during the six months ended June 30, 2016 include \$4.8 million paid in connection with the acquisition of TECNOR. Net cash used in investing activities during the six months ended June 30, 2016 and 2015 includes capital expenditures of \$9.4 million and \$14.3 million, respectively. We expect capital expenditures for 2016 to be lower than the previous year due to declining global oil and gas drilling activity. We believe our 2016 capital expenditures will primarily be focused on growth opportunities arising from new build high specification deepwater drilling rigs.

### Financing Activities

Net cash used in financing activities was \$3.9 million and \$4.3 million for the six months ended June 30, 2016 and 2015, respectively. Cash used in financing activities for the six months ended June 30, 2016 and 2015 include \$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 \$125.0 million revolving credit facility, which includes a \$15 million sublimit for the issuance of standby letters of credit.

The Term Loan bears an interest rate of LIBOR plus a margin ranging from 1.5% to 2.5%, based on a ratio of funded debt to 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, 2016 and 2015 was 2.4% and 2.0%, respectively. The weighted average interest rate for the six months ended

---

## [Table of Contents](#)

June 30, 2016 and 2015 was 2.3% and 2.0%, respectively, with an interest rate of 2.5% at June 30, 2016. The Term Loan is secured by substantially all the assets of the Company. As of June 30, 2016, the outstanding principal balance of the Term Loan was \$38.6 million.

The revolving credit facility matures in October 2018 with any outstanding borrowings then payable. Borrowings under the revolving credit facility 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, 2016, \$35.0 million in draws have been made on the facility and remain outstanding. The weighted average interest rate for the three months ended June 30, 2016 and 2015 was 2.3% and 2.0%, respectively. The weighted average interest rate for the six months ended June 30, 2016 and 2015 was 2.3% and 1.9%, respectively, with an interest rate of 2.5% at June 30, 2016.

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

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, 2016, we believe we were in compliance with all covenants.

### ***Off-Balance Sheet Arrangements***

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

### **Regulatory Matter**

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

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

We incurred legal expenses of \$0.1 million and \$0.1 million for the six months ended June 30, 2016 and 2015, respectively, relating to this investigation. We may continue to incur significant legal fees and related expenses, and the investigations may involve management time in the future in order to cooperate with OFAC and BIS. We cannot predict the ultimate outcome of the investigation, the total costs to be incurred in completing the investigation, the potential impact on personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, we could be subject to fines, sanctions or other penalties.

### **Non-GAAP Measures**

The non-GAAP financial measures, Gross Profit (excluding depreciation and amortization), Adjusted EBITDA and Unlevered Free Cash Flow may not be comparable to similarly titled measures of other companies because other companies may not calculate Gross Profit (excluding depreciation and amortization), Adjusted EBITDA and Unlevered Free Cash Flow or similarly titled measures in the same manner we do. Therefore, these non-GAAP measures should be considered in conjunction with net income (loss) and other performance measures prepared in accordance with GAAP, such as gross profit, operating income or net cash provided by operating activities. Further, Gross Profit (excluding depreciation and amortization), Adjusted EBITDA and Unlevered Free Cash Flow should not be considered in isolation or as a substitute for GAAP measures such as net income (loss), gross profit, operating income or any other GAAP measure of liquidity or financial performance. We prepare Gross Profit (excluding depreciation and amortization), 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.

## Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Gross profit	\$13,476	\$27,508	\$31,776	\$53,486
Depreciation and amortization related to cost of revenue	8,159	7,862	15,924	15,601
Gross Profit (excluding depreciation and amortization)	<u>\$21,635</u>	<u>\$35,370</u>	<u>\$47,700</u>	<u>\$69,087</u>

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

We define Adjusted EBITDA as net income (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 derivatives, 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 a basis for our financial covenant ratios in our credit agreement.

Our management uses Adjusted EBITDA:

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

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

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense;
- Adjusted EBITDA does not reflect cash requirements for income taxes;
- Adjusted EBITDA does not reflect impairment of goodwill, intangibles, property, plant and equipment;
- Adjusted EBITDA does not reflect foreign exchange impact of intercompany financing activities;



---

## [Table of Contents](#)

- Adjusted EBITDA does not reflect (gain) loss on retirement of property, plant and equipment;
- Adjusted EBITDA does not reflect the stock based compensation component of employee compensation;
- Adjusted EBITDA does not reflect acquisition costs;
- Adjusted EBITDA does not reflect executive departure costs;
- Adjusted EBITDA does not reflect restructuring charges;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and
- Other companies in our industry may calculate Adjusted EBITDA or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

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

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

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

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

[Table of Contents](#)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$(4,856)	\$ 6,120	\$ (6,123)	\$ 5,178
Interest expense	643	508	1,311	1,019
Depreciation and amortization	9,013	8,211	17,256	16,307
Impairment of intangible assets	397	—	397	—
Gain on sales of property, plant and equipment, net of retirements	(134)	(1)	(150)	(13)
Stock-based compensation	1,128	1,033	1,842	1,982
Restructuring	1,129	—	497	6,198
Executive departure costs	—	—	1,884	—
Acquisition costs	70	—	240	—
Income tax expense	1,234	2,635	2,136	4,949
Adjusted EBITDA (non-GAAP measure)	<u>\$ 8,624</u>	<u>\$18,506</u>	<u>\$19,290</u>	<u>\$35,620</u>
Adjusted EBITDA (non-GAAP measure)	\$ 8,624	\$18,506	\$19,290	\$35,620
Capital expenditures	4,670	8,083	9,575	16,156
Unlevered Free Cash Flow (non-GAAP measure)	<u>\$ 3,954</u>	<u>\$10,423</u>	<u>\$ 9,715</u>	<u>\$19,464</u>

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

Adjusted EBITDA decreased by \$9.9 million to \$8.6 million for the three months ended June 30, 2016, from \$18.5 million for the three months ended June 30, 2015. Adjusted EBITDA decreased by \$16.3 million to \$19.3 million for the six months ended June 30, 2016, from \$35.6 million for the six months ended June 30, 2015. The decreases resulted primarily from lower revenue partially offset by cost containment actions.

Unlevered Free Cash Flow was \$4.0 million in the three months ended June 30, 2016, a decrease of \$6.5 million over the prior year quarter. Unlevered Free Cash Flow was \$9.7 million in the six months ended June 30, 2016, a decrease of \$9.7 million over the prior year period. The decreases in Unlevered Free Cash Flow were due to decreased Adjusted EBITDA partially offset by a decline in capital expenditures.

---

[Table of Contents](#)

**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, 2016 and 2015, 16.0% and 14.2%, respectively of our revenues were earned in non-U.S. currencies. At June 30, 2016 and 2015, we had no significant outstanding foreign exchange contracts.

Our results of operations and cash flows are subject to fluctuations due to changes in interest rates primarily from our variable interest rate long-term debt. We 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 income (loss) attributable to us and our total stockholders' equity based on our outstanding long-term debt on June 30, 2016 and December 31, 2015, assuming those liabilities were outstanding for the previous twelve months:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>Effect on Net Income (Loss) and Equity - Increase/Decrease:</b>		
	(in thousands)	
1% Decrease/increase in rate	\$ 734	\$ 777
2% Decrease/increase in rate	\$ 1,467	\$ 1,553
3% Decrease/increase in rate	\$ 2,201	\$ 2,330

**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, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2016, 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**

Except as discussed below, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

***Enterprise Resource Planning (ERP) Implementation***

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

As the phased implementation of this system occurs, we are experiencing certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see “Part I, Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 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, 2015.

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

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

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**

- 2.1 Share Purchase Agreement between RigNet, Inc. and the shareholders of Nessco Group Holdings Ltd. dated July 5, 2012 (filed as Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on July 5, 2012, and incorporated herein by reference)
- 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
- 3.2 Amendment to Amended and Restated Certificate of Incorporation, effective May 18, 2016.
- 3.3 Amended and Restated Bylaws of the Registrant, as amended
- 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+ Amendment to Employment Letter of Mr. Charles “Chip” Schneider and RigNet, Inc. dated April 20, 2016 (filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 25, 2016, and incorporated herein by reference)
- 10.2+ Performance Unit Award Agreement by and between RigNet, Inc. and Marty Jimmerson, effective January 1, 2016 (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 10, 2016, and incorporated herein by reference)
- 10.3+ Amendment to the 2010 Omnibus Incentive Plan (filed as Exhibit 99.2 to the Registrant’s Registration Statement on Form S-8 [File No. 333-211471], as amended, and incorporated herein by reference)
- 10.4+ Form of Restricted Stock Unit Award Agreement under the RigNet, Inc. 2010 Omnibus Incentive Plan, as amended (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.5+ Form of Performance Unit Award Agreement under the RigNet, Inc. 2010 Omnibus Incentive Plan, as amended (filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.6+ Form of Incentive Stock Option Award Agreement under the RigNet, Inc. 2010 Omnibus Incentive Plan, as amended (filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.7+ Form of Nonqualified Stock Option Award Agreement under the RigNet, Inc. 2010 Omnibus Incentive Plan, as amended (filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.8+ Form of Restricted Stock Award Agreement under the RigNet, Inc. 2010 Omnibus Incentive Plan, as amended (filed as Exhibit 10.5 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 27, 2016, and incorporated herein by reference)
- 10.9+ Employment Agreement between the Registrant and Steven E. Pickett dated May 31, 2016
- 10.10 Notice of Early Termination of Lease Agreement dated June 30, 2016 (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on July 15, 2016, and incorporated herein by reference)
- 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

---

[Table of Contents](#)

101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

+ Indicates management contract or compensatory plan.

**SIGNATURES**

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

**RIGNET, INC.**

Date: August 8, 2016

By: /s/ CHARLES E. SCHNEIDER

Charles E. Schneider  
*Chief Financial Officer*  
*(Principal Financial Officer)*



**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
RIGNET, INC.**

a Delaware corporation

RIGNET, INC. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify that:

A. The name of the Corporation is RigNet, Inc. The date of the filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was July 6, 2004 (the "Original Certificate").

B. This Amended and Restated Certificate of Incorporation (the "Certificate") amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation that was filed with the Secretary of State of the State of Delaware on July 11, 2007 (the "Amended and Restated Certificate"), and was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL and by the written consent of its stockholders in accordance with Section 228 of the DGCL.

C. The text of the Amended and Restated Certificate is hereby amended and restated in its entirety to provide as herein set forth in full.

**ARTICLE I  
NAME**

The name of this corporation is RigNet, Inc.

**ARTICLE II  
REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

**ARTICLE III  
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

---

**ARTICLE IV  
CAPITAL STOCK**

1. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of stock which the Corporation shall have the authority to issue is 200,000,000 consisting of 190,000,000 shares of Common Stock, with a par value of \$0.001 per share and 10,000,000 shares of Preferred Stock, with a par value of \$0.001 per share. Each share of Common Stock shall entitle the holder thereof to one (1) vote on each matter submitted to a vote at any meeting of stockholders.

2. The Board of Directors is further authorized, subject to the limitations prescribed by law, to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, including without limitation, authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

3. The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series of Preferred Stock, the number of which is fixed by it, subsequent to the issuance of shares then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in this Certificate or the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

**ARTICLE V  
DURATION**

The Corporation is to have perpetual existence.

**ARTICLE VI  
BOARD OF DIRECTORS**

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

2. The directors, other than those who may be elected by the holders of any series of Preferred Stock pursuant to the provisions of this Certificate or any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board of Directors, shall be elected by the stockholders entitled to vote thereon in the manner and at the times provided in the Bylaws of the Corporation.

---

3. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

4. No stockholder shall be permitted to cumulate votes at any election of directors.

5. Subject to the rights of holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, the number of directors that constitute the whole Board of Directors shall be fixed, and may be increased or decreased from time to time, exclusively by resolution adopted by a majority of the entire Board of Directors. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

6. Any director may be removed from the Board of Directors by the stockholders of the Corporation only for cause, and in such case only by the affirmative vote of the holders of at least a majority of the total voting power of all classes of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock").

7. Except as otherwise provided by any resolution or resolutions providing for the issuance of a class or series of Preferred Stock adopted by the Board of Directors, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by the sole remaining director. Any director so chosen shall hold office until his or her successor shall be elected and qualified.

## **ARTICLE VII BYLAWS**

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend, alter or repeal the Bylaws of the Corporation. The affirmative vote of at least a majority of the Board of Directors then in office shall be required in order for the Board of Directors to adopt, amend, alter or repeal the Corporation's Bylaws. Notwithstanding any other provision of this Certificate or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate or by any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board of Directors, the affirmative vote of the holders of a majority of the total voting power of the Voting Stock, voting together as a single class, shall be required for the stockholders of the Corporation to alter, amend or repeal any provision of the Bylaws, or to adopt any new Bylaw; *provided, however*, that the affirmative vote of the holders of at least 66 2/3% of the total voting power of the Voting Stock, voting together as a single class, shall be required for the stockholders of the Corporation to alter, amend or repeal, or adopt any Bylaw inconsistent with, the following provisions of the Bylaws: ARTICLE I; Sections 2.1, 2.2, 2.4 and 2.12 of ARTICLE II;

---

ARTICLE V; and ARTICLE IX, or in each case, any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other Bylaw). No Bylaw hereafter legally altered, amended or repealed shall invalidate any prior act of the directors or officers of the Corporation that would have been valid if such Bylaw had not been altered, amended or repealed.

**ARTICLE VIII  
AMENDMENT OF CERTIFICATE OF INCORPORATION**

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law. All rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons or entities whomsoever by and pursuant to this Certificate in its present form or as hereafter amended are granted subject to the right reserved in this ARTICLE VIII. Notwithstanding any other provision of this Certificate or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by this Certificate or by any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board of Directors, the affirmative vote of the holders of at least 66 2/3% of the total voting power of the Voting Stock, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with ARTICLE VI, ARTICLE VII, ARTICLE IX, ARTICLE X, and this ARTICLE VIII of this Certificate, or in each case, any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other provision of this Certificate). Any repeal or modification of ARTICLE IX shall not adversely affect any right or protection of any person existing thereunder with respect to any act or omission occurring prior to such repeal or modification.

**ARTICLE IX  
LIMITATIONS ON LIABILITY AND INDEMNIFICATION  
OF DIRECTORS AND OFFICERS**

1. To the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated to the fullest extent permitted by the DGCL, as so amended.

2. The Corporation shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans,

---

against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding. The Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board of Directors.

3. The Corporation shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Corporation who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

4. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

5. Neither any amendment or repeal of any Section of this ARTICLE IX, nor the adoption of any provision of this Certificate inconsistent with this ARTICLE IX, shall eliminate or reduce the effect of this ARTICLE IX, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this ARTICLE IX, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

#### **ARTICLE X STOCKHOLDER ACTION**

1. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any action by written consent by such stockholders.

2. Except as otherwise required by law or provided by any resolution or resolutions providing for the issuance of a class or series of Preferred Stock adopted by the Board of Directors, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors and any other power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice of a special meeting of stockholders shall be transacted at such special meeting.

3. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

---

**ARTICLE XI**  
**PERMITTED ACTIVITIES AND CORPORATE OPPORTUNITIES**

The Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries (collectively, "Permitted Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Permitted Person expressly and solely in such Permitted Person's capacity as a director of the Corporation.

\*\*\*\*\*

---

THIS AMENDED AND RESTATED CERTIFICATE OF INCORPORATION is executed as of this day of , 2010.

RIGNET, INC.

By: /s/ Marty Jimmerson  
Marty Jimmerson  
*Chief Financial Officer*

**AMENDMENT TO THE AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
RIGNET, INC.**

RigNet, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "DGCL") does hereby certify that:

1. That the name of the corporation is RigNet, Inc. The date of the filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was July 6, 2004 (the "Original Certificate") and was amended and restated by an Amendment to Amended and Restated Certificate of Incorporation filed on December 17, 2010 (the "Amended and Restated Certificate").

2. That the Board of Directors duly adopted resolutions proposing to amend the Amended and Restated Certificate, declaring said amendment to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit approval of the stockholders thereof, which resolutions set forth the proposed amendment as follows:

Section 6 of Article 6 of the Amended and Restated Certificate is deleted in its entirety and is replaced in its entirety as follows:

6. Any director may be removed from the Board of Directors by the Stockholders of the Corporation with or without cause by the affirmative vote of the holders of at least a majority of total voting power of all classes of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock")

\* \* \*

3. That the foregoing amendment was approved by the holders of the requisite number of shares of this corporation in accordance with Section 228 of the DGCL.

4. That this Amendment to the Amended and Restated Certificate, which amends the provisions of this Corporation's Amended and Restated Certificate, has been duly adopted in accordance with Section 242 of the DGCL.

IN WITNESS WHEREOF, this Amendment to the Amended and Restated Certificate has been executed by a duly authorized officer of this corporation on this 18th day of May, 2016.

/s/ Shelley Buchman  
Name: Shelly Buchman  
Title Corporate Secretary



## AMENDED AND RESTATED

## BYLAWS

of

RIGNET, INC.

Adopted October 31, 2013

## ARTICLE I — MEETINGS OF STOCKHOLDERS

1.1 *Annual Meetings of Stockholders.* The annual meeting of the stockholders of RigNet, Inc. (the “*Corporation*”) shall be held on such day as may be designated from time to time by the Board of Directors of the Corporation (the “*Board of Directors*”) and stated in the notice of the meeting, and on any subsequent day or days to which such meeting may be adjourned, for the purposes of electing directors and of transacting such other business as may properly come before the meeting. The Board of Directors shall designate the place, which may be any place within or without the State of Delaware as the Board of Directors may designate, and time for the holding of such meeting, and not less than ten (10) days nor more than sixty (60) days’ notice shall be given to the stockholders of record as of the record date for the meeting of the time and place so fixed.

1.2 *Special Meetings of Stockholders.* Special meetings of the stockholders may be called at any time by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors. The Board of Directors shall designate the place, which may be any place within or without the State of Delaware as the Board of Directors may designate, and time for the holding of such meeting, and not less than ten (10) days nor more than sixty (60) days’ notice shall be given to the stockholders of record as of the record date for the meeting of the time and place so fixed.

1.3 *Notice of Stockholder Business and Nominations.*

(a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the Corporation’s notice of meeting (or any supplement thereto), (B) by or at the direction of the Board of Directors, or (C) by any stockholder of the Corporation who (1) was a stockholder of record of the Corporation at the time the notice provided for in this **Section 1.3** is delivered to the Secretary of the Corporation and at the time of the annual meeting, (2) shall be entitled to vote at such meeting, and (3) complies with the notice procedures set forth in this **Section 1.3** as to such nomination or business. **Clause (C)** above shall be the exclusive means for a stockholder to make nominations or submit business (other than matters properly brought under Rule 14a-8 (or any successor thereto) under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) and indicated in the Corporation’s notice of meeting) before an annual meeting of stockholders.

(ii) Without qualification, for nominations or any other business to be properly brought before an annual meeting by a stockholder pursuant to **Section 1.3(a)(i)(C)**, the stockholder, in addition to any other applicable requirements, must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder’s notice must be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year’s annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than sixty (60) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of the annual meeting of stockholders commence a new time

---

period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper form, a stockholder's notice to the Secretary (whether pursuant to this **Section 1.3(a)** or **Section 1.3(b)**) shall set forth:

(A) as to each person, if any, whom the stockholder proposes to nominate for election as a director (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (2) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, (3) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; and (4) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by **Section 1.4**;

(B) if the notice relates to any business (other than the nomination of persons for election as directors) that the stockholder proposes to bring before the meeting, (1) a brief description of the business desired to be brought before the annual meeting, (2) the reasons for conducting such business at the annual meeting, (3) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), (4) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (5) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; and

(C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, if any, (2)[a] the class or series and number of shares of capital stock of the Corporation that are, directly or indirectly, owned beneficially and of record by such stockholder and by such beneficial owner, [b] any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of capital stock of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "**Derivative Instrument**") directly or indirectly owned beneficially by such stockholder and by such beneficial owner, if any, and any other direct or indirect opportunity held or owned beneficially by such stockholder and by such beneficial owner, if any, to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, [c] any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or beneficial owner, if any, has a right to vote any shares of any security of the Company, [d] any short interest in any security of the Company (for purposes of this **Section 1.3**, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through a contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), [e] any right to dividends on the shares of capital stock of the Corporation owned beneficially by such stockholder or such beneficial owner, if any, which right is separated or separable from the underlying shares, [f] any proportionate interest in shares of capital stock of the Corporation or Derivative Instrument held, directly or indirectly, by a general or limited partnership in which such stockholder or such beneficial owner, if any, is a general partner or with respect to which such stockholder or such beneficial owner, if any, directly or indirectly, beneficially owns an interest in a general partner, and [g] any performance-related fees (other than an asset-based fee) to which such stockholder or such beneficial owner, if any, is entitled to based

---

on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, in each case with respect to the information required to be included in the notice pursuant to **clauses [a] through [g] above**, as of the date of such notice and including, without limitation, any such interests held by members of such stockholder's or such beneficial owner's immediate family sharing the same household (which information shall be supplemented by such stockholder and such beneficial owner, if any, [i] not later than 10 days after the record date for the annual meeting to disclose such ownership as of the record date, [ii] 10 days before the annual meeting date, and [iii] immediately prior to the commencement of the annual meeting, by delivery to the Secretary of the Corporation of such supplemented information), (3) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (4) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (5) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group that intends [i] to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee or [ii] otherwise to solicit proxies from stockholders in support of such proposal or nomination.

(D) such other information as the Corporation may reasonably require or that is otherwise reasonably necessary (1) to determine the eligibility of such proposed nominee to serve as a director of the Corporation, (2) to determine whether such nominee qualifies as an "independent director" or "audit committee financial expert" under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the Corporation; and (3) that could be material to a reasonable stockholder's understanding of the independence and qualifications, or lack thereof, of such nominee.

(iii) Notwithstanding anything in the second sentence of **Section 1.3(a)(ii)** to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this **Section 1.3** shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) **Special Meetings of Stockholders.** Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that the directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this **Section 1.3** is delivered to the Secretary of the Corporation and at the time of the special meeting, who is entitled to vote at the meeting and upon such election, and who complies with the notice procedures set forth in this **Section 1.3**. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice in the same form as required by **paragraph (a)(ii)** of this **Section 1.3** with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by **Section 1.4**) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

---

(c) General.

(i) Subject to **Section 2.4**, only such persons who are nominated in accordance with the procedures set forth in this **Section 1.3** shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this **Section 1.3**. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation, as amended (the "**Certificate of Incorporation**") or these Bylaws, the Chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this **Section 1.3** and (B) if any proposed nomination or business was not made or proposed in compliance with this **Section 1.3**, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this **Section 1.3**, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this **Section 1.3**, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of the stockholders.

(ii) For purpose of this **Section 1.3**, "**public announcement**" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(iii) Nothing in this **Section 1.3**, shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor thereto) promulgated under the Exchange Act or (B) of the holders of any series of Preferred Stock to nominate and elect directors pursuant to and to the extent provided in any applicable provisions of the Certificate of Incorporation.

**1.4 Submission of Questionnaire, Representation and Agreement.** To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under **Section 1.3** of these Bylaws) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock trading policies and guidelines of the Corporation.

**1.5 Record Date.** The Board of Directors may fix a date, not less than ten (10) or more than sixty (60) days preceding the date of any meeting of stockholders, as a record date for the determination of stockholders entitled to notice of, or to vote at, any such meeting. The Board of Directors shall not close the books of the Corporation against transfers of shares during the whole or any part of such period.

1.6 **Proxies.** The notice of every meeting of the stockholders may be accompanied by a form of proxy approved by the Board of Directors in favor of such person or persons as the Board of Directors may select.

1.7 **Quorum and Voting.** A majority of the outstanding shares of stock of the Corporation entitled to vote, present in person or represented by proxy, regardless of whether the proxy has authority to vote on all matters, shall constitute a quorum at any meeting of the stockholders, and the stockholders present at any duly convened meeting may continue to do business until adjournment notwithstanding any withdrawal from the meeting of holders of shares counted in determining the existence of a quorum. Directors shall be elected by a plurality of the votes cast in the election. For all matters as to which no other voting requirement is specified by the General Corporation Law of the State of Delaware, as amended (the “**DGCL**”), the Certificate of Incorporation, or these Bylaws, the affirmative vote required for stockholder action shall be that of a majority of the shares present in person or represented by proxy at the meeting (as counted for purposes of determining the existence of a quorum at the meeting). In the case of a matter submitted for a vote of the stockholders as to which a stockholder approval requirement is applicable under the stockholder approval policy of the New York Stock Exchange or any other exchange or quotation system on which the capital stock of the Corporation is quoted or traded, the requirements of Rule 16b-3 under the Exchange Act or any provision of the Internal Revenue Code, in each case for which no higher voting requirement is specified by the DGCL, the Certificate of Incorporation or these Bylaws, the vote required for approval shall be the requisite vote specified in such stockholder approval policy, Rule 16b-3 or Internal Revenue Code provision, as the case may be (or the highest such requirement if more than one is applicable). For the approval of the appointment of independent public accountants (if submitted for a vote of the stockholders), the vote required for approval shall be a majority of the votes cast on the matter.

1.8 **Adjournment.** Any meeting of the stockholders may be adjourned from time to time, without notice other than by announcement at the meeting at which such adjournment is taken, and at any such adjourned meeting at which a quorum shall be present any action may be taken that could have been taken at the meeting originally called; *provided*, that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

## ARTICLE II — DIRECTORS

2.1 **Powers.** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided in the DGCL or the Certificate of Incorporation.

2.2 **Number of Directors.** The Board of Directors shall initially consist of seven (7) members, each of whom shall be a natural person. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors shall be fixed, and may be increased or decreased from time to time, exclusively by a resolution adopted by a majority of the entire Board of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director’s term of office expires.

2.3 **Election, Qualification and Term of Office of Directors.** Except as provided in **Section 2.4**, and subject to **Article I**, directors shall be elected at each annual meeting of stockholders. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws. The Certificate of Incorporation or these Bylaws may prescribe other qualifications for directors. Each director shall hold office until such director’s successor is elected and qualified or until such director’s earlier death, resignation or removal.

2.4 **Resignation and Vacancies.** Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Except as otherwise provided by any resolution or resolutions providing for the issuance of a class or series of Preferred Stock adopted by the Board of Directors, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled

---

solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by the sole remaining director. Any director so chosen shall hold office until his or her successor shall be elected and qualified.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal.

**2.5 Place of Meetings; Meetings by Telephone.** The Board of Directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

**2.6 Conduct of Business.** Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors, if any, or in his or her absence by the Vice Chairman of the Board of Directors, if any, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The chairman of the meeting shall appoint a person to act as secretary of each meeting.

**2.7 Regular Meetings Notice.** Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

**2.8 Special Meetings Notice.** Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or a majority of the directors.

Notice of the time and place of special meetings shall be:

- (a) delivered personally by hand, by courier or by telephone;
- (b) sent by United States first-class mail, postage prepaid;
- (c) sent by nationally recognized overnight delivery service for next day delivery;
- (d) sent by facsimile; or
- (e) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by overnight delivery service, it shall be deposited for next day delivery at least two (2) days before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. Any oral notice may be communicated to the director directly. The notice need not specify the purpose of the meeting.

2.9 **Quorum; Voting.** At all meetings of the Board of Directors, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board of Directors, then the directors present at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, the Certificate of Incorporation or these Bylaws.

If the Certificate of Incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these Bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

2.10 **Board Action by Written Consent Without a Meeting.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.11 **Fees and Compensation of Directors.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors.

2.12 **Removal of Directors.** Any director may be removed from the Board of Directors by the stockholders of the Corporation only for cause, and in such case only by the affirmative vote of the holders of at least a majority of the total voting power of all classes of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors.

### ARTICLE III — COMMITTEES

3.1 **Committees of Directors.** The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation.

3.2 **Committee Minutes.** Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.3 **Meetings and Actions of Committees.** Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (a) **Section 2.5** (Place of Meetings; Meetings by Telephone);

- 
- (b) **Section 2.7** (Regular Meetings);
  - (c) **Section 2.8** (Special Meetings; Notice);
  - (d) **Section 2.9** (Quorum; Voting);
  - (e) **Section 2.10** (Board Action by Written Consent Without a Meeting); and
  - (f) **Section 7.5** (Waiver of Notice)

with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members. *However:*

- (a) the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee;
- (b) special meetings of committees may also be called by resolution of the Board of Directors; and
- (c) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

3.4 **Subcommittees.** Unless otherwise provided in the Certificate of Incorporation, these Bylaws or the resolutions of the Board of Directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

#### ARTICLE IV — OFFICERS

4.1 **Officers.** The officers of the Corporation shall be a President and a Secretary. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, a Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a General Counsel, a Treasurer, one or more Assistant Treasurers, one or more Assistant Secretaries, and any such other officers as may be appointed in accordance with the provisions of these Bylaws. Any number of offices may be held by the same person.

4.2 **Appointment of Officers.** The Board of Directors shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of **Section 4.3** of these Bylaws.

4.3 **Subordinate Officers.** The Board of Directors or the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, may appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors, Chief Executive Officer or President may from time to time determine.

4.4 **Removal and Resignation of Officers.** Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

4.5 **Vacancies in Offices.** Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors or as provided in **Section 4.3**.



4.6 **Representation of Shares of Other Corporations.** Unless otherwise directed by the Board of Directors, the President or any other person authorized by the Board of Directors or the President is authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

4.7 **Authority and Duties of Officers.** Except as otherwise provided in these Bylaws, the officers of the Corporation shall have such powers and duties in the management of the Corporation as may be designated from time to time by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors.

## ARTICLE V — INDEMNIFICATION

5.1 **Indemnification of Directors and Officers in Third Party Proceedings.** Subject to the other provisions of this **Article V**, the Corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

5.2 **Indemnification of Directors and Officers in Actions by or in the Right of the Corporation.** Subject to the other provisions of this **Article V**, the Corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

5.3 **Successful Defense.** To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in **Section 5.1** or **Section 5.2**, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

5.4 **Indemnification of Others.** Subject to the other provisions of this **Article V**, the Corporation shall have power to indemnify its employees and agents to the extent not prohibited by the DGCL or other applicable law. The Board of Directors shall have the power to delegate to such person or persons the determination of whether employees or agents shall be indemnified.

---

**5.5 *Advanced Payment of Expenses.*** Expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding upon receipt of an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this **Article V** or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Notwithstanding the foregoing, unless otherwise determined pursuant to **Section 5.8**, no advance shall be made by the Corporation to an officer of the Corporation (except by reason of the fact that such officer is or was a director of the Corporation, in which event this paragraph shall not apply) in any Proceeding if a determination is reasonably and promptly made (i) by a majority vote of the directors who are not parties to such Proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, that facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation.

**5.6 *Limitation on Indemnification and Advancement of Expenses.*** Subject to the requirements in **Section 5.3** and the DGCL, the Corporation shall not be required to provide indemnification or, with respect to **clauses (i), (iii) and (iv)** below, advance expenses to any person pursuant to this **Article V**:

(a) in connection with any Proceeding (or part thereof) initiated by such person except (i) as otherwise required by law, (ii) in specific cases if the Proceeding was authorized by the Board of Directors, or (iii) as is required to be made under **Section 5.7**;

(b) in connection with any Proceeding (or part thereof) against such person providing for an accounting or disgorgement of profits pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local statutory law or common law;

(c) for amounts for which payment has actually been made to or on behalf of such person under any statute, insurance policy or indemnity provision, except with respect to any excess beyond the amount paid; or

(d) if prohibited by applicable law.

**5.7 *Determination; Claim.*** If a claim for indemnification or advancement of expenses under this **Article V** is not paid in full within 60 days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such suit, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or advancement of expenses under applicable law.

**5.8 *Non-Exclusivity of Rights.*** The indemnification and advancement of expenses provided by, or granted pursuant to, this **Article V** shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

**5.9 *Insurance.*** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

5.10 *Survival*. The rights to indemnification and advancement of expenses conferred by this **Article V** shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.11 *Effect of Repeal or Modification*. Any repeal or modification of this **Article V** shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

5.12 *Certain Definitions*. For purposes of this **Article V**, references to the “**Corporation**” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this **Article V** with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this **Article V**, references to “**other enterprises**” shall include employee benefit plans; references to “**finances**” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “**servicing at the request of the Corporation**” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “**not opposed to the best interests of the Corporation**” as referred to in this **Article V**.

## ARTICLE VI — STOCK

6.1 *Stock Certificates; Partly Paid Shares*. The shares of the Corporation shall be represented by certificates, *provided* that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman of the Board of Directors or Vice-Chairman of the Board of Directors, or the President or a Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have power to issue a certificate in bearer form.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 *Special Designation on Certificates*. If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; *provided* that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

---

6.3 **Lost Certificates.** Except as provided in this **Section 6.3**, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 **Dividends.** The Board of Directors, subject to any restrictions contained in the Certificate of Incorporation or applicable law, may declare and pay dividends upon the shares of the Corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock, subject to the provisions of the Certificate of Incorporation.

The Board of Directors may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

6.5 **Stock Transfer Agreements.** The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.6 **Registered Stockholders.** The Corporation:

(a) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(b) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(c) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

6.7 **Transfers.** Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and upon the surrender of a certificate or certificates for a like number of shares, properly endorsed.

#### ARTICLE VII — MANNER OF GIVING NOTICE AND WAIVER

7.1 **Notice of Stockholder Meetings.** Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the Corporation's records. An affidavit of the Secretary or an Assistant Secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 **Notice by Electronic Transmission.** Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Certificate of Incorporation or these Bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if:

(a) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and

---

(b) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(c) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(d) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(e) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An “**electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

**7.3 Notice to Stockholders Sharing an Address.** Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under the provisions of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within 60 days of having been given written notice by the Corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

**7.4 Notice to Person with Whom Communication is Unlawful.** Whenever notice is required to be given, under the DGCL, the Certificate of Incorporation or these Bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

**7.5 Waiver of Notice.** Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or

---

convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate of Incorporation or these Bylaws.

#### ARTICLE VIII — GENERAL MATTERS

8.1 **Fiscal Year.** The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.2 **Seal.** The Corporation may adopt a corporate seal, which shall be in such form as may be approved from time to time by the Board of Directors. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.3 **Annual Report.** The Corporation shall cause an annual report to be sent to the stockholders of the Corporation to the extent required by applicable law. If and so long as there are fewer than 100 holders of record of the Corporation's shares, the requirement of sending an annual report to the stockholders of the Corporation is expressly waived (to the extent permitted under applicable law).

8.4 **Construction; Definitions.** Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.5 **Forum Selection.** Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine.

#### ARTICLE IX — AMENDMENTS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend, alter or repeal the Bylaws of the Corporation. The affirmative vote of at least a majority of the Board of Directors then in office shall be required in order for the Board of Directors to adopt, amend, alter or repeal the Corporation's Bylaws. Notwithstanding any other provision of these Bylaws or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock required by law, by these Bylaws or by any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board of Directors, the affirmative vote of the holders of a majority of the total voting power of the Voting Stock, voting together as a single class, shall be required for the stockholders of the Corporation to alter, amend or repeal any provision of the Bylaws, or to adopt any new Bylaw; *provided, however*, that the affirmative vote of the holders of at least 66 2/3% of the total voting power of the Voting Stock, voting together as a single class, shall be required for the stockholders of the Corporation to alter, amend or repeal, or adopt any Bylaw inconsistent with, the following provisions of the Bylaws: **Article I; Sections 2.1, 2.2, 2.4 and 2.12 of Article II; Article V; and Article IX**, or in each case, any successor provision (including, without limitation, any such article or section as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other Bylaw). No Bylaw hereafter legally altered, amended or repealed shall invalidate any prior act of the directors or officers of the Corporation that would have been valid if such Bylaw had not been altered, amended or repealed.

**EMPLOYMENT AGREEMENT**

This Employment Agreement (“Agreement”), including the attached Exhibits A, B and C which are made a part hereof for all purposes, between RigNet, Inc. (“Company”) and Steven E. Pickett (“Executive”) is effective as of May 31, 2016 (“Effective Date”). The Company and Executive agree as follows:

1. **TERM AND POSITION:** The Company agrees to employ Executive, and Executive agrees to be employed by the Company, in the Positions and for the Term stated on Exhibit A. During the Term of this Agreement, Executive shall devote his full time and undivided attention during business hours to the business and affairs of the Company, except for vacations, illness or incapacity; however, nothing in this Agreement shall preclude Executive from: (i) engaging in charitable and community activities, (ii) managing his personal investments and (iii) serving on the board of directors of those companies approved by the Company provided that such activities in subparts (i), (ii) and (iii) do not materially interfere with the performance of his duties and responsibilities under this Agreement. The Board of Directors of the Company (“Board”) shall give Executive written notice of any such activities that it reasonably believes materially interfere with the performance of his duties hereunder and provide Executive with a reasonable period of time to correct such interference. The Company shall request and support the nomination of the Executive to the Board of Directors of the Company. If Executive serves as a member of the Board, Executive shall resign from the Board when he ceases to hold the position designated in Exhibit A.

2. **COMPENSATION:** While Executive serves in the Positions set forth on Exhibit A, Executive’s annual base salary, as set forth on Exhibit A, shall be paid in accordance with the Company’s standard payroll practices for its executive officers. Executive’s compensation as an employee of the Company shall also include annual bonus opportunities and periodic long-term incentive awards, in cash and/or in Company equity, as determined appropriate from time to time by the Compensation Committee of the Board or the Board itself, and pursuant to the terms and conditions set forth in applicable plan documents. The Executive agrees that the compensation and benefits provided by the Company under this Employment Agreement or otherwise is subject to recoupment or clawback under any applicable Company clawback or recoupment policy that is generally applicable to its executives, as may be in effect from time to time, or as required by law.

3. **BENEFITS:** Executive shall be allowed to participate in all compensation and benefit plans and receive all perquisites that the Company makes available to its other similarly situated senior executives and also to participate in those employee benefit plans and programs that the Company makes available to the Company’s employees in general, subject to the terms and conditions of applicable plan documents. Nothing in this Agreement is to be construed to obligate the Company to institute, maintain, or refrain from changing, amending, or discontinuing any benefit program or plan, so long as such actions are similarly applicable to the covered executives or employees, as applicable.

4. **INDEMNIFICATION:** In any situation where under applicable law the Company has the power to indemnify, advance expenses to, and defend Executive in respect of, any claims, judgments, fines, settlements, loss, cost or expense (including attorneys’ fees) of any nature

---

related to or arising out of Executive's activities as an agent, employee, officer or director of the Company or in any other capacity in which he is acting or serving on behalf of or at the request of the Company (a "Claim"), the Company shall fully indemnify Executive to the maximum extent permitted by law and promptly on written request from Executive advance expenses (including attorneys' fees) to Executive and defend Executive to the fullest extent permitted by law, unless Executive has been grossly negligent or willfully engaged in misconduct in the performance or nonperformance of his duties that is the basis for such Claim, which nonperformance shall include a failure of Executive to inform the Board of matters that could reasonably be expected, at such time, to be materially injurious financially to the Company. Further, Executive shall not be entitled to any indemnity or defense from the Company for any claims brought by Executive against the Company or for claims brought by the Company against Executive. This contractual indemnification of Executive by the Company hereunder shall not be deemed or construed as operating to impair any other obligation of the Company respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise or obligation of the Company under any statute, articles of incorporation, by-laws or otherwise.

5. **D&O INSURANCE:** The Company will obtain and maintain throughout the Term officer and director liability insurance covering Executive in an amount believed by the Board to be reasonable for the Company, given its size and activities, but in no event shall the coverage for Executive be less (in amount or scope) than the coverage provided for any other officer or director of the Company. To the extent provided in the applicable policy, such insurance coverage shall continue as to Executive after he has ceased to be a director, officer or executive of the Company with respect to acts or omissions that occurred prior to such cessation. Insurance contemplated by this Section shall inure to the benefit of Executive, his heirs and the executors and administrators of his estate.

6. **BUSINESS EXPENSES:** The Company shall promptly pay all reasonable and properly documented business related expenses reasonably incurred by Executive in the performance of his duties under this Agreement.

7. **TERMINATION OF EMPLOYMENT:** The Company and Executive agree that either party may, upon at least 30 days written notice to the other, terminate Executive's employment; provided, however, that Executive's employment may be terminated by the Company for Cause only as provided below. Subject to Section 28, if applicable, as soon as practical, and not later than 30 days, following his termination date, the Company shall pay Executive (or, if applicable, Executive's estate within 90 days of Executive's death) (i) any earned but unpaid base salary, (ii) 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 (iii) all reasonable, properly documented, and unreimbursed business expenses incurred by him prior to his termination.

8. **SEVERANCE PAY AND BENEFITS:** In addition to the termination payments in Section 7, the Company shall provide severance payments to Executive as provided in this Section 8 and, to the extent applicable, Section 9 below.



---

a. Termination without Cause, Resignation for Good Reason, and Upon Change of Control. If the Company terminates Executive's employment without Cause (other than for death or Disability), the Company, or its successor, terminates Executive on or within two years after a "change of control event," as defined in the Treasury Regulations issued under Section 409A of the Code (a "Change of Control"), or Executive terminates his employment for Good Reason, the Company shall pay Executive a Cash Severance Amount and provide Executive with the severance benefits set forth in subparagraphs (i) through (iii) below (collectively, the "Severance Pay"). The Severance Pay shall be subject to Section 22 and, to the extent applicable, Section 28.

i. The Cash Severance Amount shall be the amount as provided in Exhibit A hereto. The Company shall pay the Cash Severance Amount to Executive in a lump sum by wire transfer on the first day of the seventh month following the termination date.

ii. Provided Executive timely elects continued coverage under the Company's group health plan pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended ("Code") ("COBRA"), the Company shall reimburse Executive an amount equal to the full premium required for such continued coverage elected for his applicable COBRA period but not to exceed 18 months; provided, however, such COBRA premium shall be reimbursed to Executive on a fully grossed-up after-tax basis, if necessary for Executive not to be subject to tax under Section 105 of the Code.

iii. The immediate vesting of the Signing Bonus stock options as provided in Exhibit A hereto.

b. Termination Due to Death, Disability, Voluntary Resignation or by the Company for Cause. If Executive's employment is terminated by the Company or Executive due to his Disability or by the Company for Cause, or Executive dies or voluntarily resigns his employment with the Company without Good Reason, then as soon as practical on or following his termination, the Company shall pay Executive or his estate, if applicable, the salary and benefits listed in Section 7 of this Agreement. If Executive's employment is terminated by the Company for Cause or Executive voluntarily resigns from the Company without Good Reason, Executive shall not be entitled to Severance Pay.

c. Definitions. The following are definitions of terms used in this and other sections of this Agreement.

i. Cause. "Cause" means (i) Executive's plea of guilty or nolo contendere, or conviction of a felony or a misdemeanor involving moral turpitude; (ii) any act by Executive of fraud or dishonesty with respect to any aspect of the Company's business including, but not limited to, falsification of Company records; (iii) intentional engagement in misconduct by Executive that is materially injurious to the Company (monetarily or otherwise); (iv) Executive's breach of Sections 12 or 13 of this Agreement; (v) commencement by Executive of employment with an unrelated employer; (vi) material violation by Executive of any Company written policies, including but not limited to any harassment and/or non-discrimination policies; (vii) Executive's gross negligence in the performance of Executive's duties; provided, however, Executive shall not be deemed to have been terminated for Cause under clauses (ii) through (vii) above unless the determination of whether Cause exists is made by a resolution duly adopted by

---

the affirmative vote of not less than three-fourths of the entire membership of the Board (excluding Executive, if a member) at a meeting of the Board that was called for the purpose of considering such termination (after 15 days' notice to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the Board and, if reasonably possible, to cure the breach that is the alleged basis for Cause) finding that, in the good faith opinion of the Board, Executive was guilty of conduct constituting Cause and specifying the particulars thereof in detail.

ii. Good Reason. "Good Reason" means (i) a material adverse change in Executive's position, authority, duties or responsibilities, (ii) a reduction in Executive's base salary or the taking of any action by the Company that would materially diminish the annual bonus opportunities of Executive from those provided to Executive immediately after the Effective Date, (iii) the relocation of the Company's principal executive offices by more than 50 miles from where such offices are located on the Effective Date or Executive being based at any office other than the principal executive offices of the Company, except for travel reasonably required in the performance of Executive's duties and reasonably consistent with Executive's travel prior to the Effective Date, (iv) a material breach of this Agreement by the Company, or (v) the failure of a successor to the Company to assume the Agreement. Executive shall provide written notice of any such reduction, failure, change or breach upon which Executive intends to rely as the basis for a Good Reason resignation to the Company, or its successor, within 45 days of the occurrence of such reduction, failure, change or breach. The Company, or its successors, shall have 45 days following the receipt of such notice to remedy the condition constituting such reduction, change or breach and, if so remedied, any termination of Executive's employment hereunder on the basis of the circumstances described in such notice shall not be considered a Good Reason resignation. If the Company, or its successor, does not remedy the condition that has been the subject of a notice as described in this paragraph within 45 days of the Company's, or its successor's, receipt of such notice, Executive must terminate his employment within 120 days following the occurrence of such condition in order for such termination to be considered for Good Reason for purposes of this Agreement.

iii. Disability. "Disability" means Executive (i) is unable to perform substantially Executive's duties with the Company with or without reasonable accommodation as a result of any physical or mental impairment that is reasonably expected to last for a continuous period of not less than 12 months, as supported by a written opinion by a physician selected by Executive, and (ii) is receiving long-term disability benefits under the Company's insured long-term disability plan.

9. COMPANY EQUITY: The provisions of this Section 9 are in addition to any rights of Executive under Sections 7 and 8 and shall be deemed to be incorporated into each Company equity award agreement with Executive outstanding as of the Effective Date and shall control over any provision in such award agreement that is less favorable to Executive.

a. If Executive terminates his employment for Good Reason or Executive's employment is terminated by the Company for any reason other than Cause and such termination occurs on or within two years after a Change of Control, all Company stock options, restricted stock awards and any other Company equity-based awards of Executive (other than Performance Stock Units) automatically shall vest in full notwithstanding anything in any award agreement to the contrary and, as applicable, shall remain exercisable for the term specified in the applicable award agreement.

---

b. If Executive's employment with the Company ceases due to death or Disability, all Company stock options, restricted stock awards and any other Company equity-based awards of Executive (other than Performance Stock Units) automatically shall vest in full notwithstanding anything in any award agreement to the contrary and, as applicable, shall remain exercisable for the term specified in the applicable award agreement.

c. If any award of Company stock option, restricted stock or any other Company equity-based award of Executive is not assumed or continued by the Company's successor after a Change of Control, such award automatically shall vest and become exercisable and/or payable in full, as the case may be, on the date of the Change of Control.

10. NO OFFSET OR MITIGATION: Executive shall not be required to mitigate the amount of any payment or benefit provided for under this Agreement by seeking other employment or otherwise nor shall the amount of any payment or benefit provided for in this Agreement be reduced as the result of his employment by another employer or his self-employment, except that any welfare severance payments or welfare benefits that Executive is entitled to receive pursuant to a Company severance welfare benefit plan for employees in general shall reduce the amount of welfare severance payments and welfare benefits otherwise payable or to be provided to Executive under this Agreement, but only to the extent they are duplicative and such reduction complies with the requirements of Section 409A of the Code.

11. PROMISE TO PROVIDE CONFIDENTIAL INFORMATION AND TRADE SECRETS: In connection with his employment with the Company under this Agreement, the Company promises to provide Executive with valuable Confidential Information and Trade Secrets (defined below) regarding the Company and its clients and customers or other third parties, which is not generally known outside the Company and which gives the Company a competitive advantage. The Company also promises to provide Executive access to its clients and customers and to provide Executive the unique opportunity to develop business relationships with such clients and customers based on the Company's long-standing relationship, reputation and goodwill with these clients and customers. Executive acknowledges that receipt of, and continuing access to, this Confidential Information and Trade Secrets regarding the Company and its clients and customers, and access to the Company's clients and customers and the benefit of the Company's long-standing relationships, reputation and goodwill with its clients and customers allows Executive a unique opportunity and advantage in developing business relationships with these clients and customers which he would not have otherwise had.

12. CONFIDENTIALITY:

a. NON-DISCLOSURE. Executive recognizes and agrees that he will have access to confidential information of a special or unique value concerning the Company ("Confidential 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 Effective 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, either during or after the Term of this Agreement, any past or new Confidential Information and Trade Secrets belonging to the Company and its affiliates, whether or not in written form, except to the extent required to perform his duties on behalf of the Company.

b. RETURN OF INFORMATION. All data, records and other written material prepared or compiled by Executive, furnished directly or indirectly to Executive by the Company or its affiliates, or to which Executive may have access while in the employ of 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 Executive's employment. Executive shall deliver promptly to the Company at termination, or at any other time the Company may request, without retaining any copies, notes, or excerpts thereof, all memoranda, diaries, notes, records, plans, or other documents relating, directly or indirectly, to any Confidential Information and Trade Secrets made or compiled by, or delivered or made available to, or otherwise obtained by Executive.

c. LEGAL OBLIGATION. In the event Executive is required by any court or legislative or administrative body (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation demand or similar process) to disclose any Confidential Information and Trade Secrets, Executive shall provide the Company with prompt notice of such requirement in order to afford the Company an opportunity to seek an appropriate protective order. If the Company is unable to obtain or does not seek such protective order and Executive is, in the opinion of counsel, compelled to disclose such Confidential Information and Trade Secrets, disclosure of such information shall not be deemed to be a violation of this Agreement.

13. RESTRICTIVE COVENANTS: As consideration for the provision of, and as an agreement ancillary to receipt of, new Confidential Information and Trade Secrets to Executive

---

and the other undertakings in this Agreement, and for the specific purpose of enforcing the provisions of Section 12 hereof, and as a means to protect the Company's goodwill, Executive hereby agrees to the following:

a. NON-COMPETITION. To the maximum extent permitted by law, during the Term of this Agreement and for a period of two years after the termination of Executive's employment for any reason, 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 B), 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. Business means digital technology solutions, including, Internet protocol-based voice, data and video networks and software application management services for energy, maritime and other vertical markets served by the Company during the term of the Agreement or the two year period preceding the Agreement. 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 monetary and other consideration from the Company hereunder to justify such restriction and that the restriction is reasonable. Executive acknowledges that he considers the restrictions contained in this Section 13 to be reasonable and necessary for providing consideration for his employment and for the purpose of preserving and protecting the valuable Confidential Information and Trade Secrets of the Company and its clients and customers, and the Company's goodwill, reputation, and relationships with its clients and customers.

b. NON-SOLICITATION OF EMPLOYEES. During the Term of this Agreement and for a period of two years after the termination of Executive's employment for any reason, Executive shall not, for his own behalf or on behalf of any other person, partnership, entity, association, or corporation, (i) hire or seek to hire any employee of the Company, (ii) in any other manner attempt directly or indirectly to influence, induce, or encourage any such employee of the Company to leave such employment, or (iii) use or disclose to any person, partnership, entity, association, or corporation any information concerning the names, addresses, telephone numbers, e-mail addresses, or other personnel-related information regarding any such employees; provided, however, the foregoing shall not prohibit any general advertising.

c. NON-SOLICITATION OF CUSTOMERS. During the Term of this Agreement and for a period of two years after the termination of Executive's employment with the Company for any reason, Executive shall not, for his own behalf or on behalf of any other person, partnership, entity, association, or corporation, solicit, transact, or attempt to transact Business with any person, firm or other entity who is or was a customer of the Company and with whom Executive: (i) directly or indirectly managed, or had knowledge of, business by the Company; (ii) had contact or transacted business on behalf of the Company; or (iii) was involved in, or had knowledge of, the Company actively investigating with a view to conducting business or actively

---

pursuing a plan to conduct business, since the Effective Date of this Agreement or two years prior to the termination of his employment with the Company, whichever is shorter. Executive acknowledges that this restriction is necessary in order for the Company to preserve and protect its legitimate proprietary interest in its goodwill, client and customer lists, and other Confidential Information and Trade Secrets; provided, however, the foregoing shall not prohibit any general advertising that is not directed at customers of the Company.

14. **WORK PRODUCT:** Executive shall promptly and fully disclose to the Company all Work Product which Executive conceives, creates or develops during his employment with the Company, whether conceived or developed during regular working hours or otherwise and whether on Company premises or otherwise. All such Work Product shall be the exclusive property of the Company. Executive shall: (i) assist the Company in obtaining appropriate legal protection (including patent, trademark, and copyright protection) for the rights of the Company with respect to such Work Product, and (ii) execute all documents and do all things necessary to (a) obtain such legal protection, and (b) vest the Company with full and exclusive title thereof. All Work Product shall be considered, to the maximum extent possible, work made for hire by the Company within the meaning of Title 17 of the United States Code. To the extent the Company does not own such Work Product as a work made for hire, Executive hereby assigns to the Company all rights to such Work Product. "Work Product" means designs, writings, programs, software, technical data, specifications, know-how, processes, methods, business confidential information, inventions, discoveries, and works as well as the patents, copyrights, and other intellectual property and proprietary rights therein, conceived, created or developed by Executive on behalf of the Company reasonably related to the Company's existing business, contemplated business, and reasonable expansions of such business. The term "works" means computer programs, software, writings, drawings, artwork and all works of authorship under the copyright laws of the United States.

15. **SEVERABILITY AND REFORMATION:** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of Executive or the Company under this Agreement would not be materially and adversely affected thereby, such provision shall be fully severable, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible, and the Company and Executive hereby request the court to whom disputes relating to this Agreement are submitted to reform the otherwise unenforceable provision in accordance with this Section 15.

16. **WARRANTY AND INDEMNIFICATION:** Executive warrants that he is not a party to any other restrictive agreement limiting his activities in his employment by the Company. Executive further warrants that at the time of the signing of this Agreement, Executive knows of no written or oral contract or of any other impediment that would inhibit or prohibit continued employment with the Company. Executive shall hold the Company harmless from any and all suits and claims arising out of any breach of such restrictive agreement or contracts.

---

17. NON-DISPARAGEMENT: The parties shall refrain, both during and after the Term, from publishing any oral or written statements about each other (including, with respect to the Company, its affiliates, or any of their respective officers, employees, agents, or representatives) that are disparaging, slanderous, libelous, or defamatory.

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

19. NO WAIVER: No failure by either party at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of any provisions or conditions of this Agreement.

20. INJUNCTIVE RELIEF: Executive acknowledges that the breach of any of the covenants contained in Sections 12 and 13 will give rise to injury to the Company. Accordingly, Executive agrees that the Company shall be entitled to injunctive relief to prevent or cure breaches or threatened breaches of the provisions of this Agreement and to enforce specific performance of the terms and provisions hereof in any court of competent jurisdiction, in addition to any other legal or equitable remedies, which may be available. Executive further acknowledges and agrees that the enforcement of a remedy hereunder by way of injunction shall not prevent Executive from earning a reasonable livelihood. Executive further acknowledges and agrees that the covenants contained herein are necessary for the protection of the Company's legitimate business interests and are reasonable in scope and content. Nothing herein shall prevent either party from pursuing a legal and/or equitable action against the other party for any damages caused by such party's breach of this Agreement.

21. ARBITRATION: Any dispute about the validity, interpretation, effect or alleged violation of this Agreement (an "arbitrable dispute") must be submitted to confidential arbitration in Houston, Texas. Arbitration shall take place before an experienced employment arbitrator licensed to practice law in such state and selected in accordance with the Model Employment Arbitration Procedures of the American Arbitration Association. Arbitration shall be the exclusive remedy of any arbitrable dispute. The Company shall bear all fees, costs and expenses of arbitration, including those of Executive unless the arbitrator finds that Executive has acted in bad faith and provides otherwise with respect to the fees, costs and expenses of Executive; provided, however, in no event shall Executive be chargeable with the fees, costs and expenses of the Company or the arbitrator. Should any party to this Agreement pursue any arbitrable dispute by any method other than arbitration, the other party shall be entitled to recover from the party initiating the use of such method all damages, costs, expenses and attorneys' fees incurred as a result of the use of such method. Notwithstanding anything herein to the contrary, nothing in this Agreement shall purport to waive or in any way limit the right of any party to seek to enforce any judgment or decision on an arbitrable dispute in a court of competent jurisdiction. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts in Houston, Texas, for the purposes of any proceeding arising out of this Agreement. However, this arbitration agreement shall not apply to any claim: (i) for workers' compensation or unemployment benefits; or (ii) by Company for injunctive and/or other

---

equitable relief for unfair competition and/or the use and/or unauthorized disclosure of Trade Secrets or Confidential Information, including but not limited to, matters described in Sections 12 and 13. With respect to matters referred to in the foregoing sub-paragraph (ii), the Company may seek and obtain injunctive relief in court, and then proceed with arbitration under this Agreement.

22. RELEASE AGREEMENT: Executive agrees that, as a condition to receiving the Severance Pay, Executive shall execute a general release in the form attached as Exhibit C to this Amendment (the "Release") and the seven day revocation period provided for therein shall have expired unexercised. The Release shall include, without limitation, a waiver and release of all claims arising out of Executive's service as an employee of the Company, its subsidiaries or any of their affiliates and the termination of such relationship. Such claims include all claims based on any federal, state or local statute, including without limitation the Age Discrimination in Employment Act of 1967, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1866, the Employee Retirement Income Security Act of 1974, as amended, but excluding all vested benefits and rights Executive has under any employee benefit plans, and the Texas Commission on Human Rights Act. The Company will deliver the Release to Executive within seven days following Executive's termination. In order for Executive to receive the Severance Pay, Executive must deliver a properly executed copy of the Release within the particular time period specified therein, which shall be no later than 45 days following the delivery of the Release to Executive (such deadline, the "Release Deadline"), not revoke it, and any applicable revocation period set forth in the Release must have expired. Notwithstanding the foregoing, if Executive's termination is due to death, or Executive dies after his termination date and before the expiration of the Release Deadline without having executed the Release, the Release Deadline shall be extended to the 90th day after the date of Executive's death. The properly executed Release must actually be received by the Company, or its duly authorized representative, at the address specified by the Company by the Release Deadline to be considered timely. If Executive (or Executive's executor for his estate) does not properly execute the Release by the Release Deadline, or effectively revokes the executed Release within the applicable revocation period set forth in the Release, Executive (or Executive's estate) will receive only such compensation and benefits as are required by Section 7 and applicable law and will not be entitled to any Severance Pay.

23. GOVERNING LAW: This Agreement will be governed by and construed in accordance with the laws of the State of Texas without regard to conflicts of law principles.

24. SUCCESSORS:

a. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.



---

c. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as defined in this Agreement and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

25. ENTIRE AGREEMENT: This instrument contains the entire agreement of Executive and the Company with respect to the subject matter hereof and all promises, representations, understandings, arrangements, and prior and contemporaneous agreements (written or oral) between the parties with respect to the subject matter hereof, are terminated hereby.

26. SURVIVAL/SEVERABILITY/HEADINGS: It is the express intention and agreement of the parties that Sections 8 through 28 of this Agreement shall survive the termination of the Term. In addition, all obligations of the Company to make payments under this Agreement shall survive any termination of this Agreement on the terms and conditions set forth in this Agreement. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. Article and section headings contained in this Agreement are provided for convenience and reference only, and do not define or affect the meaning, construction, or scope of any of the provisions of this Agreement.

27. TAX WITHHOLDING: The Company shall be entitled to withhold from any compensatory payments that it makes to Executive under this Agreement or otherwise all taxes required by applicable law to be withheld therefrom by the Company.

28. SECTION 409A COMPLIANCE:

a. General Suspension of Payments. If Executive is a "specified employee," as such term is defined within the meaning of Section 409A of the Code, any payments or benefits payable or provided as a result of Executive's termination of employment that would otherwise be paid or provided prior to the first day of the seventh month following such termination (other than due to death) shall instead be paid or provided on the earliest of (i) the first day of the seventh month following Executive's termination, (ii) the date of Executive's death, or (iii) any date that otherwise complies with Code Section 409A. In the event that Executive is entitled to receive payments during the suspension period provided under this Section, Executive shall receive the accumulated benefits that would have been paid or provided under this Agreement within the suspension period on the earliest day that would be permitted under Section 409A of the Code. In the event of any such delay in payment, the deferred amount shall be paid in a lump sum and shall bear interest at the LIBOR rate in effect on his termination date until paid.

b. Release Payments. In the event that Executive is required to execute a release to receive any payments from the Company that constitute nonqualified deferred compensation under Section 409A of the Code and Executive's termination date and the Release Deadline (or the end of the revocation period, if any) fall in two separate calendar years, any payments required to be made to Executive (or Executive's estate) in the earlier year that are treated as

---

nonqualified deferred compensation for purposes of Code Section 409A shall be deferred and paid in the later calendar year. Any payments which are delayed under this provision shall be paid to Executive in a lump sum not later than the date of the Company's first full payroll cycle after the Release Deadline (or the end of the revocation period, if any) and in any case not later than the end of the applicable month. Any payments that are deferred pursuant to this provision shall bear interest at the LIBOR rate in effect on his termination date until paid.

c. Reimbursement Payments. The following rules shall apply to payments of any amounts under this Agreement that are treated as "reimbursement payments" under Section 409A of the Code: (i) the amount of expenses eligible for reimbursement in one calendar year shall not limit the available reimbursements for any other calendar year (other than an arrangement providing for the reimbursement of medical expenses referred to in Section 105(b) of the Code); (ii) Executive shall file a claim for all reimbursement payments not later than 30 days following the end of the calendar year during which the expenses were incurred; (iii) Company shall make such reimbursement payments within 30 days following the date Executive delivers written notice of the expenses to Company; and (iv) Executive's right to such reimbursement payments shall not be subject to liquidation or exchange for any other payment or benefit.

d. Separation from Service. For purposes of this Agreement, any reference to "termination" of Executive's employment shall be interpreted consistent with the meaning of the term "separation from service" in Section 409A(a)(2)(A)(i) of the Code and no portion of the Severance Payments shall be paid to Executive prior to the date Executive incurs a separation from service under Section 409A(a)(2)(A)(i).

e. General. Notwithstanding any provisions of this Agreement relating to the timing of any benefits or payments, to the extent required to comply with applicable law, including Section 409A of the Code, or to prevent the imposition of any excise taxes or penalties on Company or Executive, the commencement of payment or provision of any payment or benefit shall be deferred to the minimum extent necessary so as to comply with any such law or to avoid the imposition of any such excise tax or penalty.

f. Death. If Executive dies after his termination of employment but before all payments due under this Agreement have been made, such payments shall be made to Executive's estate.

29. LEGAL FEES: The Company shall reimburse Executive for his reasonable legal fees incurred in advising him before signing with respect to review of this Agreement.

*[Signature Page Follows]*

---

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement in multiple originals to be effective for all purposes as of the Effective Date.

**RIGNET, INC.**

**“EXECUTIVE”**

/s/ Charles E. Schneider

/s/ Steven E. Pickett

Name: Charles E. Schneider

Steven E. Pickett

Title: SJP iCFO

This May \_\_, 2016

This May 31, 2016

*[Signature Page to Employment Agreement]*

---

**Exhibit A  
to Employment Agreement  
between RigNet, Inc.  
and the Executive Named Below**

Name: Steve E. Pickett

Position: Chief Executive Officer and President

Reporting: Executive shall report solely to the Board of Directors of the Company. All other employees shall report to Executive, except: (1) the Chief Financial Officer and the General Counsel, both of whom shall, in addition to reporting to Executive, also report to the Audit Committee of the Board; and (2) the Director of Internal Audit and the Internal Audit Department, which shall report directly to the Audit Committee of the Board, with only an administrative reporting line to Executive.

Term: The Term of the Agreement shall be three years, commencing on May 31, 2016 and ending on May 31, 2019 unless earlier terminated under Section 7 of the Agreement; provided, however, that on or before December 1, 2018 (but not before November 1, 2018), the Company shall either (a) offer the Executive the option to extend the term of the Agreement for an additional 12 months or (b) provide notice of termination with severance in the form of continuation of the monthly amount (1/12<sup>th</sup>) equal to the sum of Executive's then-current Annual Base Salary plus Annual Bonus at target for 12 months from the date of termination beginning on the first regular payroll date after six months after the date of termination (subject to offset for any compensation earned by Executive from any other employment or consulting arrangement during that 12 month period) and with that first payment after the six month waiting period including all consideration that would have been paid if the six month waiting period had not occurred. The Executive shall have 30 days to accept the Company's offer or it will be deemed rejected. If rejected, the Executive shall receive no severance upon termination of his employment.

Annual Base Salary: \$485,000.00. Executive's base salary may be increased from time to time, but as increased may not be thereafter decreased.

Annual Bonus: Commencing on January 1, 2017 and the first day of each subsequent calendar year of the Company (each calendar year being a "Bonus Period"), Executive shall participate in the Company's annual bonus program (Short Term Incentive

---

	<p>Program or “STIP”) for such Bonus Period, subject to the STIP’s terms. Executive’s target bonus potential for a Bonus Period shall not be less than 100% of his annual base salary. The Company shall pay Executive his bonus amount, if any, for a Bonus Period during the immediately following calendar year, and not later than when the other STIP participants are paid.</p>
Contingent Compensation	<p>For 2016, a one-time payment 7/12 multiplied by 100% of Executive’s Annual Base Salary. Executive shall receive this Contingent Compensation on or before January 15, 2017.</p>
Equity Grants:	<p>One-time equity award grants equal to 7/12ths of Executive’s Annual Base Salary, (pro-rated in 2016 from May 31, 2016). 70% of which shall be in the form of restricted stock units and 30% shall be in the form of performance unit awards, in each case under the Company’s long-term incentive plan (“LTIP”). Any provision in Section 9 notwithstanding, these awards shall not accelerate upon a Change of Control.</p> <p>Executive shall be eligible to receive periodic equity grants under the terms of the Company’s LTIP with a value, to be determined in the sole discretion of the Company’s Board of Directors or its Compensation Committee, as applicable, ranging from 0% to 250% of Executive’s Annual Base Salary, with target at 100%.</p>
Cash Severance Amount:	<p>Two times the sum of (i) the target Annual Bonus for the year and (ii) Executive’s then annual base salary.</p>
Signing Bonus	<p>Options to purchase 100,000 shares of common stock of the Company, priced according to the normal practice of the Company. They shall vest over a period of 4 years, vesting 25% at the annual anniversary of the grant.</p>
Relocation Requirement	<p>Executive is required to relocate to the Houston, Texas metro area on or before March 31, 2017.</p>
Relocation Compensation	<p>Executive shall receive the benefits available to Executives under the standard policies of the Company’s Executive new Hire U.S. Relocation Policy, provided that the limit shall be increased to \$100,000 for sale of house expenses in accordance with the policy.</p>

---

In addition, Executive shall receive, contingent upon Executive relocating to the Houston, Texas metro area on or before March 31, 2017:

- Use by Executive of an existing Company executive apartment, or reimbursement for the rent on an executive apartment selected by or approved by the Company, for a maximum of one year from June 1, 2016.

Reimbursement for reasonable expenses related to three trips of Executive and spouse to Houston, Texas to search for a house.

---

**Exhibit B  
to Employment Agreement  
between RigNet, Inc.  
and the Executive Named Below**

The following parishes in Louisiana are included in the Geographic Area applicable to the non-competition provision in Section 13(a).

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 C  
to Employment Agreement  
between RigNet, Inc.  
and the Executive Named Below**

**RELEASE OF CLAIMS AGREEMENT**

This Release of Claims Agreement (this “**Agreement**”) is entered into between RigNet, Inc. (“**Employer**”) and Steven E. Pickett (“**Executive**”) (Employer and Executive are collectively referred to herein as the “**Parties**”) as of \_\_\_\_\_, 20\_\_ (the “**Execution Date**”).

This Agreement is executed in connection with the termination of Executive’s Employment under that certain Employment Agreement between Employer and Executive dated [DATE], as amended (the “**Employment Agreement**”). Executive’s last day of employment with Employer is [DATE] (the “**Separation Date**”). After the Separation Date, Executive will not represent himself as being an Executive, officer, director, attorney, agent or representative of Employer for any purpose. Except as otherwise set forth in this Agreement and the Employment Agreement, the Separation Date will be the employment termination date for Executive for all purposes, meaning Executive will no longer be entitled to any further compensation, monies or other benefits from Employer, including coverage under any benefits plans or programs sponsored by Employer.

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

2. Executive Representations. In exchange for the severance consideration described in the Employment Agreement, which Executive acknowledges to be good and valuable consideration for his obligations hereunder, Executive hereby represents that he intends to irrevocably and unconditionally fully and forever release and discharge any and all claims he may have, has ever had or may in the future have against Employer arising out of or in any way related to his hire, benefits, employment or separation from employment with Employer. Executive specifically represents, warrants and confirms that: (a) he has no claims, complaints or actions of any kind filed against Employer with any court of law, or local, state or federal government or agency; (b) he has been properly paid for all hours worked for Employer, and that all commissions, bonuses and other compensation due to him has been paid, including his final payroll check for his salary and any other unpaid compensation through the Separation Date above, which will be paid on the next regularly scheduled payroll date. Any vested benefits under any of Employer’s Executive benefit plans are excluded and shall be governed by the terms of the applicable plan document and award agreements, as amended by applicable amendments in the Employment Agreement. Executive specifically represents, warrants and confirms that he has not engaged in, and is not aware of, any unlawful conduct in relation to the business of Employer. If any of these statements are not true, Executive cannot sign this Agreement and must notify Employer immediately, in writing, of the statements that are not true. Such notice will not automatically disqualify Executive from receiving these benefits, but will require Employer review and consideration.

---

### 3. General Release and Waiver of Claims.

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

---

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

4. **Knowing and Voluntary Acknowledgement.** By signing this Agreement, Executive hereby acknowledges and confirms that: (i) Executive has read this Agreement in its entirety and understands all of its terms; (ii) Executive has been advised of and has availed himself of his right to consult with his attorney prior to executing this Agreement; (iii) Executive knowingly, freely and voluntarily assents to all of the terms and conditions set out in this Agreement including, without limitation, the waiver, release and covenants contained herein; (iv) Executive is executing this Agreement, including the waiver and release, in exchange for good and valuable consideration in addition to anything of value to which he is otherwise entitled; (v) **Executive was given at least 21 days to consider the terms of this Agreement and consult with an attorney of his choice, although he may sign it sooner if desired;** (vi) **Executive understands that he has seven days from the date he signs this Agreement to revoke the release in this paragraph by delivering notice of revocation in accordance with Section 16 below before the end of such seven-day period;** (vii) Executive understands that the release contained in these Sections 3 and 4 does not apply to rights and claims that may arise after the date on which Executive signs this Agreement; and (viii) Executive understands that the waiver and release in this Agreement is being requested in connection with the cessation of his employment with Employer Group. **This Agreement shall not become effective, until the eighth day after Executive and Employer execute this Agreement.** Such date shall be the Effective Date of this Agreement. No payments due to Executive hereunder shall be made or begin before the Effective Date. In the event of revocation by Executive as described in clause (vi) above, the Employer shall have the option of treating this Agreement as null and void in its entirety.

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

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

Should Executive fail to abide by any of the terms of this Agreement or post-termination obligations contained herein, or if he revokes the ADEA release contained in Section 3(b) within the seven-day revocation period described in Section 4, Employer may, in addition to any other

---

remedies it may have, reclaim any amounts paid to Executive under the provisions of this Agreement or terminate any benefits or payments that are later due under this Agreement, without waiving the releases provided herein.

7. Successors and Assigns.

(a) Assignment by Employer.

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

(b) No Assignment by Executive.

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

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

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

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

---

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

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

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

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

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

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

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

---

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

---

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

RIGNET, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Signature: /s/ Steven E. Pickett  
Steven E. Pickett

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 8, 2016

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



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

I, 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 8, 2016

By: /s/ CHARLES E. SCHNEIDER

Charles E. Schneider  
Chief Financial Officer

CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
OF RIGNET, INC.  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2016 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven E. Pickett, Chief Executive Officer of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2016

/s/ STEVEN E. PICKETT

---

Steven E. Pickett  
Chief Executive Officer and President

CERTIFICATION OF  
CHIEF FINANCIAL OFFICER  
OF RIGNET, INC.  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2016 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Schneider, Chief Financial Officer of RigNet, Inc. (the "Company"), hereby certify, to my knowledge, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2016

/s/ CHARLES E. SCHNEIDER

Charles E. Schneider  
Chief Financial Officer

