
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **July 27, 2016**

GLOBAL EAGLE ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35176
(Commission
File Number)

27-4757800
(IRS Employer
Identification No.)

4553 Glencoe Avenue, Suite 300, Los Angeles, California 90292
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **310-437-6000**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Explanatory Note

This Amendment No. 1 on Form 8-K/A to the Current Report on Form 8-K originally filed by Global Eagle Entertainment Inc. (the "Company," "our" or "we") with the U.S. Securities and Exchange Commission (the "Commission") on August 2, 2016 (the "Original 8-K") amends and restates in its entirety Item 9.01 of the Original 8-K to include the financial statements and pro forma financial information required by Item 9.01 of Form 8-K with respect to our acquisition of EMC Acquisition, LLC and its Emerging Markets Communications business ("EMC") on July 27, 2016 and includes additional disclosure under Item 7.01 below. The remainder of the information contained in the Original 8-K is not hereby amended and continues to speak as of the filing date of the Original 8-K.

Item 7.01. Regulation FD Disclosure.

The Company is furnishing EMC management's discussion and analysis of financial condition and results of operations with respect to certain historical periods as Exhibit 99.5 to this Current Report on Form 8-K/A, which is incorporated by reference herein.

The information included in this Item 7.01 (including Exhibit 99.5 attached hereto) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that

section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Business Acquired.*

1. The audited historical consolidated financial statements of EMC Acquisition, LLC as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 required by Item 9.01(a) of Form 8-K are attached as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated by reference herein.
2. The unaudited historical consolidated financial statements of EMC Acquisition, LLC as of June 30, 2016 and for the six months ended June 30, 2016 and 2015 required by Item 9.01(a) of Form 8-K are attached as Exhibit 99.3 to this Current Report on Form 8-K/A and incorporated by reference herein.

(b) *Pro Forma Financial Information.*

1. The unaudited pro forma condensed combined balance sheet as of June 30, 2016 and unaudited pro forma condensed combined statements of operations for the year ended December 31, 2015 and the six months ended June 30, 2016 required by Item 9.01(b) of Form 8-K are attached as Exhibit 99.4 to this Current Report on Form 8-K/A and incorporated by reference herein.

(d) *Exhibits.*

The Company incorporates by reference herein the Exhibit Index following the signature page to this Current Report on Form 8-K/A.

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SIGNATURE

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 hereunto duly authorized.

GLOBAL EAGLE ENTERTAINMENT INC.

By: /s/ Thomas Severson

Name: Thomas Severson

Title: Chief Financial Officer

Dated: October 11, 2016

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EXHIBIT INDEX

Exhibit No.	Description
2.1	Interest Purchase Agreement, dated May 9, 2016, by and between the Company and EMC Acquisition Holdings, LLC (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed on May 13, 2016 (File No. 001-35176) and incorporated herein by reference).
10.1	First Lien Credit Agreement, dated as of July 1, 2015, as amended by Amendment No. 1 to First Lien Credit Agreement, dated as of May 9, 2016, by and among EMC Acquisition, LLC, Emerging Markets Communications, LLC, Morgan Stanley Senior Funding, Inc., as the Administrative Agent, the guarantors party thereto and the lenders from time to time party thereto (previously filed as Exhibit 10.1 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
10.2	Joinder to First Lien Credit Agreement, dated July 27, 2016, by and among Global Eagle Entertainment Inc., the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.2 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
10.3	Joinder to First Lien Credit Agreement, dated July 27, 2016, by and among the joining parties thereto, the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.3 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
10.4	First Lien Security Agreement, dated July 1, 2015, as amended by Amendment No. 1 to the First Lien Security Agreement, dated May 9, 2016, as further supplemented by that First Lien Security Agreement Supplement, dated July 27, 2016, made by Global Eagle Entertainment Inc., and each entity listed on Schedule 1 thereto, by and among the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-35176) filed on August 9, 2016 and incorporated herein by reference).

- 10.5 Second Lien Credit Agreement dated as of July 1, 2015, as amended by Amendment No. 1 to Second Lien Credit Agreement, dated as of May 9, 2016, by and among the Emerging Markets Communications, LLC, EMC Acquisition, LLC, and the other Guarantors party thereto, Morgan Stanley Senior Funding, Inc., as the Administrative Agent, the guarantors party thereto and the lenders from time to time party thereto (previously filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 001-35176) filed on August 9, 2016 and incorporated herein by reference).
- 10.6 Joinder to Second Lien Credit Agreement, dated July 27, 2016, by and among Global Eagle Entertainment Inc., the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.6 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.7 Joinder to Second Lien Credit Agreement, dated July 27, 2016, by and among the joining parties thereto, the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.7 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.8 Second Lien Security Agreement, dated July 1, 2015, as amended by Amendment No. 1 to the Second Lien Security Agreement, dated May 9, 2016, as further supplemented by the Second Lien Security Agreement Supplement, dated July 27, 2016 made by Global Eagle Entertainment Inc., and each entity listed on Schedule 1 thereto, by and among the grantors party thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent (previously filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q (File No. 001-35176) filed on August 9, 2016 and incorporated herein by reference).
- 10.9 Intercreditor Agreement, dated July 1, 2015, as amended by Amendment No. 1 to the Intercreditor Agreement, dated July 27, 2016, by and between Morgan Stanley Senior Funding, Inc., as First Lien Credit Agreement Administrative Agent and Morgan Stanley Senior Funding, Inc., as Second Lien Credit Agreement Administrative Agent (previously filed as Exhibit 10.9 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.10 Incremental Amendment, dated as of June 29, 2016 by and among Emerging Markets Communications, LLC, EMC Acquisition, LLC, and the other Guarantors party thereto, the Toronto-Dominion Bank, and Morgan Stanley Senior Funding, Inc. (previously filed as Exhibit 10.10 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).

- 10.11 Registration Rights Agreement, dated as of July 27, 2016, by and among the Company, EMC Acquisition Holdings, LLC and the other holders party thereto. (previously filed as Exhibit 10.11 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.12 Employment Agreement, dated as of July 27, 2016, by and between the Company and Abel Avellan and Exhibit A thereto (Restrictive Covenant Agreement, dated as of July 27, 2016, by and between the Company and Abel Avellan) (previously filed as Exhibit 10.12 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.13 Global Eagle Entertainment Inc. 2016 Inducement and Retention Stock Plan for EMC Employees (previously filed as Exhibit 10.13 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.14 Nonqualified Stock Option Grant Notice and Award Agreement for Abel Avellan under the Global Eagle Entertainment Inc. 2016 Inducement and Retention Stock Plan for EMC Employees (previously filed as Exhibit 10.14 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.15 Restricted Stock Unit Grant Notice and Award Agreement for Abel Avellan under the Global Eagle Entertainment Inc. 2016 Inducement and Retention Stock Plan for EMC Employees (previously filed as Exhibit 10.15 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 10.16 Unrestricted Stock Grant Notice for Abel Avellan under the Global Eagle Entertainment Inc. Amended and Restated 2013 Equity Incentive Plan (previously filed as Exhibit 10.16 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 23.1 Consent of BDO USA, LLP.
- 99.1 Press Release, dated August 2, 2016 (previously filed as Exhibit 99.1 to the Original 8-K (File No. 001-35176) filed on August 2, 2016 and incorporated herein by reference).
- 99.2 EMC audited financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.
- 99.3 EMC unaudited consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2016 and 2015.
- 99.4 Unaudited pro forma condensed combined balance sheet as of June 30, 2016 and unaudited pro forma condensed combined statements of operations for the year ended December 31, 2015 and the six months ended June 30, 2015.
- 99.5 EMC Management's Discussion and Analysis of Financial Condition and Results of Operations.

Consent of Registered Public Accounting Firm

Global Eagle Entertainment Inc.
Los Angeles, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-188121) and Form S-8 (File Nos. 333-193052, 333-206251, 333-213167 and 333-213168) of Global Eagle Entertainment Inc., with respect to our report dated September 23, 2016, relating to the consolidated financial statements of EMC Acquisition, LLC, which is included in this Current Report on Form 8-K/A.

/s/ BDO USA, LLP
Miami, Florida

October 10, 2016

EMC ACQUISITION, LLC

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Independent Auditor's Report

Members of
EMC Acquisition, LLC
Miramar, FL

We have audited the accompanying consolidated financial statements of EMC Acquisition, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in members' (deficit) equity, and cash flows for the three years ended December 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EMC Acquisition, LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the three years ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

EMC ACQUISITION, LLC
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit and per unit data)

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,484	\$ 3,226
Restricted cash	15,930	110
Accounts receivable, net	21,486	19,457
Inventories	13,454	10,273
Prepaid expenses and other	7,710	3,976
Total current assets	66,064	37,042
Prepaid expenses and other, non-current	24,800	5,109
Restricted cash, non-current	1,551	7,249
Property, plant and equipment, net	89,313	46,406
Equity method investments	61,028	—
Intangible assets, net	100,277	74,159
Goodwill	100,089	49,157
Deferred tax assets	4,089	784
Total assets	\$ 447,211	\$ 219,906
Liabilities, redeemable preferred stock and member's (deficit) equity		
Current liabilities:		
Accounts payable	\$ 16,111	\$ 9,513
Deferred revenues	5,665	1,038
Accrued expenses	24,388	9,582
Obligations under capital leases	359	577
Current maturities of long-term debt	2,750	1,701
Total current liabilities	49,273	22,411
Non-current liabilities:		
Deferred revenues, non-current	2,355	2,661
Accrued expenses, non-current	13,203	4,975
Obligations under capital leases, non-current	383	749
Long-term debt	360,980	177,460
Mandatorily redeemable preferred stock	11,708	—
Deferred tax liabilities	53,352	—
Total liabilities	491,254	208,256
Commitments and contingencies:		
Redeemable preferred stock of EMC Acquisition Holdings Inc. (Parent)	38,045	—
Member's (deficit) equity:		
Membership units \$ 1 par value, 100 membership units authorized and outstanding as of December 31, 2015 and 2014	—	—
Additional paid in capital	67,231	69,331
Foreign tax credits receivable	(6,507)	(3,756)
Accumulated deficit	(106,163)	(53,515)
Non cash dividends	(35,128)	—
Accumulated other comprehensive loss	(1,521)	(410)
Total member's (deficit) equity	(82,088)	11,650
Total liabilities, redeemable preferred stock and member's equity	\$ 447,211	\$ 219,906

See accompanying notes to these consolidated financial statements

EMC ACQUISITION, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS)

	Years Ended December 31,		
	2015	2014	2013

Revenue	\$	146,089	\$	102,735	\$	84,132
Operating expenses:						
Direct costs		75,906		51,430		44,403
Payroll, selling, general and administrative expenses		61,484		32,368		21,899
Depreciation and amortization		37,365		26,507		22,066
Total operating expenses		174,755		110,305		88,368
Loss from operations		(28,666)		(7,570)		(4,236)
Other (expense) income:						
Interest expense, net		(30,504)		(23,504)		(11,865)
Equity in earnings of Wireless Maritime Services, LLC		8,043		—		—
Equity in earnings of other joint ventures		33		—		—
Other expenses		(576)		(902)		(1,249)
Total other expense, net		(23,004)		(24,406)		(13,114)
Loss from operations before provision for income taxes		(51,670)		(31,976)		(17,350)
Income tax expense		(978)		(846)		(134)
Net loss	\$	(52,648)	\$	(32,822)	\$	(17,484)
Other comprehensive loss:						
Foreign currency translation (loss) gain		(1,111)		(432)		22
Total comprehensive loss	\$	(53,759)	\$	(33,254)	\$	(17,462)

See accompanying notes to these consolidated financial statements

EMC ACQUISITION, LLC
CONSOLIDATED STATEMENTS OF MEMBER'S (DEFICIT) EQUITY
(in thousands, except unit data)

	LLC Membership Units		Additional Paid in Capital	Foreign Tax Credits Receivable	Dividends	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Member's (Deficit) Equity
	Number of Units	Par Value						
Balance at December 31, 2012	100	\$ —	\$ 67,286	\$ —	\$ —	\$ (2,838)	\$ —	\$ 64,448
Capital contribution in relation to issuance of Class A shares at EMC Acquisition Holdings Inc. (Parent)	—	—	1,000	—	—	—	—	1,000
Foreign tax credit generated in 2013	—	—	—	(1,627)	—	—	—	(1,627)
Distributions of foreign tax credits (August 31, 2013)	—	—	—	—	—	(371)	—	(371)
Foreign currency translation gain	—	—	—	—	—	—	22	22
Net loss	—	—	—	—	—	(17,484)	—	(17,484)
Balance at December 31, 2013	100	\$ —	\$ 68,286	\$ (1,627)	\$ —	\$ (20,693)	\$ 22	\$ 45,988
Capital contribution in relation to issuance of Class A shares at EMC Acquisition Holdings Inc. (Parent)	—	—	1,045	—	—	—	—	1,045
Foreign tax credit generated in 2014	—	—	—	(2,129)	—	—	—	(2,129)
Foreign currency translation loss	—	—	—	—	—	—	(432)	(432)
Net loss	—	—	—	—	—	(32,822)	—	(32,822)
Balance at December 31, 2014	100	\$ —	\$ 69,331	\$ (3,756)	\$ —	\$ (53,515)	\$ (410)	\$ 11,650
Capital contribution in relation to issuance of Class A shares at EMC Acquisition Holdings Inc. (Parent)	—	—	2,900	—	—	—	—	2,900
Capital distribution in relation to issuance of Class A shares at EMC Acquisition Holdings Inc. (Parent)	—	—	(5,000)	—	—	—	—	(5,000)
Foreign tax credit generated in 2015	—	—	—	(2,751)	—	—	—	(2,751)
Dividends (TRIO)	—	—	—	—	(35,128)	—	—	(35,128)

Foreign currency translation	—	—	—	—	—	—	(1,111)	(1,111)
Net loss	—	—	—	—	—	(52,648)	—	(52,648)
Balance at December 31, 2015	100	\$ —	\$ 67,231	\$ (6,507)	\$ (35,128)	\$ (106,163)	\$ (1,521)	\$ (82,088)

See accompanying notes to these consolidated financial statements

EMC ACQUISITION, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	\$ (52,648)	\$ (32,822)	\$ (17,484)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	37,365	26,507	22,066
Fixed assets and inventory write offs	1,174	(393)	(332)
Amortization of deferred financing fees	1,795	7,250	1,875
Loss on refinancing	4,404	—	—
Bad debt expense	1,678	683	303
Non cash interest expense	6,357	1,648	1,948
Distributions received from Wireless Maritime Services, LLC	8,330	—	—
Equity in earnings of Wireless Maritime Services, LLC	(8,043)	—	—
Equity in earnings of other joint ventures	(33)	—	—
Gain on sale of property and equipment	(180)	—	—
Deferred income taxes	(1,346)	—	—
Changes in operating assets and liabilities:			
Accounts receivable	2,221	(7,020)	(7,902)
Other receivables	(1,301)	335	2,040
Prepaid expenses and other	8,607	585	(2,653)
Inventories	(2,079)	(4,198)	(2,006)
Accounts payable	3,408	(172)	2,276
Deferred revenues	(1,814)	(1,518)	(710)
Taxes payable	(418)	353	8
Payroll and social security taxes payable	11	(363)	(1,488)
Accrued expenses	(1,709)	(1,562)	1,136
Net cash provided by (used in) operating activities	<u>5,779</u>	<u>(10,687)</u>	<u>(923)</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(16,356)	(17,711)	(8,426)
Intangible assets	(5,229)	(6,124)	(1,082)
Acquisition of STM Group	—	—	(41,238)
Adjustment of purchase price STM acquisition	(42)	2,501	—
TRIO spin off	(596)	—	—
Adjustment of purchase price EMC sale	—	405	—
Acquisition of GIS Group	—	(6,997)	—
Acquisition of SeaMobile	(204,032)	—	—
Net cash used in investing activities	<u>(226,255)</u>	<u>(27,926)</u>	<u>(50,746)</u>
Cash flows from financing activities:			
Cash held as collateral	269	2,135	551
Loan proceeds	423,194	168,750	52,400
Loan repayments	(183,160)	(128,742)	—
Financing costs	(16,858)	(5,372)	(3,349)
Capital contributions	2,900	1,044	1,000
Capital leases	(658)	—	—
Net cash provided by financing activities	<u>225,687</u>	<u>37,815</u>	<u>50,602</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(953)	(194)	46
Net increase (decrease) in cash and cash equivalents	<u>4,258</u>	<u>(992)</u>	<u>(1,021)</u>
Cash and cash equivalents, beginning of period	\$ 3,226	\$ 4,218	\$ 5,239
Cash and cash equivalents, end of period	<u>\$ 7,484</u>	<u>\$ 3,226</u>	<u>\$ 4,218</u>
Supplemental cash flow information:			
Interest paid	\$ 19,765	\$ 10,105	\$ 7,658
Income taxes paid	\$ 304	\$ 265	\$ 94
Supplemental disclosure of noncash investing and financing activity:			
Foreign tax credit generated	\$ 2,751	\$ 2,129	\$ 1,627
Non cash dividends for Trio spin off transaction	\$ 35,128	\$ —	\$ —

EMC ACQUISITION, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations

The Company

EMC Acquisition, LLC (“EMC” or the “Company”) is a leading provider of fully managed private network telecommunications services. EMC provides integrated data, voice, internet and data center services to companies and organizations globally where terrestrial communications infrastructure is poor or non-existent. EMC has operations in the United States, Germany, United Arab Emirates, Argentina, Kenya, Spain, Norway, Brazil and Singapore and support offices around the world. As of December 31, 2015, EMC was a wholly owned subsidiary of EMC Acquisition Holdings, LLC (“Parent”). As discussed in Note 20, on July 27, 2016, Global Eagle Entertainment Inc. (“GEE”) acquired all the outstanding membership interests of the Company.

The Company provides transmission of voice, data, video, client-server applications and internet access mainly through a network that uses Multiple Channel Per Carrier (“MCPC”) and Single Channel Per Carrier (“SCPC”) technology with leased satellite capacity and leased fiber optic. It also offers teleport and data center services through its three proprietary teleports, with one located in Germany and two in the United States.

The Company was incorporated in Delaware on October 17, 2012 for the purposes of acquiring Emerging Markets Communications, LLC (“EMC LLC”).

The Company is the sole unit-holder of EMC LLC, which was incorporated in Delaware on June 23, 2000 and is headquartered in Miramar, Florida. EMC LLC was converted to a Delaware limited liability company on July 20, 2011 from a Delaware S Corporation. The plan of conversion was dated July 20, 2011 and converted Emerging Markets Communications, Inc. into Emerging Markets Communications, LLC.

EMC LLC is the parent and sole unit-holder of Emerging Markets Communications of Deutschland GmbH (“EMC Deutschland”).

EMC LLC is the parent and sole owner of EMC Satcom Technologies, LLC (“EMC Satcom”). EMC Satcom was formed as a corporation (with Subchapter S election) on November 20, 2006 in the State of Florida, and was converted into a Florida Limited Liability Company on July 20, 2011, in conjunction with EMC’s conversion. During 2010, EMC Satcom Technologies GMBH was created and during 2015 it was merged with Emerging Markets Communications GMBH (“EMC GMBH”). In 2012, Emerging Markets Communications MEA FZ LLC was created in the Media Zone in Abu Dhabi United Arab Emirates (“UAE”) and by December 2015 its liquidation process was launched.

Emerging Markets Communications Argentina SRL is a company owned 95% by EMC LLC and 5% by a local unit-holder as required by local law. EMC Argentina’s main activity is to provide administrative and operative consulting services to the Company and its subsidiaries.

Emerging Markets Communications (Kenya) Limited is a Kenyan entity owned 90% by EMC LLC and 10% by two local unit-holders as required by local law.

On September 6, 2013, the Company acquired STM Group, which was comprised of six entities: STM Networks LLC (USA), STM Spain S.A., STM Norway AS, STMEA FZE (UAE), Vodanet Solucoes em

Telecomunicacoes and Vodanet Servicios de Com. Multimedia Ltda (Brazil). On September 30, 2015, two of these STM entities, STM Norway AS and STMEA FZE UAE, were spun off to the Company’s equity holders (see Note 3).

On November 25, 2014, the Company acquired GIS Group, which consisted of two entities: General Industry Systems AS (Norway) and GIS Wavelink Pte Ltd (Singapore). GIS Group is a Norwegian-based connectivity services provider specialized in energy and maritime offshore operations.

On July 1, 2015 the Company, through its wholly-owned subsidiary EMC LLC, formed Scisco Parent, Inc. (“Scisco”) for the acquisition of SeaMobile, Inc. (“SeaMobile”), the ultimate parent company of Maritime Telecommunications Network, Inc. (“MTN”) and MTN Government Services, Inc. (collectively, the “MTN Group”) (Note 4). MTN Group is a global provider of communications and content services to maritime customers around the world and owns 49% of two joint ventures, Wireless Maritime Services, LLC (“WMS”) and Santander Teleport (“Santander”).

Properties

As of December 31, 2015, the Company operated one teleport in Europe (Germany) and two in the United States (Hawaii and New Jersey), which provide services in C, Ku, Ka and X band. In addition, the teleport facilities comprise 120,000 square feet of secure telehouse and data center space for hosting and co-location services.

Services

The Company delivers telecommunications services that include every link in the network chain: network design, obtaining operation licenses, installation, site acquisition, equipment provision, civil works, teleport uplink and downlink, bandwidth management, spare parts management, monitoring, preventive and corrective maintenance, quality management and reporting.

The Company offers its customers a range of end-to-end network service combinations for their point-to-point and point-to-multipoint telecommunication needs, from simple connections to customized private network solutions. The Company's services enable its customers to streamline their operations and take advantage of end-to-end services from a single vendor.

Through the MTN Group, the Company provides its customers with communication, entertainment, and networking services including private network solutions, passenger, administrative and crew telephone services, full-time dedicated data circuits, fulltime administrative voice and fax services, stored value telephone access cards, and Internet café solutions.

The Company serves primarily the cruise ship, energy, commercial shipping, government, non-governmental organizations, yacht, mobile network operators and enterprise industries.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates its estimates related to, but not

limited to, accounts receivable, inventories, goodwill, intangible assets, income taxes, contingencies, litigation, unit-based compensation expense, and reported amounts of revenues and expenses during the period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Acquisitions are included in the Company's consolidated financial statements from the date of the acquisition. The Company accounts for its acquisitions under the acquisition method, which results in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. All intercompany accounts and transactions with consolidated subsidiaries have been eliminated in the periods presented.

Investments that the Company has the ability to control, and where it is the primary beneficiary, are consolidated. Earnings or losses attributable to any non-controlling interests in a Company subsidiary are included in net income (loss) in the Company's consolidated statements of operations. Any investments in affiliates over which the Company has the ability to exert significant influence, but does not control and with respect to which it is not the primary beneficiary, are accounted for using the equity method of accounting. Investments in affiliates for which the Company has no ability to exert significant influence are accounted for using the cost method of accounting.

Foreign Currency Translation and Transactions

The Company maintains its consolidated accounts in U.S. dollars. The vast majority of the Company's foreign subsidiaries' customers transact underlying services and related costs in the USD. As a result, the Company concluded that the financial position and results of operations of the majority of its foreign subsidiaries are determined using the U.S. dollar currency as the functional currency. Current or liquid assets and liabilities of these subsidiaries are remeasured at the exchange rate in effect at each period end. Long term assets such as goodwill, purchased intangibles and property and equipment are remeasured at historical exchange rates. The vast majority of the income statement accounts are remeasured at the spot rate, with the exception of amortization and depreciation expense, which are remeasured using historical exchange rates. Adjustments arising from the fluctuations in exchange rates for the remeasurement of financial statements from period to period are included in other expenses in the consolidated statements of operations during the years ended December 31, 2015, 2014 and 2013, and amounted to \$0.7 million \$0.6 million and \$20,000, respectively.

There are four entities for which the functional currency is not the U.S. dollar: STM Spain (Euro), Vodanet Solucoes em Telecomunicacoes (Real), Vodanet Servicios de Com. Multimedia Ltda (Real), and General Industry Systems AS (Norwegian Kroner). For these entities, adjustments arising from the fluctuations in exchange rates for the translation of financial statements from period to

period are included in Accumulated Other Comprehensive Loss in the consolidated balance sheets as of December 31, 2015 and 2014.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of highly liquid deposits having an original maturity of 90 days or less. The Company considers all highly liquid investment instruments with a maturity when purchased of three months or less to be cash equivalents.

Restricted Cash

Restricted cash is comprised of cash held in escrow accounts related to the acquisition of SeaMobile which is subject to the settlement of certain provisions included in the SeaMobile Merger Agreement, and guarantee deposits required by certain of the Company's vendors.

Fair Value

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses and short-term and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued expenses are considered a reasonable estimate of their fair value, due to the short-term duration of these instruments. The carrying amounts of outstanding debt approximate fair value because interest rates over the term of these financial instruments approximate current market interest rates available to the Company.

The Company is required to disclose information regarding all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. FASB ASC Topic 820, *Fair Value Measurement and Disclosures* ("ASC 820"), established a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the financial instrument and are developed based on the best information available in the circumstances.

The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- *Level 1*—Quoted prices in active markets that are accessible at the market date for identical unrestricted assets or liabilities.
- *Level 2*—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

An entity may elect to measure many financial instruments and certain other items at fair value at specified election dates. The Company did not elect to measure any additional financial instruments or other items at fair value.

There have been no changes to the valuation methods utilized by the Company during the years ended December 31, 2015, 2014 and 2013. The Company evaluates transfers between levels at the end of each reporting

period. There were no transfers of financial instruments between levels during the years ended December 31, 2015, 2014 and 2013.

Accounts Receivable

Accounts receivable are customer obligations due under normal trade terms. The Company regularly reviews its accounts receivable to determine if any are potentially uncollectible.

The Company includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve based upon historical collections, in its overall allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the available information, the Company believes that its allowance for doubtful accounts is adequate. The allowance for doubtful accounts at December 31, 2015 and 2014 was \$3.0 million and \$2.9 million,

respectively.

Inventories

Inventories are comprised of equipment to install under client contracts and spare parts. Inventories are recorded at acquisition cost and include the purchase price of materials and other costs incurred to bring inventory to its present state and location. These costs include customs, taxes and freight costs. Inventories are valued at the lower of cost or market according to the first-in, first-out method.

The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the inventory and market, based upon assumptions about future demand and charged to the provision for inventory. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Prepaid Expenses

Prepaid expenses are valued at cost and are amortized over the service period of the asset. Prepaid assets are written down to net realizable value when appropriate.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and/or impairment losses. Expenditures for maintenance and repairs are charged to expense as incurred. The Company depreciates its property and equipment over its estimated useful life, as follows:

Asset	Estimated useful life
Central Network Equipment	5-10 years
Equipment Held By Customers	5 years
Buildings	40 years

Operating Leases

The Company leases office facilities and satellite capacity commitments under various non-cancelable operating lease agreements. The Company recognizes rent expense and other operating expenses under such leases on a straight-line basis over the term of the lease with the difference between the expense and the payments recorded

as deferred rent on the consolidated balance sheets. Lease renewal periods are considered on a lease-by-lease basis in determining the lease term. Operating leases are described below in Note 17 Commitments and Contingencies.

Deferred Financing Costs

Deferred financing costs are amortized over the life of the related debt using the effective interest method.

Impairment of Long-lived Assets

Communication equipment is highly complex and, due to innovation and enhancements, certain components of the network may lose their utility faster than anticipated. The Company periodically reassesses the economic lives of these components and makes adjustments to their expected lives after considering historical experience and capacity requirements, consulting with vendors, and assessing new product and market demands, as well as other factors.

When factors indicate that communication equipment and network components may not be useful for as long as anticipated, the Company depreciates the remaining book values over the respective residual useful lives. The timing and deployment of new technologies could affect the estimated remaining useful lives of the Company's communications assets, which could have a significant impact on the results of operations. For the years ended December 31, 2015, 2014 and 2013, no impairments have been recorded.

Business Combinations – Valuation of Acquired Assets and Liabilities Assumed

The Company allocates the purchase price of transactions that result in a business combination based upon (i) the fair value of the consideration paid and (ii) the fair value of net assets acquired. The determination of the fair value of net assets acquired requires estimates and judgments of future cash flow expectations for the acquired business and the allocation of those cash flows to identifiable tangible and intangible assets. Fair values are calculated by incorporating expected cash flows into industry standard valuation techniques. For current assets and current liabilities, the book value is generally assumed to equal the fair value due to their short term nature. Goodwill is the amount by which the purchase price consideration exceeds the fair value of tangible and intangible assets, less assumed liabilities. To the extent possible, the purchase price is allocated to separate identifiable intangible assets, such as customer relationships and trade names, which are amortized to expense over their estimated useful lives. Acquisition costs are expensed as incurred, and for the years ended December 31, 2015, 2014 and 2013, acquisition costs amounted to \$1.3 million, \$45,000 and \$0.1 million, respectively, and are included within other expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a “measurement period” of up to one year in which to finalize such calculations. Most calculations are considered preliminary until the end of the measurement period. All subsequent adjustments to initial valuations and estimates during the measurement period that reflect newly discovered information that existed as of the acquisition date are recorded with an offsetting entry to goodwill; otherwise, those adjustments are reflected as income or expense, as appropriate. The consolidated balance sheet for the period of acquisition is modified for subsequent measurement period adjustments when that period is presented in future consolidated financial statements. In September, 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* (“ASU 2015-16”), that eliminates the requirement to restate prior period financial statements for measurement period adjustments. See section “Accounting for Recent Accounting Pronouncements” for additional detail.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at least annually or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred.

Goodwill was generated in connection with four transactions between 2012 and 2015, commencing with the purchase of EMC LLC on December 12, 2012, the purchase of STM Group on September 6, 2013, the purchase of GIS Group on November 25, 2014 and the acquisition of SeaMobile on July 1, 2015. The total amount of goodwill from these transactions is \$100.1 million, net of goodwill written off in conjunction with the spin-off as described below and in Note 3.

On September 30, 2015 two STM Group entities, STM Norway AS and STMEA FZE UAE, were spun off to the Company’s then equity holders, and goodwill was consequently reduced in the portion allocable to those entities, of which the original value was \$7.4 million.

The Company performed an assessment of the impairment of goodwill as of December 31, 2015 and 2014, as required. In accordance with FASB ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350)* (“ASU 2014-02 the Company assessed qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount which includes goodwill. There has been no impairment of goodwill for any of the periods presented.

Intangible Assets

Intangible assets acquired in a business combination were recognized at fair value using generally accepted valuation methods appropriate for the type of intangible asset and reported separately from goodwill. Intangible assets with definite lives are amortized over the estimated useful lives and are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. The Company tests other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. The Company determined there has been no impairment of intangible assets for any of the periods presented.

Investment in Joint Ventures

WMS

As part of the acquisition of SeaMobile in July 2015, the Company acquired an equity interest in WMS. WMS was formed under the laws of Delaware on February 19, 2004, and is owned 51% by AT&T and 49% by EMC. AT&T is the managing member of the joint venture and is responsible for the day to day affairs of WMS. Certain matters including determination of capital contributions and distributions and business plan revisions require approval of WMS’s board of directors, which consists of five voting members, three members of which are from AT&T and two of which are from the Company. Profits and losses for any fiscal year are allocated between the two members in proportion to their respective percentage ownership interests, after giving effect to any special allocations made pursuant to the WMS operating agreement. The original investment is recorded at cost and subsequently adjusted for

contributions, distributions, and net income (loss) attributable to the joint venture. The carrying value of the investment is also adjusted for step-ups in the basis of accounting as a result of purchase accounting.

The Company evaluated this investment in accordance with ASC 810, and has determined that it does not have a controlling interest in WMS, a Variable Interest Entity (“VIE”), but exerts significant influence over WMS. As a result, the Company applies the equity method of accounting in accordance with FASB ASC 323, *Investments — Equity Method and Joint Ventures* (“ASC 323”).

The carrying value of the Company’s 49% investment in WMS was \$60.0 million as of December 31, 2015. This investment is

analyzed for other than temporary declines in value in accordance with ASC 323 on an annual basis or as circumstances warrant. As of December 31, 2015, no impairments have been recorded in relation to the Company's investment in WMS.

Santander Joint Venture

As part of the acquisition of SeaMobile in July 2015, the Company acquired a joint venture interest with Erzia Technologies ("Erzia"), a Spanish company, for the purpose of developing and operating a teleport in Santander, Spain (the "Santander Joint Venture"). The Santander Joint Venture provides various telecommunication services to the Company, including teleport and terrestrial services. The Company holds a 49% interest in the Santander Joint Venture, while Erzia owns 51%. Under the terms of the joint venture agreement, Erzia is entitled to 51% of the profits and losses of the Santander Joint Venture with the Company entitled to the remaining 49% of the profits and losses. Profits and losses for any fiscal year are allocated between the two members in proportion to these ownership percentages. The governing board of directors for the Santander Joint Venture consists of three members from Erzia and two members from the Company. Erzia is responsible for the day to day management of the Santander Joint Venture. Certain matters including determination of capital contributions, capital expenditures over budget, and distributions require approval of the Santander Joint Venture's board of directors.

The Company evaluated the investment in the Santander Joint Venture in accordance with ASC 810, and has determined that it does not have a controlling interest in the venture. However, since the Company exerts significant influence over the Santander Joint Venture, the Company applies the equity method of accounting in accordance with ASC 323.

The carrying value of the Company's 49% investment in Santander Joint Venture was \$1.0 million as of December 31, 2015. This investment is analyzed for other than temporary declines in value in accordance with ASC 323 on an annual basis or as circumstances warrant. As of December 31, 2015, no impairments have been recorded in relation to the Company's investment in the Santander Joint Venture.

Non-Controlling Interest

The Company accounts for its non-controlling interest in accordance with FASB ASC 810-10-65, *Non-controlling Interests in Consolidated Financial Statements* ("ASC 810-10-65"). This statement clarifies that a non-controlling (minority) interest in a subsidiary is an ownership interest in the entity that should be reported as equity in the consolidated financial statements. It also requires consolidated net income to include the amounts attributable to both the parent and non-controlling interest, with disclosure on the face of the consolidated income statement of the amounts attributed to the parent and to the non-controlling interest. Due to the immaterial amount of non-controlling interest, the Company has not reported non-controlling interest in connection with our majority-owned subsidiaries, EMC Networks (Nigeria) Limited, Emerging Markets Communications (Kenya) and Emerging Markets Communications Argentina, Srl.

Revenue Recognition

The Company recognizes revenue when four basic criteria are met: persuasive evidence of a sales arrangement exists; performance of services has occurred; the sales price is fixed or determinable; and collectability is reasonably assured. The Company considers persuasive evidence of a sales arrangement to be the receipt of a signed contract or standard purchase order. Collectability is assessed based on a number of factors, including transaction history and the credit worthiness of a customer. If it is determined that the collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash. The Company records cash received in advance of revenue recognition as deferred revenue.

The Company primarily derives revenue from managed private network telecommunications, systems integration, value-added services, on-going support, entertainment, passenger, administrative and crew telephone services, full time administrative voice and fax services, stored value telephone access cards, and fully staffed and equipped Internet café solutions. Recurrent telecommunication services are recognized over the service period, as defined in the customer agreement. Certain revenues such as Telephony and Internet services are recognized as consumed by the customers as defined in customer agreements. Initial set up fees are recognized ratably over the life of the customer contract if they exceed the related cost incurred and a reasonable margin. Maintenance and monitoring fees are recognized as revenue as the services are performed. Deferred revenues consist of amounts that have been prepaid and/or are unearned.

For arrangements with multiple deliverables, the Company allocates revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. The fair value of the selling price for a deliverable is determined using a hierarchy of (1) Company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. The Company allocates any arrangement fee to each of the elements based on their relative selling prices.

When the Company enters into revenue sharing arrangements where it acts as the primary obligor, the Company recognizes the underlying revenue on a gross basis. In determining whether to report revenue gross for the amount of fees received from its customers, the Company assesses whether it maintains the principal relationship, whether it bears credit risk and whether it has latitude in establishing prices with the customers, among other factors.

The Company has historically accounted for revenue arrangements that provide the Company's owned equipment at customer's sites to facilitate the delivery of satellite connectivity. The Company has determined that these arrangements with customers do not contain a lease as defined by FASB Topic ASC 840, *Leases* ("ASC 840") due to a multitude of reasons, including (i) the Company retains legal ownership before, during and after the termination of the arrangements; (ii) the Company has the legal right to take possession of the

equipment upon default; (iii) the Company removes the equipment upon contract termination or for other purposes (i.e., efficiency) and may reuse it elsewhere; (iv) The customer is contractually prohibited from using the equipment for any other use than connecting to the Company's network; and (v) equipment is not explicitly identified in the arrangements; further, it is rare that the arrangements provide for anything more specific than a service description (i.e., satellite connectivity), since customers are purchasing connectivity services rather than equipment.

The Company's agreements contain service level commitments with its customers. To the extent that such service levels are not achieved, the Company may be required to issue credits based on the service fees paid. The Company resells certain services that are ultimately provided by a third party. These revenues are presented net of the third party costs.

The Company also offers a variety of customer sales incentives, primarily to cruise ship industry customers, largely in the form of revenue sharing arrangements. The Company records incentives at the time of sale, which are generally based on contractual terms, as a reduction in net revenues, following the guidance in FASB Topic ASC 605-50, *Customer Payments and Incentives* ("ASC 605-50").

With respect to "breakage" on stored value telephone access cards sold to cruise ship industry customers, the Company follows the guidance in FASB ASC Topic 605-15-25-1, *Revenue Recognition — Products* ("ASC 605-15-25-1"), and SEC staff comments. Breakage revenue is not recognized until the Company is legally released from its obligation, which occurs at redemption or expiration of an individual card or at the point redemption becomes remote, such as not enough value remains on the card to complete a telephone call.

Costs of Revenue

Costs of revenues consists primarily of satellite and terrestrial capacity, teleport facilities related costs, freights, personnel costs, software license fees, maintenance costs and depreciation.

Unit-Based Compensation

The Company accounts for its unit-based compensation awards to employees and directors in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires all unit-based payments to employees, including grants of employee unit options and restricted units, to be recognized in the statements of operations based on their grant date fair values. For unit-based awards granted to employees, the Company allocates unit-based compensation expense on a straight-line basis based on the grant date fair value over the associated service period. Unit-based compensation is classified in the accompanying consolidated statements of operations in the department where the related services are provided. Unit-based awards to non-employees are recorded at their fair values, and are revalued at the end of each reporting period until the unit-based awards vest. Unit-based compensation expense related to non-employee unit-based awards is recognized over the related service period using an accelerated recognition model in accordance with the provisions of ASC 718 and FASB ASC Topic 505, *Equity* ("ASC 505").

The Parent issued Class B units to certain key employees of the Company, each unit representing a notional unit of Parent's membership units. Class B units vested ratably over a period of five years. The participants would receive consideration in exchange for vested Class B units upon the occurrence of a change in control, an initial public offering or a termination of employment (the "Trigger Event") contingent upon the Class A Units receiving the full return of the invested capital and accumulated yield distributions (the "Value Based Contingency"). In the case of the termination of employment, the Parent had the right, but not the obligation, to repurchase vested units. Class B units outstanding of the Parent as of December 31, 2015 and 2014 totaled 8,993,585.

Unit-based compensation expense associated with the Class B units is recognized if the achievement of the Trigger Event condition and the Value Based Contingency is considered probable using management's best estimates. As of December 31, 2015, management determined that it was not probable the Trigger Event would occur, and therefore unit-based compensation expense was not recorded during the years ended December 31, 2015, 2014 and 2013.

Income Taxes

Income taxes are recorded in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. The Company records deferred tax assets and

liabilities based on differences between financial reporting and tax bases of assets and liabilities which are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company's practice is to recognize interest and/or penalties related to uncertain tax positions in income tax expense. See Note 16 for further details.

Comprehensive Income (Loss)

Comprehensive income or loss consists of net income or loss and changes in equity during the period from transactions and other events and circumstances generated from non-owner sources. The Company's net loss equals comprehensive loss, net of any changes in the foreign currency translation adjustment, for all periods presented.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 will replace existing revenue guidelines with a new model, in which revenue is recognized upon transfer of control over goods or services to a customer. In April 2015, the FASB proposed a deferral of the effective date of the new revenue recognition standard by one year, which would result in ASU 2014-09 becoming effective retrospectively for annual reporting periods beginning after December 15, 2017, and interim periods therein. For nonpublic entities, the standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Nonpublic entities can early adopt the standard as of annual reporting periods beginning after December 15, 2016. At this time, the Company is currently evaluating the potential impact of ASU 2014-09 on its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's ability to Continue as a Going Concern* ("ASU 2014-15"), which provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments in ASU 2014-15 are effective for the annual reporting period ending after December 15, 2016 and for annual and interim periods thereafter. Early adoption is permitted. Adoption of this new standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 amends the consolidation guidance for variable interest entities and voting interest entities, among other items, by eliminating the consolidation model previously applied to limited partnerships, emphasizing the risk of loss when determining a controlling financial interest and reducing the frequency of the application of related-party guidance when determining a controlling financial interest. The amendments in ASU 2015-02 are effective for the annual reporting period ending after December 15, 2016 and for annual and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the potential impact of this ASU on its financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. Under this authoritative guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The Company is currently evaluating the potential impact of this ASU on its financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 requires that inventory measured using any method other than last-in, first out ("LIFO") or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market value. Under this ASU, subsequent measurement of inventory using the LIFO and retail inventory method is unchanged. ASU 2015-11 is effective prospectively for fiscal years, and for interim periods within those years, beginning after December 15, 2016. Early application is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement —Period Adjustments* (previously defined as "ASU 2015-16"). Changes to the accounting for measurement-period adjustments relate to business combinations. Currently, an acquiring entity is required to retrospectively adjust the balance sheet amounts of the acquiree recognized at the acquisition date with a corresponding adjustment to goodwill as a result of changes made to the balance sheet amounts of the acquiree. The measurement period is the period after the acquisition date during which the acquirer may adjust the balance sheet amounts recognized for a business combination (generally up to one year from the date of acquisition). The changes eliminate the requirement to make such retrospective adjustments, and, instead require the acquiring entity to record these adjustments in the reporting period they are determined. The new standard is effective for both public and private companies for periods beginning after December 15, 2015. Adoption of this new standard is not expected to have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"), which changes the classification of deferred taxes in financial statements. This update requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The current requirement that deferred tax liabilities and assets of each jurisdiction of an entity be offset and presented as a single amount is not affected by the amendments in this update. The amendments in ASU 2015-17 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company does not expect ASU 2015-17 to have an impact on its financial statements.

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which changes the presentation of assets and liabilities relating to leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The provisions of this guidance are effective for annual periods beginning after December 15, 2018, and for interim periods therein. The Company has not yet assessed the impact of this new standard on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (“ASU 2016-01”). ASU 2016-01 requires equity investments (excluding equity method investments and investments that are consolidated) to be measured at fair value with changes in fair value recognized in net income. Equity investments that do not have a readily determinable fair value may be measured at cost, adjusted for

impairment and observable price changes. The ASU also simplifies the impairment assessment of equity investments, eliminates the disclosure of the assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at cost on the balance sheet and requires the exit price to be used when measuring fair value of financial instruments for disclosure purposes. Under ASU 2016-01, changes in fair value (resulting from instrument-specific credit risk) will be presented separately in other comprehensive income for liabilities measured using the fair value option and financial assets and liabilities will be presented separately by measurement category and type either on the balance sheet or in the financial statement disclosures. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has not yet assessed the impact of this new standard on its financial statements.

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation (Topic 718)* (“ASU 2016-09”), which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company has not yet assessed the impact of this new standard on its financial statements.

3. Member’s Equity

The Company had 100 membership units issued and outstanding as of December 31, 2015 and 2014. Transactions involving Member’s Equity in the Company’s Parent, EMC Acquisition Holdings, LLC, resulted in capital contributions in the Company by the Parent.

On April 4, 2013 an executive of the Company was issued 1,000,000 Class A units in Parent in exchange for \$1.0 million in cash, as part of his employment agreement dated March 14, 2013.

On May 26, 2014, a new member was issued 250,000 Class A units in Parent in exchange for \$0.3 million in cash.

On November 25, 2014 the former owner of GIS was issued 2,340,000 Class A units in Parent as part of the purchase price of the GIS acquisition transaction valued at \$0.8 million.

On July 21, 2015 1,515,200 of Class A units of Parent were issued in exchange for \$2.9 million in cash.

As of December 31, 2015, Parent owned 100% of the membership interest in the Company.

The number of outstanding Class A membership units of Parent as of December 31, 2015 and 2014 was 67,391,511 and 70,876,312, respectively. As of December 31, 2015 and 2014, there was a minority member, and officer of the Company, who held 6.1 million Class A units in the Parent. There was a put right, but not an obligation, to sell the 6.1 million Class A units in the Parent at the maximum amount of \$1.00 per unit, upon termination by the Company, or resignation for a good reason, as defined in his employment agreement.

The number of outstanding Class B units of Parent, issued as incentive compensation to certain employees of the Company, as of December 31, 2015 and 2014 was 8,993,585.

Trio Spin-Off transaction

On September 30, 2015, the Company completed a spin-off transaction in connection with its Trio and Satlink operations and two STM entities, STM Norway AS and STMEA FZE UAE pursuant to which these operations and entities were spun off to the Company’s then equity holders. Certain assets held at EMC LLC that were part of this transaction generated \$40.1 million of dividends distributed by the Company to its owners, of which \$35.1 million were non-cash dividends.

As part of the transaction, the Parent made a pro-rata distribution of 5,000,000 Class A units of its Trio Connect, LLC (“Trio”) subsidiary to its unit-holders. This pro-rata distribution was made at the carrying amount of net assets. The transaction was accounted for as a spin-off in accordance with ASC 505. As a result, EMC no longer owned any interest in Trio.

The following represents the net assets spun-off at September 30, 2015 (in thousands):

	As of September 30, 2015
Cash	\$ 596

Current assets	14,131
Property, plant and equipment	1,731
Intangible assets, net	18,312
Goodwill	7,395
Other liabilities	(2,037)
Total	<u>\$ 40,128</u>

4. Business Combination

GIS Group

On November 25, 2014, the Company and its subsidiaries acquired 100% of GIS Group, which consists of two entities: General Industry Systems AS (Norway) and GIS Wavelink Pte Ltd (Singapore). GIS is a Norwegian based connectivity services provider specialized in energy and maritime offshore operations.

GIS Group's membership interests were acquired for an aggregate purchase price that was allocated to separately identified assets and liabilities in the total amount of \$12.8 million. The total amount of consideration paid upon purchase was \$8 million in cash and 2,340,000 Class A units in Parent, valued at \$0.8 million. The Company is required to pay \$4.0 million in four semi-annual installments at each six-month anniversary subsequent to the close of the transaction. The purchase price was allocated to separately identified assets and liabilities as per the following detail recorded in the accompanying balance sheet, as seen in the reconciliation below (in thousands):

Amount in US Dollars:	As of November 25, 2014
Current assets	\$ 2,601
Property, plant and equipment	481
Other long term assets and (liabilities), net	(1,328)
Total net tangible assets acquired	\$ 1,754
Identifiable intangible assets	6,950
Goodwill	4,074
Total net assets acquired	<u>\$ 12,778</u>

SeaMobile/MTN

On July 1, 2015 (the "Acquisition Date"), the Company completed its acquisition of 100% of the outstanding stock of SeaMobile through Scisco, a newly formed entity created for the acquisition, pursuant to an

agreement and plan of merger (the "Merger Agreement") entered into on April 21, 2015. SeaMobile is a global provider of satellite communications, entertainment, and networking services including private network solutions, passenger, administrative and crew telephone services, full-time dedicated data circuits, full-time administrative voice and fax services, stored value telephone access cards, and Internet café solutions.

Under the terms of the Merger Agreement, the Company paid the former SeaMobile shareholders consideration in cash of \$155.5 million and equity in the form of 450,000 Class B Preferred Units in Parent (the "Merger Preferred Units") with an issue price of \$100 per unit. The fair value of the Merger Preferred Units was derived using a yield analysis with the following assumptions: (i) the benchmark credit spread of the Company's Second Lien Term Loan; (ii) base rate of one and two year swap rates, with the assumption that the Merger Preferred Units will be paid off upon a liquidity event in the subsequent twelve to eighteen months; and (iii) an estimated subordination premium of 4% based on the differential between the spreads of the Company's First and Second Lien Term Loan. See Note 12.

The Company also repaid \$58.7 million of SeaMobile's debt. The Merger Preferred Units included 193,850 units which were split into 2 tranches, 120,000 units in Tranche A and 73,850 units in Tranche B. The Merger Preferred Units included in Tranches A and B were subject to cancellation pursuant to two escrow mechanisms set forth in the Merger Agreement, a new contract escrow fund and an indemnification escrow fund, respectively.

On February 10, 2016, \$18.0 million in escrow related to the transaction was returned to the Company due to the non-renewal of a customer contract. The return of the escrow funds consisted of \$6.0 million in cash and \$12.0 million in equity value from the 120,000 Tranche A units mentioned above. The return of the escrow is reflected as of December 31, 2015 in the accompanying balance sheet as the triggering event for the return occurred prior to December 31, 2015. The \$6.0 million in cash was presented as restricted cash in the accompanying balance sheet.

The cash consideration was financed by the Company's credit facilities entered into on July 1, 2015. See Note 12.

The Company accounted for the acquisition as a business combination and recorded the assets acquired, liabilities assumed, and the estimated future obligations at their respective fair values as of the Acquisition Date. The Company may revise its preliminary allocations if new information is obtained about the facts and circumstances existing as of the date of acquisition, which, if originally known, would have resulted in the recognition of, or adjusted fair values of, those assets and liabilities as of that date. Adjustments to the

initial allocation of purchase price during the measurement period may require revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of measurement period adjustments to the allocation of purchase price would be as if the adjustments had been taken into account on the date of acquisition. The effects of measurement period adjustments may cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as measurement period adjustments would be included in current period earnings.

SeaMobile's membership interests were acquired for an aggregate purchase price that was allocated to separately identified assets and liabilities in the total amount of \$188.5 million. See below for a reconciliation of the allocation of the purchase price (in thousands):

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	As of July 1, 2015
Cash	\$ 155,547
Fair value of preferred units (\$100 per unit)	33,000
Total purchase price	<u>\$ 188,547</u>

The purchase price was allocated to separately identified assets and liabilities as per the following detail recorded in the accompanying balance sheet, as seen in the reconciliation below (in thousands):

Amount in US Dollars:	As of July 1, 2015	Amortization period (in years)
Current assets	\$ 32,189	
Property, plant and equipment	45,896	
Investment in WMS	60,300	
Investment in Santander	982	
Other long term assets	10,649	
Total tangible assets acquired	\$ 150,016	
Less: Liabilities assumed	78,683	
	<u>\$ 71,333</u>	
Intangible Assets:		
Patents	\$ 817	10
Completed technology	12,800	8
Customer relationships	19,800	15
Backlog	4,400	5
Vendor agreements	19,000	11
Trademarks	1,200	6
Goodwill	59,197	
Total	\$ 117,214	
Total net assets acquired	<u>\$ 188,547</u>	

The assets and liabilities assumed in the acquisition have been included in the Company's consolidated balance sheet as of the Acquisition Date. The results of SeaMobile's operations were included in the Company's consolidated statements of operations from the Acquisition Date.

5. Prepaid Expenses and Other

The Company's current other receivables as of December 31, 2015 and 2014 was comprised of the following (in thousands):

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	As of December 31,	
	2015	2014
Value added tax	\$ 525	\$ 763
Payroll tax credits	158	349
Employee loans	198	203
Income tax	693	92
Other	86	9
	<u>\$ 1,660</u>	<u>\$ 1,416</u>

The Company's current prepaid expenses and other as of December 31, 2015 and 2014 was comprised of the following (in thousands):

	As of December 31,	
	2015	2014
Advances to suppliers	\$ 3,155	\$ 966
Deferred financing fees		

Other	2,498	836
	<u>\$ 6,050</u>	<u>\$ 2,560</u>

Non-current prepaid expenses and other as of December 31, 2015 and 2014 was comprised of the following (in thousands):

	As of December 31,	
	2015	2014
Deferred financing fees	\$ 13,311	\$ 4,112
Deposits	11,489	997
	<u>\$ 24,800</u>	<u>\$ 5,109</u>

6. Property, Plant and Equipment

Property and equipment, net, as of December 31, 2015 and 2014 was comprised of the following (in thousands):

	As of December 31,	
	2015	2014
Central equipment	\$ 35,488	\$ 26,525
Equipment held by customers	69,867	27,042
Land	470	470
Buildings and improvements	7,100	5,486
	<u>112,925</u>	<u>59,523</u>
Accumulated depreciation	(23,612)	(13,117)
Property and equipment, net	<u>\$ 89,313</u>	<u>\$ 46,406</u>

Depreciation expense related to the property, plant and equipment for the years ended December 31, 2015, 2014 and 2013 was \$17.5 million, \$7.8 million and \$4.9 million, respectively.

7. Investments

Investment in Wireless Maritime Services, LLC

As of December 31, 2015 the carrying amount of the Company's 49% ownership interest in WMS was \$60.0 million. WMS provides onboard cellular services to the cruise ship industry.

A summary of financial information for WMS as of and for its fiscal year ended December 31, 2015 is as follows (in thousands):

	As of December 31, 2015
Assets:	
Cash	\$ 15,492
Other current assets	174
Operating equipment, net	18,106
Total assets	<u>\$ 33,772</u>
Liabilities:	
Due to MTN	\$ 93
Other liabilities	28,315
Total liabilities	<u>28,408</u>
Members' capital:	
New Cingular Wireless, LLC	2,736
Maritime Telecommunications Network, Inc	2,628
Total liabilities and members' capital	<u>\$ 33,772</u>
Results of operations:	
Service revenues	\$ 146,005
Operating income	31,897
Net income	31,909

The distributions received by the Company in cash from the Acquisition Date to December 31, 2015 (the "Acquisition Stub Period") totaled \$8.3 million, and are reflected as an operating activity in the accompanying consolidated statements of cash flows as this relates to a return on investment.

The Company provides services for WMS's onboard cellular equipment under the terms of the WMS operating agreement and an associated master services agreement. Fees from these services, aggregating \$0.6 million during the Acquisition Stub Period, were recorded to service revenues. Company management believes the fees charged to WMS for these services are set at a level similar to what the Company charges to unrelated parties and are negotiated at an arms' length basis. As of December 31, 2015, WMS owed the Company \$0.2 million. The amounts are presented net in the payables to related parties in the accompanying consolidated balance sheet. These amounts are primarily related to fixed bandwidth fees charged by the Company and reimbursements due for expenses paid on behalf of WMS as described below.

Occasionally, the Company incurs expenses or purchases equipment on behalf of WMS, which it charges to WMS at cost. Expenses incurred on behalf of WMS during the Acquisition Stub Period totaled \$0.5 million.

Investment in Santander Teleport

As of December 31, 2015, the carrying amount of the Company's 49% ownership interest in Santander was \$1.0 million. The Santander Joint Venture operates a satellite earth station teleport with multiple antennas providing uplink, downlink, and turnaround teleport services in C Band, Ku Band, and commercial X Band and other related telecommunication services.

The Company's equity in earnings of the Santander Joint Venture are based on its 49% ownership, and were approximately \$33,000 for the Acquisition Stub Period. The Santander Joint Venture provided services totaling \$1.4 million to the Company during the Acquisition Stub Period and are included in cost of services in the accompanying consolidated statements of operations and comprehensive loss.

The Company also purchases equipment on behalf of the Santander Joint Venture, which it typically charges to Santander at cost. There were no equipment sales to the Santander Joint Venture during the Acquisition Stub Period.

As of December 31, 2015, the Company owed Santander \$0.5 million.

8. Intangible Assets

The Company adopted the guidelines established by FASB Topic ASC 985-20, *Costs of Software to Be Sold, Leased, or Marketed* ("ASC 985-20"), under which all costs incurred up to the moment when the technological feasibility is achieved are expensed as they are incurred. Costs incurred subsequent to establishing technological feasibility are capitalized. Capitalization of costs ceases once the product is available for general release to customers.

ASC 985-20 provides guidance on the method of amortization of capitalized software costs. The Company amortizes its software development on a product-by-product basis, using the straight line method over the estimated economic life of the product, which was determined to be five years.

During 2015, the Company capitalized \$1.5 million, mainly in connection with product enhancements of the Internet Cafe Solution ("ICS") portal, Terrestrial Based Network ("TBN") and development related to the new version of the SpeedNet product.

Identifiable Intangible Assets Acquired

In connection with the purchase in 2012 of 100% of EMC LLC membership interest, a portion of the purchase price was allocated to identifiable intangible assets acquired. Allocation of purchase price was in accordance to FASB ASC 805, *Business Combinations* ("ASC 805"), and the identifiable intangible assets acquired are amortized over their estimated life, which varies between 4 and 10 years. In connection therewith, \$67.7 million was allocated to identifiable intangible assets acquired.

Similar procedures were followed in connection with STM Group acquisition on September 6, 2013, with GIS Group acquisition on November 25, 2014 and with SeaMobile acquisition on July 1, 2015 when \$23.9 million, \$7.0 million and \$58.0 million, respectively, were allocated to identifiable intangible assets acquired.

Management reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their undiscounted expected future cash flows the assets are expected to generate and recognizes an impairment loss equal to the excess of the carrying value over the fair value of the related asset. For the years ended December 31, 2015, 2014 and 2013, no impairments were recorded.

Intangible assets as of December 31, 2015 and 2014 were composed as follows (in thousands):

	As of December 31,		Useful
	2015	2014	Life
Internally developed technologies:			
Speednet	\$ 3,371	\$ 3,177	5
HD Connect	582	582	5
UCNet	198	197	5
MEO booster	103	103	5
NRS Technology	541	361	5
Satlink technology	—	4,320	5
Trio technology	—	1,665	5
ICS	415	—	5

TBN	229	—	5
Speednet +	105	—	5
Other	40	—	5
Less: Accumulated amortization	(3,189)	(2,784)	5
	2,395	7,621	
Licenses, other software and patents	3,568	2,512	3
Less: Accumulated amortization	(1,778)	(1,215)	
	1,790	1,297	
Identifiable intangibles assets:			
Completed Technology	35,358	23,400	7
Customer Relationships	57,497	50,620	10
Backlog	15,200	10,800	4
Vendor Agreements	29,100	10,100	6
Trademarks and others	4,169	3,570	8
Less: Accumulated amortization	(45,232)	(33,249)	
	96,092	65,241	
Total intangible assets, net	\$ 100,277	\$ 74,159	

Amortization expense related to the intangibles during the years ended December 31, 2015, 2014 and 2013, totaled \$19.9 million, \$18.7 million, and \$17.1 million, respectively.

As of December 31, 2015, the expected amortization was as follows (in thousands):

Years ending December 31,	Amortization Expense
2016	\$ 16,969
2017	16,285
2018	15,617
2019	12,375
2020 and thereafter	39,031
Total amortization expense	\$ 100,277

9. Capital Leases

The Company leases certain equipment under capital leases that expire on various dates through 2018. As of December 31, 2015, future minimum lease payments, including principal and interest, under these capital leases were as follows (in thousands):

Years ending December 31,	
2016	\$ 359
2017	302
2018	81
Total	\$ 742
Less current portion	(359)
Capital leases, net of current portion	\$ 383

10. Deferred Revenues

Deferred revenues as of December 31, 2015 and 2014 are summarized as follows (in thousands):

	As of December 31,	
	2015	2014
Current deferred revenues	\$ 5,665	\$ 1,038
Non-current deferred revenues	2,355	2,661
	\$ 8,020	\$ 3,699

Deferred revenues expected to be realized as of December 31, 2015 were as follows (in thousands):

Year due:	Monthly Charge	Installation	Others	Total
2016	\$ 3,253	\$ 1,175	\$ 1,237	\$ 5,665
2017 and thereafter	2,355	—	—	2,355
	\$ 5,608	\$ 1,175	\$ 1,237	\$ 8,020

Deferred revenues from monthly charges represent prepayments received in connection with customer contracts' recurrent services, which are billed in advance.

Additionally, deferred revenues from equipment sold relate to equipment already paid for by customers, which had not been delivered and accepted as of the respective year and periods.

Deferred revenues from installation are revenues in excess of installation costs, which are comprised of out of pocket expenses and small items, and are deferred and recognized over the term of the respective service contract, generally four years.

11. Accrued Expenses

Accrued expenses consisted of (in thousands):

	As of December 31,	
	2015	2014
Current:		
Taxes	\$ 268	\$ 648
Severance and retention bonus	4,482	180
Other payroll related costs	1,957	1,708
Cost and general expenses	9,200	2,909
GIS purchase price	2,000	3,500
Due to MTN	5,586	—
Other	895	637
Total current accrued expenses	24,388	9,582
Non-current:		
Taxes	2,975	2,975
Leasehold step-up adjustment and other	2,843	—
MTN indemnification fund	7,385	—
GIS purchase price, non-current	—	2,000
Total non-current accrued expenses	13,203	4,975
Total accrued expenses	\$ 37,591	\$ 14,557

12. Debt

The Company's short-term debt as of December 31, 2015 and 2014 was comprised of the following (in thousands):

	As of December 31,	
	2015	2014
SunTrust	\$ —	\$ 1,625
First Lien Bank Credit Facilities	2,680	—
GIS Far East Pte Ltd	70	76
	\$ 2,750	\$ 1,701

The Company's long-term debt as of December 31, 2015 and 2014 was comprised of the following (in thousands):

	As of December 31,	
	2015	2014
First and Second Lien Bank Credit Facilities	\$ 355,980	\$ —
Revolving Credit Facility	5,000	—
SunTrust	—	128,375
Solar Capital	—	27,000
SunTrust revolver	—	11,750
Preferred units	—	10,335
	\$ 360,980	\$ 177,460

Annual maturities of debt as of December 31, 2015 were as follows (in thousands):

Years ending December 31,	
2016	\$ 2,750
2017	2,680
2018	2,680
2019	2,680
2020	2,680
2021	345,260
Thereafter	5,000
Total future maturities	\$ 363,730

Sun Trust Loan Agreement

In May 2014, the Company and Sun Trust Bank (“First Lien”) together with Solar Capital (“Second Lien”), entered into a loan agreement (“Sun Trust Credit Agreement”) to provide the Company with up to \$162 million in financing of which \$137 million was structured in a term loan (First Lien \$110 million and Second Lien \$27 million, together the “Term Loan”) and \$25 million was in the form of a revolving loan (the “Revolving Loan”). The proceeds of the \$137 million from the Sun Trust Credit Agreement were utilized for (i) the repayment of the Highbridge loan prior outstanding indebtedness, (ii) general corporate purposes, and (iii) the payment of the fees associated with this transaction.

In November of 2014, the Company and Sun Trust Bank (“Sun Trust”) together with Solar Capital (“Solar Capital”), signed an amendment to the Sun Trust Credit Agreement (“First Amendment to the Sun Trust Credit Agreement”) to increase the amount and extend the maturity of the credit facility. The First Amendment to the Sun Trust Credit Agreement provided the Company with up to \$182 million in financing of which \$157 million was structured in a term loan (the “Amended Term Loan”) and \$25 million was in the form of a revolving loan (the “Amended Revolving Loan”).

The proceeds of the \$20 million from the First Amendment to the Sun Trust Credit Agreement were utilized for the acquisition of the GIS Group and to partially repay the Sun Trust Revolver Loan.

The First Lien of the First Amendment to the Sun Trust Credit Agreement matured on May 20, 2020 and its principal was due in twenty quarterly payments starting September 30, 2015. The Second Lien of the First Amendment to the Sun Trust Credit Agreement matured on November 20, 2020. The Amended Term Loan bore interest on the principal amount thereof from time to time outstanding, from the date of the loan until repaid, at a rate per annum equal to, at EMC’s election, (a) in the case of the First Lien (i) in the case of LIBOR rate loans, the LIBOR rate for the interest period in effect for such Loans or 1% whatever is higher plus the applicable rate, this applies to the Amended Term Loan portion; in the case of the Amended Revolving Loan, the LIBOR rate for the interest period plus the applicable rate or (ii) in the case of base rate loans, the base rate plus the applicable rate. The interest shall be payable in the both cases on the last day of each interest period; (b) in the case of the Second Lien (i) in the case of LIBOR rate loans, the LIBOR Rate for the interest period in effect for such loans or 1% whatever is higher plus the applicable rate or (ii) in the case of base rate loans, the base rate plus the applicable rate. The interest was payable (i) in case of LIBOR rate on the last day of each interest period or (ii) in case of base rate loans on the last day of each March, June, September and December. The interest rate for the outstanding amount as of December 31, 2014 was (i) in case of the First Lien, Amended Term Loan portion, 5.5%, (ii) in case of First Lien, Amended Revolving Loan portions, 4.419% and 4.453%, (iii) in case of Second Lien 9.5%.

As of December 31, 2014, the balance of the Amended Revolving Loan facility was \$11.8 million and the availability was \$13.2 million.

The Company was subject to certain financial covenants as part of the First Amendment to the Sun Trust Credit Agreement, including a Maximum Consolidated Leverage Ratio, and a Minimum Consolidated Fixed Charge Coverage Ratio, each as defined in the Sun Trust Credit Agreement. The agreement contained customary events of default, including failure by the Company to make payments when due, failure of the Company to comply with specified covenants, conditions or agreements, or specified events of bankruptcy, insolvency, reorganization or similar events affecting the obligors. The Company was in compliance with its debt covenants under the First Amendment to the Sun Trust Credit Agreement as of December 31, 2014.

Refinanced First and Second Lien Bank Credit Facilities

On July 1, 2015 the Company refinanced its debt with Solar Capital and Sun Trust that totaled \$27 million and \$155 million, respectively. As a result of the refinancing the Company wrote off \$4.4 million of deferred financing fees and paid \$0.3 million as a penalty.

Simultaneously, the Company entered into the First and Second Lien Credit Facilities (“the Refinanced Credit Agreement”) to provide the Company with up to \$395 million in financing of which \$360 million was structured in a term loan (First Lien \$268 million and Second Lien \$92 million, together the “Refinanced Term Loan”) and \$35 million was in the form of a Revolving Loan (the “Refinanced Revolving Loan”). The proceeds of the \$360 million from the Refinanced Credit Agreement were utilized for (i) the repayment of the existing Sun Trust Credit Agreement, (ii) the purchase of SeaMobile (iii) general corporate purposes, and (iv) the payment of the fees associated with the SeaMobile transaction.

The First Lien matures on July 1, 2021 and 0.25% of the aggregate principal amount is due quarterly starting September 30, 2015. The Second Lien matures on July 1, 2022. The Refinanced Term Loan bears interest on the principal amount thereof from time to time outstanding, from the date of the loan until repaid, at a rate per annum equal to, at EMC’s election, (a) in the case of the First Lien (i) each Eurocurrency rate loan and EURIBOR loan bears interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to the Eurocurrency rate or EURIBOR, as applicable, for such interest period plus the applicable rate; provided that only revolving credit loans denominated in Euro bears interest with reference to EURIBOR (and such revolving loans shall only bear interest with reference to EURIBOR); (ii) each base rate loan bears interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the base rate plus the applicable rate; and (iii) each swing line loan bears interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the base rate plus the applicable rate for revolving credit loans.; (b) in the case of the Second Lien (i) each Eurocurrency rate loan bears interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to the Eurocurrency rate for such interest period plus the applicable rate and (ii) each base rate loan bears interest on the outstanding principal amount thereof from the applicable borrowing date

at a rate per annum equal to the base rate plus the applicable rate. The interest rate for the outstanding amount as of December 31, 2015 is (i) in case of the First Lien, Refinanced Term Loan portion, 6.750%, (ii) in case of First Lien, Refinanced Revolving Loan portions, 5.640% (iii) in case of Second Lien 10.625%.

On May 9 2016, the Company and its creditors amended its Refinanced Credit Agreement, effective only upon the satisfaction of certain conditions, including GEE consummating its acquisition of the Company, which occurred subsequent to June 30, 2016. See Note 19.

As of December 31, 2015, the balance of the Refinanced Revolving Loan facility was \$5.0 million. Subsequent to December 31, 2015 the Company drew \$24.3 million from the Revolving Loan Facility. The remaining availability under the Revolving Loan Facility as of September 23, 2016 which represents the issuance date of the financial statements, is \$46.2 million. The Company was assessed a commitment fee of 0.5% of the unused

Refinanced Revolving Loan Facility. Commitment fees were \$0.2 million and \$0.1 million for the years ended December 31, 2015 and 2014, respectively.

The Company was subject to certain financial covenants as part of the Refinanced Credit Agreement, including a Consolidated Net Leverage Ratio, as defined in the Refinanced Credit Agreement. The agreement contained customary events of default, including failure by the Company to make payments when due, failure of the Company to comply with specified covenants, conditions or agreements, or specified events of bankruptcy, insolvency, reorganization or similar events affecting the obligors. The Company was in compliance with its debt covenants under the Refinanced Credit Agreement as of December 31, 2015.

13. Redeemable Preferred Units

Mandatorily Redeemable Preferred Units in Parent

On October 27, 2012, in connection with the EMC LLC Purchase and Sale Agreement (“PSA”), a Share Issuance Agreement was entered between a minority unit-holder and the Parent, whereas 8,000 Class A Preferred Units (“Preferred Units”) in Parent with a total fair market value of \$8.0 million were issued (“the Issue Amount”). The Preferred Units had a maturity of 5.5 years.

The Class A Preferred Units had the following rights, preferences, privileges, and restrictions:

Redemption Rights

The Preferred Units were redeemable at the option of the holders upon a sale transaction.

Dividends

The Preferred Units accrued Payment-In-Kind (“PIK”) dividends on quarterly basis at a rate of 12.5% per annum.

Liquidation

The Preferred Units ranked senior priority as to liquidation and distributions. Upon liquidation the Preferred Units would receive an amount in cash equal to the Issue Amount plus any accrued and unpaid dividends, whether or not declared.

General

As of December 31, 2015, the carrying value of the Preferred Units, including dividends, totaled \$11.7 million.

Class B Preferred Units in Parent

On July 1, 2015, in connection with the SeaMobile Merger Agreement, the Parent issued 450,000 of Class B Preferred Units (previously defined as the “Merger Preferred Units”) to the former shareholders of SeaMobile as part of merger consideration.

Each Merger Preferred Unit had an issue price of \$100 per unit totaling an issue amount of \$45.0 million. The units were divided in three tranches as follows: Tranche A — 120,000 units, Tranche B — 73,850 units and Tranche C — 256,150 units. The Merger Preferred Units had senior priority as to liquidation and distributions.

The Merger Preferred Units included in Tranches A and B were subject to cancellation pursuant to two escrow mechanisms set forth in the Merger Agreement, a new contract escrow fund and an indemnification escrow fund, respectively.

The Merger Preferred Units had the following rights, preferences, privileges, and restrictions:

Redemption Rights

The Merger Preferred Units were redeemable at the option of the holders on the 11th anniversary (or any earlier date acceptable to the Company) of their original issuance, without restriction. The Merger Preferred Units were redeemable at the option of the holders upon a sale transaction.

Dividends

The Merger Preferred Units accrued PIK dividends on quarterly basis at a rate of 15% per annum. In the event that there was no redemption at the option of the holders at or prior to the 11th anniversary of the original issue date, the dividend rate would have increased to 17% per annum effective as of the 5th anniversary of the original issue date.

Liquidation

The Merger Preferred Units ranked pari passu with the Preferred Units. Upon liquidation, the Merger Preferred Units would receive an amount in cash equal to the original issue amount plus any accrued and unpaid dividends, whether or not declared.

General

On February 10, 2016, the 120,000 Tranche A units in escrow with a value of \$12.0 million were returned to the Company due to the non-renewal of a certain customer. The Preferred Units balance shown in the consolidated balance sheet reflect the return of the units as the event that triggered the return occurred prior to December 31, 2015. Additionally, on February 10, 2016, an investor purchased 23,250 Preferred Units of the Tranche A units which were released from escrow, resulting in a net cancellation of 96,750 Preferred Units. The other 73,850 units (Tranche B) remained in escrow as of December 31, 2015.

On July 27, 2016, in connection with the closing of the acquisition of the Company by GEE, all of the Company's Class A Preferred Units and Class B Preferred Units were redeemed for an aggregate amount of approximately \$55.1 million in cash.

14. Interest Expense

Interest expense includes interest related to indebtedness for money borrowed, capital lease obligations, debt extinguishment expenses, and amortization of deferred financing fees. For the years ended December 31, 2015, 2014 and 2013 interest expense was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Interest expenses on financial debt	\$ 24,305	\$ 16,254	\$ 10,362
Amortization of deferred financing fees	1,795	7,250	1,503
Loss on refinancing	4,404	—	—
	<u>\$ 30,504</u>	<u>\$ 23,504</u>	<u>\$ 11,865</u>

15. Related Party Transactions

During 2015, the Company entered into a consulting agreement with a consultant to provide aeronautical engineering advisory services. The consultant was a former employee of MTN Group.

Class B Preferred Units. The Company paid the consultant \$34,000 for his services during 2015. There were no outstanding balances due for his services at December 31, 2015. Transactions related to the Company's joint venture investments in WMS and Santander are described in Note 7.

16. Income Taxes

The Company is a U.S. limited liability company that is taxed as a partnership. The Company makes no provision for U.S. federal income taxes because the LLC members are responsible for the tax on their share of the taxable income or loss and are entitled to any available tax credits on their income tax returns.

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax assets and liabilities are measured using tax rates and laws that are expected to apply when the temporary differences are expected to reverse.

As described on Note 4, on July 1, 2015, the Company completed its acquisition of 100% of the outstanding stock of SeaMobile via its wholly owned subsidiary Scisco, which was created for the acquisition and is taxed as a corporation for U.S. federal income tax purposes. Scisco files a consolidated U.S. federal income tax return. The Company's entire U.S. and state tax provisions are attributable to the activities of Scisco.

The SeaMobile Acquisition was accounted for as a nontaxable business combination (stock purchase) for income tax purposes. As such, while SeaMobile's basis in certain assets received a step-up for financial statement purposes, no such basis adjustment was recognized for tax. Consequently, the related financial statement amortization and depreciation of such purchase accounting adjustments

are not deductible for income tax purposes. The related financial statements have been adjusted for the basis differences in assets and liabilities for purchase accounting resulting in deferred tax assets (liabilities) from a U.S. and state perspective for the activities of Scisco.

The Company also is subject to tax in multiple foreign jurisdictions on the operations of various foreign corporations held by both Scisco and EMC LLC.

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The Company's Current Provision for Income Taxes and Deferred Income Tax Expense for the years ended December 31, 2015, 2014 and 2013 are comprised of the following (in thousands):

	Year Ended December 31, 2015		
	Current	Deferred	Total
U.S. federal	\$ 1,810	\$ (1,459)	\$ 351
U.S. state and local	71	(154)	(83)
Foreign	507	203	710
Income tax expense (benefit)	\$ 2,388	\$ (1,410)	\$ 978

	Year Ended December 31, 2014		
	Current	Deferred	Total
U.S. federal	\$ —	\$ —	\$ —
U.S. state and local	—	—	—
Foreign	1,054	(208)	846
Income tax expense (benefit)	\$ 1,054	\$ (208)	\$ 846

	Year Ended December 31, 2013		
	Current	Deferred	Total
U.S. federal	\$ —	\$ —	\$ —
U.S. state and local	—	—	—
Foreign	340	(206)	134
Income tax expense (benefit)	\$ 340	\$ (206)	\$ 134

The worldwide net income tax expense for the years ended December 31, 2015, 2014 and 2013 of approximately \$1.0 million, \$0.8 million and \$0.1 million, respectively, differed from the consolidated book loss amount computed by applying the U.S. federal income tax rate of 35% to income before income taxes primarily due to the non-taxability of EMC LLC's operations, the state tax provision and the foreign tax rate differential.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company's net deferred income taxes as of December 31, 2015 and 2014 were attributable to the following (in thousands):

	As of December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	\$ 681	\$ 736
Accrued expenses	1,689	46
Equity based compensation	969	—
Other	873	2
Total gross deferred tax assets	4,212	784
Valuation allowance	(123)	—
Net deferred tax assets	4,089	784
Deferred tax liabilities:		
Property and equipment	(11,070)	—
Investment in WMS, LLC	(22,588)	—
Intangible assets	(19,524)	—
Other	(170)	—
Total gross deferred tax liabilities	(53,352)	—
Net deferred tax (liability) asset	\$ (49,263)	\$ 784

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Net deferred income taxes as of December 31, 2015 and 2014 were comprised of the following jurisdictions:

	As of December 31,	
	2015	2014
U.S. federal	\$ (48,759)	\$ —

U.S. state and local	(1,021)	—
Foreign	517	784
Net deferred tax (liability) asset	<u>\$ (49,263)</u>	<u>\$ 784</u>

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The valuation allowance of approximately \$0.1 million as of December 31, 2015 was related to the Company's determination that it would not be able to utilize a portion of Scisco's NOLs as a result of Section 382 of Internal Revenue Code, *Limitation on net operating loss carryforwards and certain built-in losses following ownership change limitations* ("Section 382"). There is no valuation allowance related to foreign deferred tax assets as of December 31, 2015.

As of December 31, 2015, the Company had net operating loss carryforwards ("NOLs") for U.S. federal and state and local income tax purposes that either were generated from operations or were purchased in the SeaMobile Acquisition. As mentioned above, the Company's ability to use the purchased NOLs has been restricted by Section 382 due to ownership changes. Significant changes in ownership in the future, if any, could further limit the utilization of carryforwards losses. As of December 31, 2015 and 2014, the Company had gross NOLs for both U.S. federal and various state and local income tax purposes of approximately \$1.9 million and \$0, respectively and for federal purposes \$0.5 million and \$0, respectively. The federal NOLs expire in 2017. The state NOLs have a full valuation allowance.

As of December 31, 2015, the Company had gross NOLs in foreign jurisdictions through its EMC Deutschland subsidiary. As of December 31, 2015 and 2014, EMC Deutschland had gross NOLs of approximately \$1.9 million and \$2.5 million, respectively, and for income tax purposes, \$1.2 million and \$1.9 million, respectively, for trade tax purposes. The foreign jurisdiction NOLs expire at various dates beginning in 2016 through 2025.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes it is more likely than not that the Company will generate sufficient taxable income to utilize its deferred tax assets as of December 31, 2015, including federal and state NOLs, within any applicable carryover periods, with the exception of certain Section 382 limited U.S. NOLs, state NOLs and a U.S. Federal capital losses carryforward, which totaled \$0.1 million as of December 31, 2015.

As mentioned above, the Company is subject to U.S. federal income tax as well as income tax in multiple states and foreign jurisdictions. Tax years after 2012 are open to U.S. federal and state income tax examinations.

As of December 31, 2015, no U.S. federal income tax returns were under examination. The Company currently has an open examination in the State of New Jersey for returns filed for years ended December 31, 2011 to December 31, 2014. No significant issues have been identified to date.

Accounting for Uncertainty in Income Taxes

The Company adopted FASB ASC 740-10 *Income Taxes*, ("ASC 740-10") which is intended to substantially reduce tax benefits (e.g., deductions, credits) from uncertainty in accounting for income tax positions. It prescribes under a two-step approach (i.e., recognition under the more-likely-than-not threshold and measurement under the cumulative probability) attribute for a tax position taken or expected to be taken in the tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2015 and 2014, in accordance with ASC 740-10 the Company has recorded a liability of \$3.0 million for uncertain taxable positions in foreign jurisdictions. The Company believes that these income tax positions would not be sustained upon examination and accordingly has adjusted its books to reflect the liability. All other U.S. federal, state and foreign positions have been evaluated under ASC 740-10 and no uncertain tax positions have been identified. The Company does not anticipate any other adjustments that would result in a material change to its financial position or results of operations.

17. Commitments and Contingencies

Commitments

One of the primary components of cost of the services offered by the Company is satellite capacity. During the years ended 2015, 2014 and 2013, the Company entered into contracts with suppliers of satellite capacity in order to provide services under long-term agreements. As of December 31, 2015, the Company had the following commitments for satellite capacity (in thousands):

Years ending December 31,	
2016	\$ 62,189
2017	38,692
2018	23,655
Thereafter	93,875
Total satellite capacity commitments	<u>\$ 218,411</u>

The above schedule does not reflect increased commitments under the amended satellite capacity agreements addressed in the Subsequent Events footnote (Note 20) below.

As of December 31, 2015, the Company leased office space in Buenos Aires and Parana (Argentina), Miami, Miramar & Houston (USA), Nairobi (Kenya), Madrid (Spain), Oslo & Stavanger (Norway), Brasilia and San Pablo (Brazil), Abu Dhabi and Dubai (United Arab Emirates), London (UK) Jakarta (Indonesia) & Singapore. As of December 31, 2015, the Company had the following commitments relating to these office leases (in thousands):

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Years ending December 31,

2016	\$	2,652
2017		2,313
2018		1,433
2019		681
2020		340
2021		339
Total office lease commitments	\$	7,758

Lease expenses for the years ended December 31, 2015, 2014 and 2013 amounted to \$1.5 million, \$1.5 million and \$0.8 million, respectively, and are included in selling, general and administrative expenses.

Contingencies

In accordance with FASB ASC 450, *Contingencies* ("ASC 450"), the Company records a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any liabilities are reviewed periodically and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Although litigation is inherently unpredictable and it is possible that cash flows or results of operations could be materially and adversely affected in any particular period by the unfavorable resolution or disposition of one or more of these contingencies.

The Company is, and from time to time may be, a party to routine legal proceedings incidental to the operation of its business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on the financial condition, operating results or cash flows of the Company. Legal expenses related to these contingencies are expensed as incurred.

18. Employee Benefit Plans

The Company and its U.S. subsidiaries maintain 401(k) retirement plans for the benefit of substantially all eligible U.S. employees. Participants can make contributions to the plans, which cannot exceed 15% of their gross compensation, as defined. Contributions charged to selling, general, and administrative expenses during the years ended December 31, 2015 and 2014 were \$0.1 million.

19. Major Concentrations

Monthly recurring services, which include telecommunication services, monitoring and bandwidth, represented 86%, 75% and 86% of the total revenues for years ended December 31, 2015, 2014 and 2013, respectively. Sale of equipment, which includes the sale of hardware and electronic components, represented 6%, 11% and 6%, of total revenues for the years ended December 31, 2015, 2014 and 2013, respectively. All other revenue streams, in the aggregate, were 8%, 14% and 8% of total revenues for years ended December 31, 2015, 2014 and 2013, respectively.

Additionally, as of December 31, 2015 and 2014, approximately 35% and 61% of the Company's accounts receivable were from its top ten customers. As of December 31, 2014, one customer represented 18% of the accounts receivable balance. As of December 31, 2015, no customer represented more than 10% of accounts receivable balance.

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As of December 31, 2014, two vendors represented approximately 16% of the Company's purchases and fifteen vendors represented 70% of the Company's accounts payable. As of December 31, 2015, one vendor represented 10% of the Company's purchases.

20. Subsequent Events

Global Eagle Entertainment Inc. Purchase

On May 9, 2016, the Parent entered into an Interest Purchase Agreement with GEE whereby GEE agreed to acquire all of the issued and outstanding membership interests of the Company. The transaction closed on July 27, 2016.

The purchase price for the Company, subject to customary working capital and other adjustments, consisted of: (i) \$30 million in cash paid at closing; (ii) approximately 5.5 million shares of GEE common stock issued at the closing; (iii) GEE's assumption of approximately \$382 million of the Company's indebtedness; (iv) the redemption in cash of approximately \$55 million of existing Parent preferred stock; and (v) \$25 million in deferred consideration to be paid in cash or newly issued GEE common stock (at the option of GEE) one year after the closing.

Effective upon the consummation of GEE's acquisition of the Company and certain other conditions, certain amendments to the Refinanced Credit Agreement became effective, including amendments to increase the revolving loan commitment by \$40.5 million, to include GEE as a guarantor under the Refinanced Credit Agreement and to modify certain covenants to reflect the inclusion of GEE as a guarantor under the Refinanced Credit Agreement.

Intelsat Corporation Agreement

During the second quarter of 2016, the Company entered into a new agreement with one of its satellite capacity vendors, Intelsat Corporation ("Intelsat"). Under this agreement, Intelsat will provide the Company with additional satellite capacity throughout multiple satellites in exchange for \$40 million in additional purchases over and above the Company's prior contractual commitment.

There were no other events subsequent to December 31, 2015, and through the consolidated financial statements issuance date of September 23, 2016, that would have had a material effect on the Company's consolidated financial statements.

EMC ACQUISITION, LLC

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EMC ACQUISITION, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit and per unit data)

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,624	\$ 7,484
Restricted cash	7,605	15,930
Accounts receivable, net	25,765	21,486
Inventories	14,711	13,454
Prepaid expenses and other	7,314	5,313
Total current assets	63,019	63,667
Prepaid expenses and other, non-current	11,081	11,489
Restricted cash, non-current	1,545	1,551
Property, plant and equipment, net	88,783	89,313
Equity method investments	64,578	61,028
Intangible assets, net	93,298	100,277
Goodwill	101,108	100,089
Deferred tax assets	4,509	4,089
Total assets	\$ 427,921	\$ 431,503
Liabilities, redeemable preferred stock and member's deficit		
Current liabilities:		
Accounts payable	\$ 16,522	\$ 16,111
Deferred revenues	5,806	5,665
Accrued expenses	36,255	24,388
Obligations under capital leases	425	359
Current maturities of long-term debt, net of issuance costs	297	353
Total current liabilities	59,305	46,876
Non-current liabilities:		
Deferred revenues, non-current	2,341	2,355
Accrued expenses, non-current	6,080	13,203
Obligations under capital leases, non-current	515	383
Long-term debt, net of issuance costs	370,564	347,669
Mandatorily redeemable preferred stock	12,460	11,708
Deferred tax liabilities	50,176	53,352
Total liabilities	501,441	475,546
Commitments and contingencies:		
Redeemable preferred stock of EMC Acquisition Holdings Inc. (Parent)	41,868	38,045
Member's deficit:		
Membership units \$ 1 par value, 100 membership units authorized and outstanding as of June 30, 2016 and December 31, 2015	—	—
Additional paid in capital	67,231	67,231
Foreign tax credits receivable	(6,507)	(6,507)
Accumulated deficit	(139,560)	(106,163)
Non cash dividends	(35,128)	(35,128)
Accumulated other comprehensive loss	(1,424)	(1,521)
Total member's deficit	(115,388)	(82,088)
Total liabilities, redeemable preferred stock and member's deficit	\$ 427,921	\$ 431,503

EMC ACQUISITION, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2016	2015
Revenue	\$ 91,743	\$ 43,668
Operating expenses:		
Direct costs	51,450	20,675
Payroll, selling, general and administrative expenses	35,556	17,242
Depreciation and amortization	22,076	13,649
Total operating expenses	109,082	51,566
Loss from operations	(17,339)	(7,898)
Other (expense) income:		
Interest expense, net	(19,479)	(6,705)
Equity in earnings of Wireless Maritime Services, LLC	8,301	—
Equity in earnings of other joint ventures	150	—
Other expense, net	(24)	(646)
Total other expense, net	(11,052)	(7,351)
Loss from operations before provision for income taxes	(28,391)	(15,249)
Income tax expense	(5,006)	(199)
Net loss	\$ (33,397)	\$ (15,448)
Other comprehensive loss:		
Foreign currency translation (loss) gain	(97)	452
Total comprehensive loss	\$ (33,494)	\$ (14,996)

See accompanying notes to these condensed consolidated financial statements

EMC ACQUISITION, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net cash (used) in provided by operating activities	\$ (17,082)	\$ 5,151
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,203)	(6,182)
Restricted cash	6,000	—
Intangible assets	(1,195)	(3,153)
Adjustment of purchase price MTN acquisition	(170)	—
Net cash used in investing activities	(6,568)	(9,335)
Cash flows from financing activities:		
Sale of Merger Preferred Units	2,325	—
Loan proceeds	23,000	13,250
Loan repayments	(1,340)	—
Capital leases	(216)	(382)
Cash held as collateral	—	(257)
Net cash provided by financing activities	23,769	12,611
Effect of foreign currency exchange rate changes on cash and cash equivalents	21	(120)
Net increase in cash and cash equivalents	140	8,307
Cash and cash equivalents, beginning of period	\$ 7,484	\$ 3,226
Cash and cash equivalents, end of period	\$ 7,624	\$ 11,533

See accompanying notes to these condensed consolidated financial statements

EMC ACQUISITION, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(INFORMATION AS OF JUNE 30, 2016 AND FOR THE SIX
MONTHS ENDED JUNE 30, 2016 AND 2015 IS UNAUDITED)**

1. Organization and Operations

The Company

EMC Acquisition, LLC (“EMC” or the “Company”) is a leading provider of fully managed private network telecommunications services. EMC provides integrated data, voice, Internet and data center services to companies and organizations globally where terrestrial communications infrastructure is poor or non-existent. EMC has operations in the United States, Germany, United Arab Emirates, Argentina, Kenya, Spain, Norway, Brazil and Singapore and support offices around the world. As of June 30, 2016, EMC was a wholly owned subsidiary of EMC Acquisition Holdings, LLC (“Parent”). As discussed in Note 19, on July 27, 2016, Global Eagle Entertainment Inc. (“GEE”) acquired all of the outstanding membership interest of the Company.

The Company was incorporated in Delaware on October 17, 2012 for the purposes of acquiring Emerging Markets Communications, LLC (“EMC LLC”).

The Company is the sole unit-holder of EMC LLC, which was incorporated in Delaware on June 23, 2000 and is headquartered in Miami, Florida. EMC LLC was converted to a Delaware limited liability company (“LLC”) on July 20, 2011 from a Delaware S Corporation. The plan of conversion was dated July 20, 2011 and converted Emerging Markets Communications, Inc. into Emerging Markets Communications, LLC.

The Company provides transmission of voice, data, video, client-server applications and internet access mainly through a network that uses Multiple Channel Per Carrier (“MCPC”) and Single Channel Per Carrier (“SCPC”) technology with leased satellite capacity and leased fiber optic. It also offers teleport and data center services through its three proprietary teleports, strategically located in Germany, the United Kingdom and the United States.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated balance sheet as of June 30, 2016, the condensed consolidated statements of operations and comprehensive loss and the condensed consolidated statements of cash flows for the six months ended June 30, 2016 and 2015, are unaudited.

The interim unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. All adjustments, consisting of normal recurring adjustments, have been made, which in the opinion of management, are necessary for a fair presentation of the results of interim periods. The results of operations for such interim periods are not necessarily indicative of the results that may be expected for a full year because of, among other things, seasonality factors in the retail business.

Fair Value

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses and short-term and long-term debt. The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued expenses are considered a reasonable estimate of their fair value, due to the short-term duration of these instruments. The carrying amounts of outstanding debt approximate fair value because interest rates over the term of these financial instruments approximate current market interest rates available to the Company.

The Company is required to disclose information regarding all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurement and Disclosures* (“ASC 820”), established a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the inputs that market participants would use in pricing the financial instrument and are developed based on the best information available in the circumstances.

The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- *Level 1*—Quoted prices in active markets that are accessible at the market date for identical unrestricted assets or liabilities.

- *Level 2*—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

An entity may elect to measure many financial instruments and certain other items at fair value at specified election dates. The Company did not elect to measure any additional financial instruments or other items at fair value.

There have been no changes to the valuation methods utilized by the Company during the six months ended June 30, 2016 and 2015. The Company evaluates transfers between levels at the end of each reporting period. There were no transfers of financial instruments between levels during the six months ended June 30, 2016 and 2015.

Adoption of New Accounting Pronouncements and Reclassification of Debt Issuance Costs

In April 2015, FASB issued Accounting Standards Update ("ASU") No. 2015-03, *Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), amending the existing accounting

standards for the presentation of debt issuance costs in the statement of financial position. The amendment requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the treatment of a debt discount. We adopted this new guidance in January 2016 as required, applying it on a retrospective basis for all balance sheet periods presented.

This change in accounting principle will result in a more transparent presentation of debt as debt issuance costs are similar in nature to debt discounts and in effect reduce the proceeds of borrowings as well as impact the effective interest rate on the related debt. Prior to this change in accounting principle, debt issuance costs were included in "Prepaid expenses and other" and "Prepaid expenses and other, non-current" in the condensed consolidated balance sheets.

The table below shows the effect of the reclassification of unamortized debt issuance costs associated with our debt in the Company's previously reported consolidated balance sheet as of December 31, 2015 (in thousands):

	As Presented December 31, 2015	Reclassifications	As Adjusted December 31, 2015
Current assets:			
Prepaid expenses and other	\$ 7,710	\$ (2,397)	\$ 5,313
Current maturities of long-term debt	\$ 2,750	\$ (2,397)	\$ 353
Non-current assets:			
Prepaid expenses and other, non current	\$ 24,800	\$ (13,311)	\$ 11,489
Long-term debt	\$ 360,980	\$ (13,311)	\$ 347,669

3. Member's Deficit

The Company had 100 membership units issued and outstanding as of June 30, 2016 and December 31, 2015. Transactions involving Member's Equity in the Parent resulted in capital contributions to the Company by the Parent.

The number of outstanding Class A membership units of Parent as of June 30, 2016 and December 31, 2015 was 67,391,511. As of June 30, 2016 and December 31, 2015, there was a minority member, and officer of the Company, who held 6.1 million Class A units in the Parent. There was a put right, but not an obligation, to sell the 6.1 million Class A units in the Parent at the maximum amount of \$1.00 per unit, upon termination by the Company, or resignation for a good reason, as defined in his employment agreement.

The number of outstanding Class B units of Parent, issued as incentive compensation to certain employees of the Company, as of June 30, 2016 and December 31, 2015, was 8,993,585.

Trio Spin-Off transaction

On September 30, 2015, the Company completed a spin-off transaction in connection with its Trio and Satlink operations and two STM entities, STM Norway AS and STMEA FZE UAE pursuant to which these operations and entities were spun off to the Company's then equity holders. Certain assets held at EMC LLC that were part of this transaction generated \$40.1 million of dividends distributed by the Company to its owners, of which \$35.1 million were non-cash dividends.

As part of the transaction, the Parent made a pro-rata distribution of 5,000,000 Class A units of its Trio Connect, LLC ("Trio")

subsidiary to the Parent's then unit-holders. This pro-rata distribution was made at the carrying amount of net assets. The transaction was accounted for as a spin-off in accordance with FASB Topic 505, *Equity* ("ASC 505"). As a result, the Company no longer owns any interest in Trio.

The following represents the net assets spun-off at September 30, 2015 (in thousands):

	As of September 30, 2015
Cash	\$ 596
Current assets	14,131
Property, plant and equipment	1,731
Intangible assets, net	18,312
Goodwill	7,395
Other liabilities	(2,037)
Total	<u>\$ 40,128</u>

4. Business Combinations

SeaMobile/MTN

On July 1, 2015 (the "Acquisition Date"), the Company completed its acquisition of 100% of the outstanding stock of SeaMobile, Inc ("SeaMobile") pursuant to an agreement and plan of merger (the "Merger Agreement") entered into on April 21, 2015. SeaMobile is a global provider of satellite communications, entertainment, and networking services including private network solutions, passenger, administrative and crew telephone services, full-time dedicated data circuits, full-time administrative voice and fax services, stored value telephone access cards, and Internet café solutions. SeaMobile is a leading provider in the maritime industry.

Under the terms of the Merger Agreement, the Company paid the former SeaMobile shareholders consideration in cash of \$155.5 million and equity in the form of 450,000 Class B Preferred Units in Parent (the "Merger Preferred Units") with an issue price of \$100 per unit. The fair value of the Merger Preferred Units was derived using a yield analysis with the following assumptions: (i) the benchmark credit spread of the Second Lien Term Loan; (ii) base rate of one and two year swap rates, with the assumption that the Merger Preferred Units will be paid off upon a liquidity event in the subsequent twelve to eighteen months; and (iii) an estimated subordination premium of 4% based on the differential between the spreads of the First and Second Lien Term Loan. See Note 12.

The Company also repaid \$58.7 million of SeaMobile's debt. The Merger Preferred Units included 193,850 units which were split into 2 tranches, 120,000 units in Tranche A and 73,850 units in Tranche B. The Merger Preferred Units included in Tranches A and B are subject to cancellation pursuant to two escrow mechanisms set forth in the merger agreement, a new contract escrow fund and an indemnification escrow fund, respectively.

On February 10, 2016, \$18.0 million in escrow related to the transaction was returned to the Company due to the non-renewal of a customer contract. The return of the escrow funds consisted of \$6.0 million in cash and \$12.0 million in equity value from the 120,000 Tranche A units mentioned above. The return of the escrow amounts is reflected as of December 31, 2015 in the accompanying balance sheet as the triggering event for such return occurred prior to December 31, 2015. The \$6.0 million in cash was presented as restricted cash in the accompanying balance sheet.

The cash consideration was financed by the Company's credit facilities entered into on July 1, 2015. See Note 12.

The Company accounted for the acquisition as a business combination and recorded the assets acquired, liabilities assumed, and the estimated future obligations at their respective fair values as of the Acquisition Date.

Effective July 1, 2015, SeaMobile's membership interests were acquired for an aggregate purchase price that was allocated to separately identified assets and liabilities in the total amount of \$188.5 million. See below for a reconciliation of the allocation of the purchase price (in thousands):

	As of July 1, 2015
Cash	\$ 155,547
Fair value of preferred units (\$100 per unit)	33,000
Total purchase price	<u>\$ 188,547</u>

The purchase price was allocated to separately identified assets and liabilities as per the following detail recorded in the accompanying condensed consolidated balance sheet, as seen in the reconciliation below (in thousands):

	As of July 1, 2015	period (in years)
Amount in US Dollars:		
Current assets	\$ 32,189	
Property, plant and equipment	45,896	
Investment in WMS	60,300	
Investment in Santander	982	
Other long term assets	10,649	
Total tangible assets acquired	\$ 150,016	
Less: Liabilities assumed	78,683	
	<u>\$ 71,333</u>	
Intangible Assets:		
Patents	\$ 817	10
Completed technology	12,800	8
Customer relationships	19,800	15
Backlog	4,400	5
Vendor agreements	19,000	11
Trademarks	1,200	6
Goodwill	59,197	
Total	<u>\$ 117,214</u>	
Total net assets acquired	<u>\$ 188,547</u>	

The assets and liabilities assumed in the acquisition have been included in the Company's condensed consolidated balance sheet as of the Acquisition Date. The results of SeaMobile's operations were included in the Company's consolidated statements of operations from the Acquisition Date.

5. Prepaid Expenses and Other

The Company's current other receivables as of June 30, 2016 and December 31, 2015 consisted of the following (in thousands):

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	As of June 30, 2016	As of December 31, 2015
Value added tax	\$ 552	\$ 525
Payroll tax credits	303	158
Employee loans	251	198
Income tax	—	693
Other	343	86
	<u>\$ 1,449</u>	<u>\$ 1,660</u>

The Company's current prepaid expenses and other as of June 30, 2016 and December 31, 2015 was comprised of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
Advances to suppliers	\$ 4,767	\$ 3,155
Other	1,098	498
	<u>\$ 5,865</u>	<u>\$ 3,653</u>

Non-current prepaid expenses and other as of June 30, 2016 and December 31, 2015 was comprised of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
Guaranty deposits	\$ 11,081	\$ 11,489
	<u>\$ 11,081</u>	<u>\$ 11,489</u>

6. Property, Plant and Equipment

Property and equipment, net, as of June 30, 2016 and December 31, 2015 was comprised of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
Central equipment	\$ 41,886	\$ 35,488
Equipment held by customers	76,157	69,867
Land	470	470
Buildings and improvements	7,190	7,100
	<u>125,703</u>	<u>112,925</u>
Accumulated depreciation	(36,920)	(23,612)
Property and equipment, net	<u>\$ 88,783</u>	<u>\$ 89,313</u>

Depreciation expense related to the property, plant and equipment for the six months ended June 30, 2016 and 2015 was \$13.5 million and \$4.7 million, respectively.

7. Investments

Investment in Wireless Maritime Services, LLC

As of June 30, 2016 and December 31, 2015, the carrying amount of the Company's 49% ownership interest in Wireless Maritime Services, LLC ("WMS") was \$63.4 million and \$60.0 million, respectively. WMS provides onboard cellular services to the cruise ship industry.

A summary of financial information for WMS for the six months ended June 30, 2016 is as follows (in thousands):

	Six Months Ended June 30, 2016
Results of operations:	
Service revenues	\$ 81,283
Operating income	16,941
Net income	16,958

The Company provides services for WMS's onboard cellular equipment under the terms of the WMS operating agreement and an associated master services agreement. Revenues from these services totaled \$0.7 million for the six months ended June 30, 2016. Management believes the fees charged to WMS for these services are set at a level similar to what the Company charges to unrelated parties and are negotiated at an arm's length basis. Occasionally, the Company incurs expenses or purchases equipment on behalf of WMS, which it charges to WMS at cost. These expenses were not significant for the six months ended June 30, 2016.

As of June 30, 2016 and December 31, 2015, WMS owed the Company \$0.1 million and \$0.2 million, respectively. The amounts are included in accounts receivable, net in the accompanying consolidated balance sheets.

Investment in Santander Teleport

As of June 30, 2016 and December 31, 2015, the carrying amount of the Company's 49% ownership interest in Santander Teleport ("Santander") was \$1.2 million and \$1.0 million, respectively. The Santander Joint Venture operates a satellite earth station teleport with multiple antennas providing uplink, downlink, and turnaround teleport services in C Band, Ku Band, and commercial X Band and other related telecommunication services.

The Santander joint venture provides satellite connectivity related services to the Company as well as professional engineering services. These services totaled \$1.4 million for the six months ended June 30, 2016 and are included in cost of services in the accompanying consolidated statements of operations and comprehensive loss.

As of June 30, 2016 and December 31, 2015, the Company owed Santander \$0.6 million and \$0.5 million, respectively. The amounts are included in accounts payable in the accompanying consolidated balance sheets.

8. Intangible Assets

Identifiable Intangible Assets Acquired

In connection with the purchase in 2012 of 100% of EMC LLC membership interest, a portion of the purchase price was allocated to identifiable intangible assets acquired. Allocation of purchase price was in accordance to FASB ASC 805, *Business Combinations* ("ASC 805"), and the identifiable intangible assets acquired are amortized over their estimated life, which varies between 4 and 10 years. In connection therewith, \$67.7 million was allocated to identifiable intangible assets acquired.

Similar procedures were followed in connection with STM Group ("STM Group") acquisition on September 6, 2013, with GIS Group acquisition on November 25, 2014 and with SeaMobile acquisition on July 1, 2015 when \$23.9 million, \$7.0 million and \$58.0 million, respectively, were allocated to identifiable intangible assets acquired.

Management reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their undiscounted expected future cash flows the assets are expected

to generate and recognize an impairment loss equal to the excess of the carrying value over the fair value of the related asset. For the six months ended June 30, 2016 and 2015, no impairments were recorded.

Intangible assets as of June 30, 2016 and December 31, 2015 were comprised as follows (in thousands):

	As of June 30, 2016	As of December 31, 2015	Life
Internally developed technologies:			
Speednet	\$ 3,456	\$ 3,371	5
HD Connect	582	582	5
UCNet	198	198	5
MEO booster	102	103	5
NRS Technology	614	541	5
ICS	415	415	5
TBN	229	229	5
Speednet +	105	105	5
Other	65	40	5
Less: Accumulated amortization	(3,744)	(3,189)	5
	2,022	2,395	
Licenses, other software and patents	4,996	3,568	3
Less: Accumulated amortization	(2,066)	(1,778)	
	2,930	1,790	
Identifiable intangibles assets:			
Completed Technology	35,358	35,358	7
Customer Relationships	57,497	57,497	10
Backlog	15,200	15,200	4
Vendor Agreements	29,100	29,100	6
Trademarks and others	4,169	4,169	8
Less: Accumulated amortization	(52,978)	(45,232)	
	88,346	96,092	
Total intangible assets, net	\$ 93,298	\$ 100,277	

Amortization expense related to the intangibles during the six months ended June 30, 2016 and 2015 was \$8.6 million and \$8.9 million, respectively. This amount is reflected in the accompanying consolidated statements of operations.

As of June 30, 2016, the expected amortization was as follows (in thousands):

Years ending December 31,	Amortization Expense
2016 (remaining six months)	\$ 8,963
2017	16,984
2018	15,558
2019	12,661
2020 and thereafter	39,132
Total amortization expense	\$ 93,298

9. Capital Leases

The Company leases certain equipment under capital leases that expire on various dates through 2018. As of June 30, 2016, future minimum lease payments, including principal and interest, under these capital leases were as follows (in thousands):

Years ending December 31,	
2016 (remaining six months)	\$ 223
2017	410
2018	236
2019	71
Total	\$ 940
Less current portion	(425)
Capital leases, net of current portion	\$ 515

10. Deferred Revenues

Deferred revenues as of June 30, 2016 and December 31, 2015 are summarized as follows (in thousands):

	As of June 30, 2016	As of December 31, 2015
Current deferred revenues	\$ 5,806	\$ 5,665
Non-current deferred revenues	2,341	2,355
	\$ 8,147	\$ 8,020

Deferred revenues expected to be realized as of June 30, 2016 were as follows (in thousands):

Year due:	Monthly Charge	Installation	Others	Total
2016 (remaining six months)	\$ 4,876	\$ 294	\$ 636	\$ 5,806

2017 and thereafter	<u>2,341</u> <u>7,217</u>	<u>\$ 294</u>	<u>\$ 636</u>	<u>2,341</u> <u>8,147</u>
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Deferred revenues from monthly charges represent prepayments received in connection with customer contracts' recurrent services, which are billed in advance.

Additionally, deferred revenues from equipment sold relate to equipment already paid by customers, which had not been delivered and accepted as of the respective year and periods.

Deferred revenues from installation are revenues in excess of installation costs which are comprised of out of pocket expenses and small items, which are deferred and recognized over the term of the respective service contract, generally four years.

11. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
Current:		
Taxes	\$ 6,352	\$ 268
Severance and retention bonus	995	4,482
Other payroll related costs	3,497	1,957
Cost and general expenses	11,375	9,200
GIS purchase price	2,013	2,000
Due to MTN	1,955	5,586
M&A related expense	1,877	—
MTN indemnification fund	7,385	—
Other	806	895
Total current accrued expenses	36,255	24,388
Non current:		
Taxes	3,325	2,975
Leasehold step-up adjustment and other	2,755	2,843
MTN indemnification fund, non-current	—	7,385
Total non-current accrued expenses	6,080	13,203
Total accrued expenses	\$ 42,335	\$ 37,591

12. Debt

The Company's short-term debt as of June 30, 2016 and December 31, 2015 was comprised of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
First Lien Bank Credit Facilities	\$ 2,680	\$ 2,680
GIS Far East Pte Ltd	74	70
Issuance Costs	(2,457)	(2,397)
	<u>\$ 297</u>	<u>\$ 353</u>

The Company's long-term debt as of June 30, 2016 and December 31, 2015 was comprised of the following (in thousands):

	As of June 30, 2016	As of December 31, 2015
First and Second Lien Bank Credit Facilities	\$ 354,640	\$ 355,980
Revolving Credit Facility	28,000	5,000
Issuance Costs	(12,076)	(13,311)
	<u>\$ 370,564</u>	<u>\$ 347,669</u>

Annual maturities of debt as of June 30, 2016 were as follows (in thousands):

Years ending December 31,	
2016 (remaining six months)	\$ 1,340
2017	2,680
2018	2,680
2019	2,680
2020	2,680
2021	253,260

Thereafter	120,074
Total future maturities	\$ 385,394

Sun Trust Loan Agreement

In May 2014, the Company and Sun Trust Bank (“First Lien”) together with Solar Capital (“Second Lien”) entered into a loan agreement (“Sun Trust Credit Agreement”) to provide the Company with up to \$162 million in financing, of which \$137 million was structured in a term loan (First Lien \$110 million and Second Lien \$27 million, together, the “Term Loan”) and \$25 million was in the form of a revolving loan (the “Revolving Loan”). The proceeds of the \$137 million from the Sun Trust Financing Agreement were utilized for (i) the repayment of the Highbridge loan prior outstanding indebtedness, (ii) general corporate purposes, and (iii) the payment of the fees associated with this transaction.

In November of 2014, the Company and Sun Trust Bank together with Solar Capital, signed an amendment to the Sun Trust Credit Agreement (“First Amendment to the Sun Trust Credit Agreement”) to increase the amount and extend the maturity of the credit facility. The First Amendment to the Sun Trust Credit Agreement provided the Company with up to \$182 million in financing, of which \$157 million was structured in a term loan (the “Amended Term Loan”) and \$25 million was in the form of a revolving loan (the “Amended Revolving Loan”).

The proceeds of the \$20 million from the First Amendment to the Sun Trust Credit Agreement were utilized for the acquisition of the GIS Group and to partially repay the Sun Trust Amended Revolving Loan.

Refinanced First and Second Lien Bank Credit Facilities

On July 1, 2015, the Company refinanced its debt with Solar Capital and Sun Trust that totaled \$27 million and \$155 million, respectively. As a result of the refinancing, the Company wrote off \$4 million of deferred financing fees and paid \$0.3 million as a penalty.

Simultaneously, the Company entered into the First and Second Lien Credit Facilities (“the Refinanced Credit Agreement”) to provide the Company with up to \$395 million in financing of which \$360 million was structured in a term loan consisting of (First Lien \$268 million and Second Lien \$92 million, together the “Refinanced Term Loan”) and \$35 million was in the form of a revolving loan (“the Refinanced Revolving Loan”). The proceeds of the \$360 million from the Refinanced Credit Agreement were utilized for (i) the repayment of the existing Sun Trust Credit Agreement, (ii) the purchase of SeaMobile (iii) general corporate purposes, and (iv) the payment of the fees associated with the SeaMobile transaction.

The First Lien matures on July 1, 2021 and 0.25% of the aggregate principal amount is due quarterly starting September 30, 2015. The Second Lien matures on July 1, 2022. The Refinanced Term Loan bears interest on the principal amount thereof from time to time outstanding, from the date of the loan until repaid, at a rate per annum equal to, at EMC’s election, (a) in the case of the First Lien (i) each Eurocurrency rate loan and EURIBOR loan bears interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to the Eurocurrency rate or EURIBOR, as applicable, for such interest period plus the applicable rate; provided that

only revolving credit loans denominated in Euro bears interest with reference to EURIBOR (and such revolving loans shall only bear interest with reference to EURIBOR); (ii) each base rate loan bears interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the base rate plus the applicable rate; and (iii) each swing line loan bears interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the base rate plus the applicable rate for revolving credit loans.; (b) in the case of the Second Lien (i) each Eurocurrency rate loan shall bear interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to the Eurocurrency rate for such interest period plus the applicable rate and (ii) each base rate loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the base rate plus the applicable rate. The interest rate for the outstanding amount as of December 31, 2015 is (i) in case of the First Lien, Refinanced Term Loan portion, 6.750%, (ii) in case of First Lien, Refinanced Revolving Loan portions, 5.640% (iii) in case of Second Lien 10.625%.

On May 9, 2016, the Company agreed to amend its Refinanced Credit Agreement, effective upon the satisfaction of certain conditions, including GEE consummating its acquisition of the Company, which occurred subsequent to June 30, 2016. See Note 20.

As of June 30, 2016 and December 31, 2015, the balance of the Refinanced Revolving Loan facility was \$28.0 million and \$5.0 million, respectively. Subsequent to December 31, 2015 the Company drew \$24.3 million from the Refinanced Revolving Loan Facility. The remaining availability under the Revolving Loan Facility as of September 23, 2016, which represents the issuance date of these financial statements, was \$46.2 million.

The Refinanced Credit Agreement contained financial covenants, including a Consolidated Net Leverage Ratio as defined in the Refinanced Credit Agreement. The agreement also contained customary events of default, including failure to make payments when due, failure to comply with specified covenants, conditions or agreements, or specified events of bankruptcy, insolvency, reorganization or similar events affecting the obligors. The Company was in compliance with its debt covenants under the Refinanced Credit Agreement as of June 30, 2016.

13. Redeemable Preferred Stock

Mandatorily Redeemable Preferred Stock Units in Parent

On October 27, 2012, in connection with the EMC LLC Purchase and Sale Agreement (“PSA”), a Share Issuance Agreement was entered between a minority unitholder and Parent, whereby 8,000 Class A Preferred Units (“Preferred Units”) in Parent with a total fair market value of \$8.0 million were issued (the “Issue Amount”). The Preferred Units had a maturity of 5.5 years.

The Class A Preferred Units had the following rights, preferences, privileges, and restrictions:

Redemption Rights

The Preferred Units were redeemable at the option of the holders upon a sale transaction.

Dividends

The Preferred Units accrued Payment-In-Kind (“PIK”) dividends on quarterly basis at a rate of 12.5% per annum and were recorded as interest expense.

Liquidation

The Preferred Units ranked senior priority as to liquidation and distributions. Upon liquidation the Preferred Units were entitled to receive an amount in cash equal to the Issue Amount plus any accrued and unpaid dividends, whether or not declared.

General

As of June 30, 2016 and December 31, 2015, the carrying value of the Preferred Units, including dividends, totaled \$12.5 million and \$11.7 million, respectively.

Class B Preferred Units in Parent

On July 1, 2015, in connection with the Merger Agreement, the Parent issued 450,000 of Class B Preferred Units (previously defined as the “Merger Preferred Units”) to the former shareholders of SeaMobile as part of merger consideration.

Each Merger Preferred Unit had an issue price of \$100 per unit totaling an issue amount of \$45.0 million. The units were divided in three tranches as follows: Tranche A — 120,000 units, Tranche B — 73,850 units and Tranche C - 256,150 units. The Merger Preferred Units had senior priority as to liquidation and distributions.

The Merger Preferred Units included in Tranches A and B were subject to cancellation pursuant to two escrow mechanisms set forth in the Merger Agreement, a new contract escrow fund and an indemnification escrow fund, respectively.

The Merger Preferred Units had the following rights, preferences, privileges, and restrictions:

Redemption Rights

The Merger Preferred Units were redeemable at the option of the holders on the 11th anniversary (or any earlier date acceptable to the Company) of their original issuance, without restriction. The Merger Preferred Units were redeemable at the option of the holders upon a sale transaction.

Dividends

The Merger Preferred Units accrued PIK dividends on quarterly basis at a rate of 15% per annum. In the event that there was no redemption at the option of the holders at or prior to the 11th anniversary of the original issue date, the dividend rate would have increased to 17% per annum effective as of the 5th anniversary of the original issue date.

Liquidation

The Merger Preferred Units ranked pari passu with the Preferred Units. Upon liquidation, the Merger Preferred Units were entitled to receive an amount in cash equal to the original issue amount plus any accrued and unpaid dividends, whether or not declared.

General

On February 10, 2016, the 120,000 Tranche A units in escrow with a value of \$12.0 million were returned to the Company due to the non-renewal of a certain customer. The Preferred Units balance shown in the condensed consolidated balance sheet reflect the return of the units as the event that triggered the return occurred prior to June 30, 2016. Additionally, on February 10, 2016, an investor purchased

23,250 Preferred Units of the Tranche A units which were released from escrow resulting in a net cancellation of 96,750 Preferred Units. The other 73,850 units (Tranche B) remained in escrow as of June 30, 2016.

On July 27, 2016, in connection with the closing of the acquisition of the Company by GEE, all of the Company's Class A Preferred Units and Class B Preferred Units were redeemed for an aggregate amount of approximately \$55.1 million in cash.

14. Interest Expense

Interest expense includes interest related to indebtedness for money borrowed, capital lease obligations, debt extinguishment expenses, and amortization of deferred financing fees. For the six months ended June 30, 2016 and 2015, interest expense was as follows (in thousands):

	Six Months Ended June 30,	
	2016	2015
Interest expenses on financial debt	\$ 18,303	\$ 6,060
Amortization of deferred financing fees	1,176	645
	<u>\$ 19,479</u>	<u>\$ 6,705</u>

15. Related Party Transactions

During 2015, the Company entered into a consulting agreement with a consultant to provide aeronautical engineering advisory services. The consultant is a former employee of MTN Group. During the six months ended June 30, 2016, the Company paid the consultant \$0.2 million. The outstanding balances due for his services as of June 30, 2016 was \$15,000. The Company has related party transactions related to WMS and Santander investments as described in Note 7.

16. Income Taxes

The Company recorded an income tax provision of \$5.0 million and \$0.2 million for the six months ended June 30, 2016 and 2015, respectively. The Company had a net deferred tax liability at June 30, 2016 and December 31, 2015 of \$45.7 million and \$49.3 million, respectively.

The income tax benefit differs from the amount computed by applying the statutory federal and state income tax rates to the loss before income before income taxes. As of June 30, 2016 and December 31, 2015, the Company had a federal and state net operating loss carryforward ("NOL") of approximately \$1.9 million. This loss will be available to offset future taxable income. If not used, the Federal NOL carryforward will begin to expire in 2017. The state NOL had a full valuation allowance. The deferred tax asset relating to the operating loss carryforward was fully reserved at June 30, 2016.

As of June 30, 2016, the Company had gross NOLs in foreign jurisdictions through its EMC Deutschland subsidiary. As of June 30, 2016 and December 31, 2015, EMC Deutschland had gross NOLs of approximately \$1.9 million for income tax purposes and \$1.2 million for trade tax purposes. The foreign jurisdiction NOLs expire at various dates beginning in 2016 through 2025.

The Company currently has no federal or state tax examinations in progress, nor has it had any federal or state examinations since its inception. All of the Company's tax years remain subject to foreign and U.S. federal and state tax examinations.

Accounting for Uncertainty in Income Taxes

The Company adopted FASB ASC 740-10 *Income Taxes* ("ASC 740-10"), which is intended to substantially reduce tax benefits (e.g., deductions, credits) from uncertainty in accounting for income tax positions. It prescribes under a two-step approach (i.e., recognition under the more-likely-than-not threshold and measurement

under the cumulative probability) attribute for a tax position taken or expected to be taken in the tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2016 and December 31, 2015, in accordance with ASC 740-10, the Company recorded a FIN 48 liability of \$3.0 million for uncertain taxable positions in foreign jurisdictions. The Company believes that these income tax positions would not be sustained upon examination and accordingly has adjusted its books to reflect the liability. All other U.S. federal, state and foreign positions have been evaluated under ASC 740-10 and no uncertain tax positions have been identified. The Company does not anticipate any other adjustments that would result in a material change to its financial position or results of operations.

17. Commitments and Contingencies

Commitments

One of the primary components of cost of the services offered by the Company is satellite capacity. During the six months ended June 30, 2016 and 2015, the Company entered into contracts with suppliers of satellite capacity in order to provide services under long-term agreements. As of June 30, 2016, the Company had the following commitments for satellite capacity (in thousands):

Years ending December 31,

2016 (remaining six months)	\$	30,582
2017		38,692
2018		23,655
Thereafter		93,875
Total satellite capacity commitments	\$	<u>186,804</u>

The above schedule does not reflect increased commitments under the amended satellite capacity agreements addressed in the Subsequent Events footnote below.

As of June 30, 2016, the Company leased office space in Buenos Aires and Parana (Argentina), Miami, Miramar & Houston (USA), Nairobi (Kenya), Madrid (Spain), Oslo & Stavanger (Norway), Brasilia and San Pablo (Brazil), Abu Dhabi and Dubai (United Arab Emirates), London (UK) Jakarta (Indonesia) & Singapore. As of June 30, 2016, the Company had the following commitments relating to these office leases (in thousands):

Years ending December 31,		
2016 (remaining six months)	\$	1,166
2017		2,015
2018		1,135
2019		383
2020		340
2021		339
Total office lease commitments	\$	<u>5,378</u>

Lease expenses for the six months ended June 30, 2016 and 2015 amounted to \$1.1 million and \$0.9 million, respectively, and are included in selling, general and administrative expenses.

Contingencies

In accordance with FASB ASC 450, *Contingencies* ("ASC 450"), the Company records a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any liabilities are reviewed periodically and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Although litigation is inherently unpredictable and it is possible that cash flows or results of operations could be materially and adversely affected in any particular period by the unfavorable resolution or disposition of one or more of these contingencies.

The Company is, and from time to time may be, a party to routine legal proceedings incidental to the operation of its business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on the financial condition, operating results or cash flows of the Company. Legal expenses related to these contingencies are expensed as incurred.

18. Major Concentrations

Monthly recurring services, which include telecommunication services, monitoring and bandwidth, represented 87% of the total revenues for each of the six months ended June 30, 2016 and 2015. Sale of equipment, which includes the sale of hardware and electronic components, represented 4% of total revenues for the six months ended June 30, 2016 and 2015, respectively. All other revenue streams, in aggregate, were 9% of total revenues for the six months ended June 30, 2016 and 2015, respectively.

Additionally, as of June 30, 2016 and December 31, 2015, approximately 42% and 35% of the Company's accounts receivable were from the top ten customers. As of December 31, 2015, no customer represented more than 10% of accounts receivable balance. As of June 30, 2016, no customer represented more than 10% of accounts receivable balance.

As of December 31, 2015 and June 30, 2016, one vendor represented 10% of the Company's purchases.

19. Subsequent Events

Global Eagle Entertainment Inc. Purchase

On May 9, 2016, the Parent entered into an Interest Purchase Agreement with GEE whereby GEE agreed to acquire all of the issued and outstanding membership interests of the Company. The transaction closed on July 27, 2016.

The purchase price for the Company, subject to customary working capital and other adjustments, consisted of: (i) \$30 million in cash paid at closing; (ii) approximately 5.5 million shares of GEE common stock issued at the closing; (iii) GEE's assumption of approximately \$382 million of the Company's indebtedness; (iv) the redemption in cash of approximately \$55 million of existing Parent preferred stock; and (v) \$25 million in deferred consideration to be paid in cash or newly issued GEE common stock (at the option of GEE) one year after the closing.

Effective upon the consummation of GEE's acquisition of the Company and certain other conditions, certain amendments to the Refinanced Credit Agreement became effective, including amendments to increase the revolving loan commitment by \$40.5 million, to include GEE as a guarantor under the Refinanced Credit Agreement and to modify certain covenants to reflect the inclusion of GEE as a

guarantor under the Refinanced Credit Agreement.

Intelsat Corporation Agreement

During the second quarter of 2016, the Company entered into a new agreement with one of its satellite capacity vendors, Intelsat Corporation (“Intelsat”). Under this agreement, Intelsat will provide the Company with certain levels of satellite bandwidth in exchange for \$40 million in additional contract value over and above the Company’s prior contractual commitment.

There were no other events subsequent to June 30, 2016 and through the consolidated financial statements issuance date of September 23, 2016 that would have had a material effect on the Company’s consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information included herein presents the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statements of operations based upon the combined audited and unaudited historical financial statements of Global Eagle Entertainment Inc. (“GEE” or the “Company”), EMC Acquisition, LLC (“EMC”), and SeaMobile, Inc. (“SeaMobile”), after giving effect to the EMC Acquisition (defined herein), the SeaMobile Acquisition (defined herein), and the adjustments described in the accompanying notes.

Description of the EMC Acquisition

On July 27, 2016 (the “Acquisition Date”), the Company completed the acquisition of all of the issued and outstanding membership interests of EMC Intermediate, LLC and its Emerging Markets Communications business (the “EMC Acquisition”) pursuant to an Interest Purchase Agreement (the “Purchase Agreement”), dated May 9, 2016, by and between the Company and EMC Acquisition Holdings, LLC (an affiliate of ABRY Partners VII, L.P.) (“Seller”). EMC is a wholly owned subsidiary of EMC Intermediate, LLC. The EMC Acquisition was treated as an asset acquisition for U.S. federal income tax purposes. As such, the assets acquired and liabilities assumed were recorded at fair value for both book and tax purposes on the Acquisition Date. However, because the acquired assets of EMC include the stock of its subsidiaries, the assets acquired and liabilities assumed of those subsidiaries were recorded at fair value for book purposes and remained at the carryover basis for tax purposes, resulting in additional deferred tax liabilities for the basis differences.

The purchase price for EMC, which is subject to customary post-closing working capital and other adjustments, consisted of the following: (i) \$45.5 million in cash paid at closing, (ii) the issuance of approximately 5.5 million shares of GEE common stock to the Seller at closing, (iii) the Company’s assumption of approximately \$370.8 million of EMC indebtedness, which represents the fair value of such indebtedness on the Acquisition Date, (iv) the redemption for cash of approximately \$55.1 million of existing Seller preferred stock, and (v) deferred consideration of \$25.0 million to be paid in cash or newly issued GEE stock (at the Company’s option) one year after the Acquisition Date. The Company also effectively settled a pre-existing relationship with MTN (defined herein), a subsidiary of EMC, as a result of the EMC Acquisition, resulting in additional consideration of \$0.2 million.

GEE and EMC incurred approximately \$17.5 million and \$6.0 million of transaction costs, respectively. Adjustments of \$2.0 million and \$4.5 million related to EMC Acquisition transaction costs have been reflected in the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2015 and for the six months ended June 30, 2016, respectively, as these are nonrecurring charges, which are excluded in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission (“SEC”) (“Article 11”).

Description of the SeaMobile Acquisition

On July 1, 2015, EMC completed its acquisition of 100% of the outstanding stock of SeaMobile (the “SeaMobile Acquisition”) through Scisco Parent, Inc. (a newly formed entity created for the SeaMobile Acquisition), pursuant to an Agreement and Plan of Merger (the “SeaMobile Merger Agreement”) dated April 21, 2015. SeaMobile is a global provider of satellite communications, entertainment, and networking services including private network solutions, passenger, administrative and crew telephone services, full-time dedicated data circuits, full-time administrative voice and fax services, stored value telephone access cards, and Internet café solutions. SeaMobile is the ultimate parent company of Maritime Telecommunications Network, Inc. (“MTN”) and MTN Government Services, Inc. (“MTN Government”) (collectively, the “MTN Group”). MTN Group is a global provider of communications and content services to maritime customers around the world and owns 49% of Wireless Maritime Services, LLC (“WMS”) and Santander Teleport (“Santander”).

Under the terms of the SeaMobile Merger Agreement, EMC paid the former SeaMobile shareholders \$155.5 million in cash and \$33.0 million in EMC equity in the form of 330,000 Class B Preferred Units of EMC Acquisition Holdings, LLC with an issue price of \$100 per unit. The fair value of the Class B Preferred Units was derived using a yield analysis with the following assumptions: (i) the benchmark credit spread in respect of the Company’s term loans under its Second Lien Credit Agreement; (ii) base rate of one and two year swap rates, with

the assumption that the Class B Preferred Units will be repaid upon a liquidity event in the subsequent twelve to eighteen months; and (iii) an estimated subordination premium of 4% based on the differential between the spreads on term loans under the EMC’s First Lien Credit Agreement and the term loans under the EMC’s Second Lien Credit Agreement. EMC also repaid \$58.7 million of SeaMobile indebtedness, which was included in the \$155.5 million of cash consideration.

In connection with the SeaMobile Acquisition, 450,000 Class B Preferred Units were initially issued by EMC to the SeaMobile shareholders. Of the 450,000 Class B Preferred Units, a total of 193,850 Class B Preferred Units were held in escrow and subject to cancellation pursuant to the SeaMobile Merger Agreement, including 120,000 Class B Preferred Units subject to cancellation under a new contract fund and 73,850 Class B Preferred Units subject to cancellation as a result of indemnification claims under the SeaMobile Merger Agreement. On February 10, 2016, the 120,000 Class B Preferred Units under the new contract fund were returned to EMC due to the non-renewal of a certain customer. The remaining 73,850 Class B Preferred Units were held in escrow prior to the close of the EMC Acquisition and were settled for cash of approximately \$8.7 million in connection with the EMC Acquisition.

Basis for Historical Information

The following unaudited pro forma condensed combined balance sheet as of June 30, 2016 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2015 and the six months ended June 30, 2016 are based on historical financial statements of GEE, EMC, and SeaMobile. The historical financial information of GEE, EMC, and SeaMobile is presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The unaudited pro forma condensed combined balance sheet as of June 30, 2016 combines the unaudited historical balance sheet of GEE as of June 30, 2016 and EMC’s unaudited historical balance sheet as of June 30, 2016, giving effect to the EMC Acquisition as if it had been completed on June 30, 2016. Because EMC’s acquisition of SeaMobile is already reflected in EMC’s unaudited historical consolidated balance sheet as of June 30, 2016, no pro forma balance sheet adjustments are necessary to show the pro forma impact of the SeaMobile Acquisition.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2015 combines GEE’s audited consolidated statement of operations for the year ended December 31, 2015 with EMC’s audited consolidated statement of operations for the year ended December 31, 2015 and SeaMobile’s unaudited consolidated statement of operations for the period from January 1, 2015 to June 30, 2015. As the SeaMobile Acquisition was consummated on July 1, 2015, EMC’s audited historical consolidated statement of operations includes SeaMobile’s audited consolidated statement of operations for the period from July 1, 2015 to December 31, 2015. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2016 combines GEE’s unaudited consolidated statement of operations for the six months ended June 30, 2016 with EMC’s unaudited consolidated statement of operations for the six months ended June 30, 2016. The unaudited pro forma condensed combined statement of operations gives effect to the EMC Acquisition and the SeaMobile Acquisition, as if each had occurred on January 1, 2015, the beginning of the earlier period presented. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, with GEE being the accounting acquirer for the EMC Acquisition and EMC being the accounting acquirer for the SeaMobile Acquisition.

Certain amounts in the historical audited and unaudited consolidated financial statements of EMC and SeaMobile have been reclassified in the unaudited pro forma condensed combined financial information to conform to GEE’s financial statement presentation.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- GEE’s “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in GEE’s Annual Report on Form 10-K filed with the SEC on March 17, 2016 (“Form 10-K”);

- the audited historical consolidated financial statements of GEE as of December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 and the related notes, included in GEE’s Form 10-K;
- the unaudited historical consolidated financial statements of GEE as of June 30, 2016 and for the six months ended June 30, 2016 and 2015 and the related notes, included in GEE’s Quarterly Report on Form 10-Q filed with the SEC on August 9, 2016;
- the audited historical consolidated financial statements of EMC as of December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 and the related notes, filed as Exhibit 99.3 to this Current Report on Form 8-K/A;
- the unaudited historical consolidated financial statements of EMC as of June 30, 2016 and for the six months ended June 30, 2016 and 2015 and the related notes, filed as Exhibit 99.4 to this Current Report on Form 8-K/A; and
- EMC’s “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” filed as Exhibit 99.5 to this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11. The pro forma adjustments reflecting the EMC Acquisition have been prepared in accordance with business combination accounting guidance as provided in Accounting Standards Codification Topic 805 (“ASC 805”), *Business Combinations*, and reflect the preliminary estimate of fair values of assets acquired and liabilities assumed, using the assumptions set forth in the unaudited pro forma condensed combined financial information.

In connection with the preparation of the unaudited pro forma condensed combined financial information, GEE allocated the purchase price using its best estimates of fair value. The pro forma purchase price adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to this preliminary estimated purchase price allocation. The unaudited pro forma condensed combined financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the EMC Acquisition or any integration costs. The unaudited pro forma condensed combined financial statements do not purport to project the future operating results or financial position of the combined company following the EMC Acquisition. Furthermore, the unaudited pro forma condensed combined statements of operations do not include certain nonrecurring charges and the related tax effects which result directly from the EMC Acquisition as described in the notes to the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2016
(in thousands except per unit amounts)

	Historical		Reclassification Adjustments Note 1	Pro Forma Adjustments Note 3	As of June 30, 2016 Pro Forma Combined
	As of June 30, 2016	As of June 30, 2016			
	Global Eagle Entertainment Inc.	EMC Acquisition, LLC			
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 196,709	\$ 7,624	\$ —	\$ (114,939) (a)	\$ 89,394
Restricted cash	—	7,605	(7,605)	—	—
Accounts receivable, net	88,649	25,765	—	(9) (b)	114,168
				(237) (c)	
Inventories	18,014	14,711	—	(1,751) (d)	30,974
Prepaid and other current assets	29,675	7,314	7,605	8,652 (e)	53,246
TOTAL CURRENT ASSETS:	333,047	63,019	—	(108,284)	287,782
Restricted cash	—	1,545	(1,545)	—	—
Content library	20,529	—	—	—	20,529
Property, plant and equipment, net	49,422	88,783	—	5,996 (f)	144,201
Equity method investments	—	64,578	—	38,086 (g)	102,664
Goodwill	93,037	101,108	—	155,447 (h)	349,592
Intangible assets, net	102,595	93,298	—	42,702 (i)	238,595
Deferred tax asset	—	4,509	(4,509)	—	—
Other non-current assets	16,831	11,081	6,054	(3,578) (j)	30,388
TOTAL ASSETS	\$ 615,461	\$ 427,921	\$ —	\$ 130,369	\$ 1,173,751
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	\$ 112,514	\$ 52,777	\$ (5,927)	\$ (290) (b)	\$ 190,265
				(9) (c)	
				8,652 (e)	
				25,000 (k)	
				(1,000) (l)	
				344 (m)	
				(70) (n)	
				151 (o)	
				(1,877) (p)	
Accrued legal settlements	47,157	—	—	—	47,157
Deferred revenue	6,808	5,806	—	1,454 (q)	14,068
Obligations under capital leases	—	425	(425)	—	—
Warrant liabilities	7,284	—	—	—	7,284
Notes payable and accrued interest, current	731	297	114	(87) (r)	2,821
				2,457 (s)	
				(691) (t)	
Other current liabilities	13,708	—	6,352	—	20,060
TOTAL CURRENT LIABILITIES:	188,202	59,305	114	34,034	281,655
Deferred tax liabilities, non-current	20,385	50,176	—	11,847 (j)	82,408
Deferred revenue, non-current	6,050	2,341	—	(671) (q)	7,720
Obligations under capital leases, non-current	—	515	(515)	—	—
Notes payable and accrued interest, non-current	69,730	370,564	—	(14,461) (r)	437,601
				12,076 (s)	
				(308) (t)	
Mandatorily redeemable preferred stock	—	12,460	—	(12,460) (u)	—
Other non-current liabilities	19,774	6,080	401	(2,272) (n)	25,722
				1,739 (o)	
TOTAL LIABILITIES	304,141	501,441	—	29,524	835,106
Redeemable preferred stock	—	41,868	—	(41,868) (u)	—
EQUITY: / MEMBERS' DEFICIT:					
Preferred stock	—	—	—	—	—
Common stock	8	—	—	1 (v)	9
Membership units \$1 par value, 100 membership units	—	—	—	—	—
Additional paid-in capital	686,998	67,231	—	40,606 (v)	729,009
				(67,231) (w)	
				1,405 (x)	
Foreign tax credits receivable	—	(6,507)	—	6,507 (w)	—
Treasury stock	(30,659)	—	—	—	(30,659)
Subscriptions receivable	(541)	—	—	—	(541)
Accumulated deficit	(344,029)	(139,560)	—	(14,687) (y)	(358,716)
				139,560 (z)	
Non cash dividends	—	(35,128)	—	35,128 (w)	—
Accumulated other comprehensive loss	(457)	(1,424)	—	1,424 (w)	(457)
TOTAL STOCKHOLDERS' EQUITY	311,320	(115,388)	—	142,713	338,645
TOTAL LIABILITIES AND EQUITY / REDEEMABLE PREFERRED STOCK AND MEMBERS' DEFICIT	\$ 615,461	\$ 427,921	\$ —	\$ 130,369	\$ 1,173,751

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2015
(in thousands, except per share amounts)

Historical	Pro Forma
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	<u>Year Ended December 31, 2015</u> Global Eagle Entertainment Inc.	<u>Year Ended December 31, 2015</u> EMC Acquisition, LLC	<u>Period From January 1, 2015 to June 30, 2015</u> Pro Forma SeaMobile Note 5	<u>Reclassification Adjustments</u> Note 1	<u>Pro Forma Adjustments</u> Note 4	<u>Year Ended December 31, 2015</u> Pro Forma Combined
Revenue	\$ 426,030	\$ 146,089	\$ 60,470	\$ —	\$ (1,037)(a)	\$ 631,552
Operating expenses:						
Cost of sales	279,156	75,906	31,180	17,182	(707)(a)	401,469
					(1,248)(b)	
Sales and marketing expenses	17,705	—	—	13	(1)(b)	17,717
Product development	28,610	—	1,956	—	—	30,566
General and administrative	81,965	61,484	24,719	(1,146)	(204)(b)	164,732
					(3,136)(c)	
					(151)(d)	
					1,201 (e)	
Amortization of intangible assets	26,994	37,365	—	(17,514)	(4,515)(f)	42,330
Restructuring charges	411	—	867	2,319	—	3,597
Total operating expenses	434,841	174,755	58,722	854	(8,761)	660,411
(Loss) income from operations	(8,811)	(28,666)	1,748	(854)	7,724	(28,859)
Other income (expense):						
Interest (expense) income, net	(2,492)	(30,504)	9	—	(2,182)(g)	(35,169)
Equity in earnings of Wireless Maritime Services	—	8,043	7,593	—	—	15,636
Equity in earnings of other joint ventures	—	33	34	—	—	67
Change in fair value of derivatives	11,938	—	—	—	—	11,938
Other expense, net	(1,140)	(576)	20	854	—	(842)
(Loss) income before income taxes	(505)	(51,670)	9,404	—	5,542	(37,229)
Income tax expense (benefit)	1,621	978	(2,045)	—	— (h)	554
Net (loss) income	\$ (2,126)	\$ (52,648)	\$ 11,449	\$ —	\$ 5,542	\$ (37,783)
Net loss per share)
- basic	\$ (0.03)					\$ (0.46(i)
Net loss per share)
- diluted	\$ (0.18)					\$ (0.59(i)
Weighted average common shares						
- basic	77,558					83,025
Weighted average common shares						
- diluted	78,394					83,861

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2016
(in thousands, except per share amounts)

<u>Historical</u>		<u>Six Months Ended June 30, 2016</u>
<u>Six Months Ended June 30, 2016</u>	<u>Six Months Ended June 30, 2016</u>	<u>Six Months Ended June 30, 2016</u>

	Global Eagle Entertainment Inc.	EMC Acquisition, LLC	Reclassification Adjustments Note 1	Pro Forma Adjustments Note 4	Pro Forma Combined
Revenue	\$ 226,082	\$ 91,743	\$ —	\$ (967) (a)	\$ 316,858
Operating expenses:					
Cost of sales	151,854	51,450	12,794	(853) (a)	210,865
				(4,380) (b)	
Sales and marketing expenses	11,163	—	11	(5) (b)	11,169
Product development	17,162	—	—	—	17,162
General and administrative	37,667	35,556	573	(1,071) (b)	68,712
				(4,539) (c)	
				(75) (d)	
				601 (e)	
Provision for legal settlements	40,143	—	—	—	40,143
Amortization of intangible assets	14,889	22,076	(13,487)	(921) (f)	22,557
Restructuring charges	—	—	124	—	124
Total operating expenses	272,878	109,082	15	(11,243)	370,732
(Loss) income from operations	(46,796)	(17,339)	(15)	10,276	(53,874)
Other income (expense):					
Interest (expense) income, net	(1,417)	(19,479)	—	3,389 (g)	(17,507)
Equity in earnings of Wireless Maritime Services	—	8,301	—	—	8,301
Equity in earnings of other joint ventures	—	150	—	—	150
Change in fair value of derivatives	16,791	—	—	—	16,791
Other expense, net	(5,254)	(24)	15	—	(5,263)
(Loss) income before income taxes	(36,676)	(28,391)	—	13,665	(51,402)
Income tax expense (benefit)	3,896	5,006	—	— (h)	8,902
Net (loss) income	\$ (40,572)	\$ (33,397)	\$ —	\$ 13,665	\$ (60,304)
Net loss per share - basic)
	\$ (0.52)				\$ (0.72) (i)
Net loss per common share - diluted)
	\$ (0.52)				\$ (0.72) (i)
Weighted average common shares - basic	78,385				83,852
Weighted average common shares - diluted	78,385				83,852

1. Basis of Presentation

The historical financial information presented herein has been adjusted to give pro forma effect to events that are (i) directly attributable to the EMC Acquisition and SeaMobile Acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the GEE's results. As the SeaMobile Acquisition was consummated on July 1, 2015 and the purchase accounting adjustments have been finalized, no pro forma balance sheet adjustments are necessary to show the pro forma impact of the SeaMobile Acquisition. However, the pro forma balance sheet adjustments for the EMC Acquisition are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the EMC Acquisition and certain other adjustments. The final determination of the purchase price allocation will be based on the fair values of assets acquired and liabilities assumed as of the Acquisition Date and could result in a significant change to the unaudited pro forma condensed combined financial information, including goodwill.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805 and uses the fair value concepts defined in ASC Topic 820 ("ASC 820"), *Fair Value Measurement*. The unaudited pro forma condensed combined financial information is based on the audited and unaudited historical consolidated financial statements of GEE, EMC, and SeaMobile. Under ASC 805, all of the assets acquired and liabilities assumed in a business combination are recognized at their assumed acquisition date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The excess of the purchase consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The allocation of purchase consideration for the EMC Acquisition depends upon certain estimates and assumptions, all of which are preliminary. The allocation of the purchase consideration has been made for the purpose of developing the unaudited pro forma condensed combined financial information. A final determination of fair values of assets acquired and liabilities assumed relating to the acquisition could differ materially from the preliminary allocation of purchase consideration. This final valuation will be based on the actual net tangible and intangible assets of EMC existing at the Acquisition Date. The final valuation may materially change the allocation of purchase consideration, which could materially affect the fair values assigned to the assets and liabilities and could result in a material change to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company. The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the EMC Acquisition, the costs to integrate the operations of GEE and EMC, or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

Significant Accounting Policies

The accounting policies used in the preparation of this unaudited pro forma condensed combined financial information are those set out in GEE's audited consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 and unaudited condensed consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2016 and 2015. Management has determined that no significant adjustments are necessary to conform EMC's financial statements to GEE's accounting policies in the preparation of the unaudited pro forma condensed combined financial information. Certain reclassifications have been reflected in the pro forma adjustments to conform EMC's presentation to GEE's in the unaudited pro forma condensed combined balance sheet and statements of operations, as follows (dollars in thousands):

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Balance Sheet as of June 30, 2016

	Before Reclassification	Reclassification		After Reclassification
Restricted cash	\$ 7,605	\$ (7,605)	(i)	\$ —
Prepaid and other current assets	7,314	7,605	(i)	14,919
Restricted cash, non-current	1,545	(1,545)	(i)	—
Deferred tax asset	4,509	(4,509)	(ii)	—
Other non-current assets	11,081	6,054	(i),(ii)	17,135
Accounts payable and accrued liabilities	52,777	(5,927)	(iii), (iv)	46,850
Obligations under capital leases	425	(425)	(iii)	—
Notes payable and accrued interest, current	297	114	(v)	411
Other current liabilities	—	6,352	(iv)	6,352
Obligations under capital leases, non-current	515	(515)	(vi)	—
Other non-current liabilities	\$ 6,080	\$ 401	(v), (vi)	\$ 6,481

- (i) Represents the reclassification of current and non-current "Restricted cash" to "Prepaid and other current assets" and "Other non-current assets", respectively.
- (ii) Represents the reclassification of "Deferred tax asset" to "Other non-current assets".
- (iii) Represents the reclassification of "Obligations under capital leases" to "Accounts payable and accrued liabilities".
- (iv) Represents the reclassification of taxes payable from "Accounts payable and accrued liabilities" to "Other current liabilities".
- (v) Represents the reclassification of accrued interest from "Other non-current liabilities" to "Current maturities of long-term debt".
- (vi) Represents the reclassification of "Obligations under capital leases, non-current" to "Other non-current liabilities".

Statement of Operations for the year ended December 31, 2015

	Before Reclassification	Reclassification		After Reclassification
Cost of sales	\$ 75,906	\$ 17,182	(vii), (viii)	\$ 93,088
Sales and marketing expenses	—	13	(viii)	13
General and administrative	61,484	(1,146)	(vii), (viii), (ix), (x)	60,338
Amortization of intangible assets	37,365	(17,514)	(viii)	19,851
Restructuring charges	—	2,319	(x)	2,319
Other expense, net	\$ (576)	\$ 854	(ix)	\$ 278

Statement of Operations for the six months ended June 30, 2016

	Before Reclassification	Reclassification		After Reclassification
Cost of sales	\$ 51,450	\$ 12,794	(vii), (viii)	\$ 64,244
Sales and marketing expenses	—	11	(viii)	11
General and administrative	35,556	573	(vii), (viii), (ix), (x)	36,129
Amortization of intangible assets	22,076	(13,487)	(viii)	8,589
Restructuring charges	—	124	(x)	124
Other expense, net	\$ (24)	\$ 15	(ix)	\$ (9)

- (vii) Represents the reclassification of sales commission from "General and administrative" to "Cost of sales".
- (viii) Represents the reclassification of depreciation from "Amortization of intangible assets" to "Cost of sales", "Sales and marketing

- expenses”, and “General and administrative”.
- (ix) Represents the reclassification of gain or loss on sale of assets from “General and administrative expense” to “Other expense, net”.
- (x) Represents the reclassification of restructuring costs from “General and administrative” to “Restructuring charges”.

These reclassifications have no effect on previously reported total assets, total liabilities, total members’ deficit, or net loss of EMC. The unaudited pro forma condensed combined financial statements may not reflect all the adjustments necessary to conform the accounting policies of EMC to those of GEE as the Company is still in the process of conforming the accounting policies of EMC to those of GEE as of the date of this Current Report on Form 8-K/A.

2. Calculation of Purchase Consideration

The fair value of consideration transferred includes cash consideration, the fair value of GEE common stock issued, the deferred consideration due to the Seller, and the settlement of pre-existing relationships on the Acquisition Date. The calculation of the purchase consideration is as follows (dollars in thousands):

Fair value of shares of common stock issued to Seller (1)	\$	40,607
Cash consideration paid to Seller (2)		45,527
Cash consideration paid to EMC preferred unitholders (3)		55,131
Deferred consideration payable to Seller (4)		25,000
Settlement of pre-existing relationship (5)		228
Estimated consideration transferred	\$	<u>166,493</u>

- Represents the fair value of approximately 5.5 million shares of GEE common stock issued to the Seller under the Purchase Agreement as a component of consideration.
- Represents the total cash consideration paid to Seller as part of the EMC Acquisition. The cash consideration includes: 1) the minimum cash payment of \$30.0 million, 2) the change of control restructuring bonus plan payout of \$4.5 million, 3) a payment of \$1.0 million that was due in November 2016 related to the acquisition of GIS by EMC, 4) Seller’s transaction expenses of \$5.8 million, which includes expenses incurred by the Seller to sell EMC, 5) the indemnity escrow amount of approximately \$2.7 million, and 6) the adjustment escrow amount of \$1.5 million. The change of control restructuring bonus plan allowed a group of employees to be eligible for bonuses if they achieved certain metrics under certain EMC bonus plans and if there was a change in control. As a result of the EMC Acquisition, this amount was paid by GEE to EMC, which was then paid to the employees. As the payment was made concurrently with the EMC Acquisition, the cash paid for these bonuses was included in the consideration and not assumed as a liability.
- Represents the amount due to the Seller’s preferred shareholders as of Acquisition Date, which was paid in cash in connection with the EMC Acquisition. The outstanding preferred units were those issued on July 1, 2015 in connection with the acquisition of SeaMobile by EMC and those issued on December 12, 2012 in connection with the acquisition of EMC by ABRY Partners VII L.P.
- Represents the \$25.0 million deferred consideration amount, a component of consideration under the Purchase Agreement.
- Prior to the Acquisition Date, GEE had a pre-existing relationship with EMC, primarily related to GEE selling TV content to EMC for the MTNTV product offered to the cruise ship, energy and commercial shipping industries. This pre-existing relationship was effectively settled as a result of the EMC Acquisition.

Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed of EMC are recorded at the Acquisition Date fair values and added to those of GEE. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed as of the Acquisition Date and have been prepared to illustrate the estimated effect of the EMC Acquisition. The purchase price allocation is dependent upon certain analyses and valuations that have not yet been finalized. Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurances that these additional analyses and final valuations will not result in significant changes to the estimates of fair value set forth below.

The following table sets forth a preliminary allocation of the estimated purchase consideration to the identifiable tangible and intangible assets acquired and liabilities assumed of EMC based on EMC’s June 30, 2016 balance sheet, with the excess recorded as goodwill (dollars in thousands):

Cash and cash equivalents	\$	7,624
Accounts receivable		25,756
Inventories		12,960
Prepaid and other current assets		23,571
Property, plant and equipment		94,779
Equity method investments		102,664
Intangible assets		136,000

Other non-current assets	13,557
Total assets	\$ 416,911
Accounts payable and accrued liabilities	\$ 52,760
Deferred revenue	7,260
Notes payable and accrued interest, current	2,781
Other current liabilities	6,352
Deferred tax liabilities, non-current	62,023
Deferred revenue, non-current	1,670
Notes payable and accrued interest, current	368,179
Other non-current liabilities	5,948
Total liabilities	\$ 506,973
Net liabilities assumed (a)	\$ (90,062)
Estimated purchase consideration (b)	166,493
Estimated goodwill (b) - (a)	\$ 256,555

Goodwill represents the excess of the preliminary estimated purchase price over the fair value of the underlying net assets. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. Some of the goodwill recognized in the EMC Acquisition is deductible for U.S. income tax purposes.

Preliminary identifiable intangible assets in the unaudited pro forma condensed combined financial statements consist of the following (dollars in thousands):

	Fair Value	Useful Life (in years)
Completed Technology	\$ 21,800	6
Customer Relationships	20,200	19
Favorable Vendor Agreements	91,800	9
Trademarks	2,200	5
Total Value of Intangible Assets	\$ 136,000	

The amortization related to these amortizable identifiable intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed combined statements of operations. The identifiable intangible assets and related amortization are preliminary and are based on management's estimates after consideration of similar transactions. As discussed above, the amount that will ultimately be allocated to identifiable intangible assets and liabilities, and the related amount of amortization, may differ materially from this preliminary valuation. In addition, the amortization periods assigned to the intangible assets will ultimately be based upon the respective

periods in which the associated economic benefits or detriments are expected to be derived. Therefore, the amount of amortization following the transaction may differ significantly between periods based upon the final value assigned and amortization methodology used, in each case, for each identifiable intangible asset.

The deferred tax liabilities above represents the deferred tax impact associated with the incremental differences in book and tax basis created from the preliminary purchase price allocation. Deferred taxes were established based on the statutory tax rate in the jurisdictions where income is generated. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities, including the geographical mix of income, among other factors. This determination is preliminary and subject to change based upon the final determination of the fair value of the identifiable intangible assets and liabilities.

The final determination of the purchase price allocation will be based on EMC's net assets acquired as of the Acquisition Date and will depend on a number of factors, which cannot be predicted with certainty at this time. The purchase price allocation may change materially based on the receipt of more detailed information. Therefore, the actual allocations will differ from the pro forma adjustments presented.

3. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

- (a) Represents the use of anticipated existing GEE and EMC cash balances to fund a portion of the consideration, as described in Note 2, EMC transaction costs, GEE transaction costs, and the repayment and termination of GEE's existing Citibank term loans concurrent with the closing of the EMC Acquisition (dollars in thousands):

Cash consideration to be paid to Seller and EMC preferred unit holders	\$ (94,884)
EMC transaction costs paid	(5,774)
GEE transaction costs paid	(13,096)
Repayment of Citibank term loans and related legal fees	(1,185)
Total adjustment to cash and cash equivalents	\$ (114,939)

- (b) Reflects the elimination of the carrying value of accounts receivables and accounts payables and accrued liabilities recorded by EMC as effective settlement of the pre-existing relationship between MTN and GEE as a result of the EMC Acquisition.
- (c) Reflects the elimination of the carrying value of accounts receivables and accounts payables and accrued liabilities recorded by GEE as effective settlement of the pre-existing relationship between GEE and MTN as a result of the EMC Acquisition.
- (d) Represents the estimated adjustment to step down EMC inventory to a fair value of approximately \$13.0 million, a decrease of approximately \$1.8 million from the carrying value. The fair value estimate is preliminary and subject to change. The fair value was determined based on the estimated selling price of the inventory, less the remaining selling costs and a normal profit margin on those selling efforts. After the EMC Acquisition, the step down in inventory fair value of approximately \$1.8 million will decrease cost of sales as the inventory is sold over approximately two months. This decrease is not reflected in the unaudited pro forma condensed combined statement of operations as it does not have a continuing impact.
- (e) Reflects the recognition of restricted cash in prepaid and other current assets and accrued liabilities for cash held in escrow for indemnification claims in connection with the SeaMobile Acquisition. As described above, 73,850 Class B Preferred Units were held in escrow prior to the EMC Acquisition. The Class B Preferred Units were settled for \$8.7 million in cash in connection with the EMC Acquisition, which was included in the calculation of consideration transferred. However, as this amount is subject to the escrow provisions of the SeaMobile Merger Agreement, the \$8.7 million has been reflected as an increase in restricted cash and an increase in accrued liabilities.

- (f) Represents the estimated adjustment to step up EMC's property, plant and equipment ("PP&E") to a fair value of approximately \$94.8 million, an increase of approximately \$6.0 million from the carrying value. The fair value estimate is preliminary and subject to change.
- (g) Represents the estimated adjustment to step up EMC's investment in WMS, a joint venture in which EMC owns 49% accounted for under the equity method, to a fair value of approximately \$101.5 million, an increase of approximately \$38.1 million from the carrying value. The fair value estimate is preliminary and subject to change.
- (h) Reflects the elimination of historical EMC goodwill and the recognition of the preliminary goodwill for the purchase consideration in excess of the fair value of net assets acquired in connection with the EMC Acquisition (dollars in thousands):

To eliminate the historical goodwill of EMC	\$	(101,108)
To record preliminary goodwill for the purchase consideration in excess of the fair value of net assets acquired in connection with the EMC Acquisition		256,555
Total adjustment to Goodwill	\$	<u>155,447</u>

- (i) Reflects the elimination of historical EMC intangible assets of \$93.3 million and the recognition of the estimated fair value of intangible assets of \$136.0 million in connection with the EMC Acquisition. Refer to Note 2 for a summary of the intangible assets acquired.
- (j) Reflects the reclassification of deferred tax assets to offset deferred tax liabilities in the same jurisdiction and the adjustment to deferred tax liabilities resulting from pro forma fair value adjustments for the assets acquired and liabilities assumed. The estimate of deferred taxes was determined based on the excess of the fair values of the acquired assets and liabilities over the tax basis of the assets acquired and liabilities assumed. The statutory tax rate was applied, as appropriate, to each adjustment based on the jurisdiction in which the adjustment is expected to occur. This estimate of deferred tax assets and liabilities is preliminary and is subject to change based upon management's final determination of the fair value of assets acquired and liabilities assumed by jurisdiction. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities, including geographical mix of income, among other factors.

Adjustments to non-current deferred tax asset (dollars in thousands):

To reclassify EMC's deferred tax assets to deferred tax liabilities	\$	(3,578)
Total adjustment to non-current deferred tax asset	\$	<u>(3,578)</u>

Adjustments to non-current deferred tax liabilities (dollars in thousands):

To reclassify EMC's deferred tax assets to deferred tax liabilities	\$	(3,578)
To record incremental deferred tax liability reflecting inside basis differential at MTN		15,425
Total adjustment to non-current deferred tax liability	\$	<u>11,847</u>

- (k) Reflects the recognition of deferred consideration payable of \$25.0 million to the Seller on the first anniversary of the Acquisition Date. Refer to Note 2 for details on the components of the purchase consideration.
- (l) Reflects the repayment of deferred consideration of \$1.0 million in connection with the acquisition of General Industry Systems AS and GIS Wavelink Pte Ltd (collectively, the "GIS Group").

- (m) Reflects the recognition of payroll taxes associated to a change in control bonus entered into in connection with the SeaMobile Acquisition.
- (n) Reflects the elimination of deferred rent liabilities of \$2.4 million (\$0.1 million in current and \$2.3 million in non-current) on EMC's historical balance sheet as a purchase accounting adjustment.
- (o) Represents the estimated fair value adjustment of \$1.9 million (\$0.2 million in current and \$1.7 million in non-current) of EMC's unfavorable leasehold interest liabilities. The fair value estimate is preliminary and subject to change.
- (p) Reflects the repayment of \$1.9 million of Seller's transaction costs incurred in connection with the sale of EMC.
- (q) Reflects the fair value adjustment of EMC's current and non-current deferred revenue liabilities of \$0.8 million (a step up of \$1.5 million in current offset by a step down of \$0.7 million in non-current) as a purchase accounting adjustment. The fair value was determined based on the estimated costs to fulfill the remaining performance obligations.
- (r) Represents the estimated adjustment to step down EMC debt to a fair value of approximately \$370.8 million, a decrease of approximately \$14.6 million from the carrying value (\$0.1 million in current and \$14.5 million in non-current). The fair value estimate is preliminary and subject to change.
- (s) Reflects the elimination of capitalized debt issuance costs of \$14.6 million (\$2.5 million in Notes payable and accrued interest, current and \$12.1 million in Notes payable and accrued interest, non-current) on EMC's historical balance sheet as a purchase accounting adjustment.
- (t) Reflects the payoff of the Citibank term loan by GEE in connection with the EMC Acquisition, net of the write off of debt issuance costs (dollars in thousands):

Repayment of the Citibank term loan	\$	(800)
Write off of current portion of debt issuance costs in connection with the repayment of the Citibank term loan		109
Total reduction in Notes payable and accrued interest, current	\$	<u>(691)</u>
Repayment of the Citibank term loan	\$	(363)
Write off of non-current portion of debt issuance costs in connection with the repayment of the Citibank term loan		55
Total reduction in Notes payable and accrued interest, non-current	\$	<u>(308)</u>

- (u) Reflects the elimination of EMC's mandatorily redeemable preferred stock and redeemable preferred stock that were settled on the Acquisition Date as part of the EMC Acquisition as described in Note 2.
- (v) Reflects the issuance of 5.5 million shares of GEE common stock to Seller in connection with the EMC Acquisition, as described in Note 2.
- (w) Reflects the elimination of EMC historical foreign tax credits receivable, non cash dividends, additional paid-in capital, and accumulated other comprehensive loss.
- (x) Reflects the issuance of 0.2 million unrestricted stock grants awarded to a former EMC executive (and now GEE executive) in connection with the EMC Acquisition. The associated stock-based compensation expense is not reflected in the unaudited pro forma condensed combined statements of operations as it will not have a continuing impact.

- (y) Reflects adjustment to GEE's accumulated deficit to record GEE transaction costs, legal fees paid and debt issuance costs written off in connection with the repayment of the Citibank term loan and the recognition of unrestricted stock granted to a former EMC executive (and now GEE executive). The transaction costs primarily consist of investment banking, legal, and accounting fees. These costs are not reflected in the unaudited pro forma condensed combined statement of operations because they are nonrecurring items that are directly related to the EMC Acquisition (dollars in thousands):

To record GEE estimated transaction costs	\$	(13,096)
To record legal fees paid for Citibank term loan		(22)
To record the write off of GEE debt issuance costs		(164)
To record stock compensation expense for unrestricted stock grants		(1,405)
Total adjustment to GEE historical accumulated deficit	\$	<u>(14,687)</u>

- (z) Reflects adjustment to EMC's historical accumulated deficit after recording transaction costs incurred by EMC. Transaction costs

are not reflected in the unaudited pro forma condensed combined statement of operations because they are nonrecurring items that are directly related to the EMC Acquisition (dollars in thousands):

To record EMC estimated transaction costs	\$	(3,897)
To eliminate EMC accumulated deficit after adjustments		143,457
Total adjustment to EMC historical accumulated deficit	\$	<u>139,560</u>

4. Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

- (a) Represents an adjustment to eliminate revenues and cost of sales related to the pre-existing relationship between GEE and MTN, a subsidiary of EMC (dollars in thousands):

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
To eliminate sales to EMC by GEE	\$ (945)	\$ (1,037)
To eliminate sales to GEE by EMC	(22)	—
Total adjustment to revenue	<u>\$ (967)</u>	<u>\$ (1,037)</u>

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
To eliminate cost of sales related to sales to EMC by GEE	\$ (22)	\$ (54)
To eliminate cost of sales related to sales to GEE by EMC	(831)	(653)
Total adjustment to cost of sales	<u>\$ (853)</u>	<u>\$ (707)</u>

- (b) Represents an adjustment to eliminate historical depreciation expense and recognition of new depreciation expense based on the fair value of PP&E. The depreciation of PP&E is based on the estimated remaining useful lives of the assets and is calculated on a straight-line basis. Depreciation expense is allocated among costs of sales, sales and marketing and general and administrative expenses based upon the nature of activities associated with the property, plant and equipment acquired (dollars in thousands):

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	Pro Forma Six Months Ended June 30, 2016	Pro Forma Fiscal Year Ended December 31, 2015
To eliminate historical depreciation related to PP&E	\$ (11,280)	\$ (15,047)
To record new depreciation expense related to the fair value adjustments of PP&E	6,900	13,799
Total adjustment to cost of sales	<u>\$ (4,380)</u>	<u>\$ (1,248)</u>
To eliminate historical depreciation related to PP&E	(11)	\$ (13)
To record new depreciation expense related to the fair value adjustments of PP&E	6	12
Total adjustment to sales and marketing expenses	<u>\$ (5)</u>	<u>\$ (1)</u>
To eliminate historical depreciation related to PP&E	(2,196)	\$ (2,454)
To record new depreciation expense related to the fair value adjustments of PP&E	1,125	2,250
Total adjustment to general and administrative expenses	<u>\$ (1,071)</u>	<u>\$ (204)</u>

- (c) To reverse transaction costs incurred by EMC for the EMC Acquisition and the SeaMobile Acquisition and transaction costs incurred by GEE related to the EMC Acquisition during the year ended December 31, 2015 and six months ended June 30, 2016, which were recorded in general and administrative expenses (dollars in thousands):

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
To eliminate GEE's incurred transaction costs related to the EMC Acquisition	\$ (2,598)	\$ (1,785)
To eliminate EMC's incurred transaction costs related to the EMC Acquisition	(1,941)	(198)
To eliminate EMC's incurred transaction costs related to the SeaMobile Acquisition	—	(1,153)
Total adjustment to general and administrative expenses	<u>\$ (4,539)</u>	<u>\$ (3,136)</u>

- (d) Represents an adjustment to record the amortization of net unfavorable leasehold interest liabilities. The fair value estimate is preliminary and subject to change. The amortization of net unfavorable leasehold interest liabilities is based on the remaining lease term for each favorable or unfavorable leasehold interest.
- (e) Represents an adjustment to record stock compensation expense related to the restricted stock units and stock options grants awarded to a former EMC executive (and now GEE executive) in connection with the EMC Acquisition and his continuing employment.
- (f) Represents an adjustment to eliminate historical amortization expense and record amortization expense related to identifiable intangible assets calculated on a straight-line basis. The amortization of intangible assets is based on the periods over which the

economic benefits of the respective intangible assets are expected to be realized. Refer to Note 2 for a summary of the intangible assets acquired.

The adjustment for the amortization of the identifiable intangible assets is as follows (dollars in thousands):

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
To eliminate historical amortization related to intangible assets	\$ (8,589)	\$ (19,851)
To record new amortization expense related to the fair value adjustments of intangible assets	7,668	15,336
Total adjustment to amortization of intangible assets	\$ (921)	\$ (4,515)

- (g) To reverse historical interest expense and amortization of debt issuance costs as they are written off in purchase accounting, to eliminate the interest expense on GEE's prior Citibank term loan repaid in connection with the EMC Acquisition, and to record incremental interest expense associated with assumed EMC debt (dollars in thousands):

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
To eliminate historical interest expense	\$ 19,432	\$ 30,384
To write off interest expense related to the Citibank Loan	71	150
To record new interest expense	(16,114)	(32,716)
Total adjustment to interest expense	\$ 3,389	\$ (2,182)

A sensitivity analysis on interest expense for the year ended December 31, 2015 and the six months ended June 30, 2016 has been performed to assess the effect of a change of 12.5 basis points of the hypothetical interest rate would have on the assumed debt. Stated interest rates related to the debt financing are as follows:

	Stated Interest Rate
First Lien Term Loan	LIBOR + 5.75%
Second Lien Term Loan	LIBOR + 9.63%
First Lien Revolving Loan	LIBOR + 5.25%
Unused Commitment Fees	0.50%

The following table shows the change in interest expense for the debt financing:

Change in interest expense assuming	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
An increase of 0.125%	\$ 271	\$ 545
A decrease of 0.125%	(271)	(544)

- (h) No income tax effect has been provided for the pro forma adjustments as it is anticipated that taxable income generated by EMC will be offset by taxable losses of GEE. The effective tax rate of the combined company could be significantly different depending on post-acquisition activities, such as the geographical mix of taxable income, among other factors.

- (i) Represents the net loss per share calculated using the historical weighted average GEE common stock and the issuance of additional GEE common stock in connection with the EMC Acquisition, as described in Note 2, assuming the shares were outstanding since January 1, 2015 (in thousands, except per share amounts):

Pro Forma Basic Loss Per Share	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
<i>Numerator:</i>		
Pro forma net loss	\$ (60,304)	\$ (37,783)
<i>Denominator:</i>		
Historical GEE basic weighted average shares outstanding	78,385	77,558
Issued common as consideration for EMC Membership Units	5,467	5,467
	83,852	83,025
Pro Forma Basic Loss Per Share	\$ (0.72)	\$ (0.46)

	Pro Forma Six Months Ended June 30, 2016	Pro Forma Year Ended December 31, 2015
Pro Forma Diluted Loss Per Share		
<i>Numerator:</i>		
Pro forma net loss	\$ (60,304)	\$ (37,783)
Less: adjustment for change in fair value on warrants liability for diluted EPS after assumed exercise of warrants liability	—	(11,938)
	\$ (60,304)	\$ (49,721)
<i>Denominator:</i>		
Historical GEE diluted weighted average shares outstanding	78,385	78,394
Issued common as consideration for EMC Membership Units	5,467	5,467
	83,852	83,861
Pro Forma Diluted Loss Per Share	\$ (0.72)	\$ (0.59)

5. Acquisition of SeaMobile

As described in the section discussing the SeaMobile Acquisition above, EMC acquired SeaMobile on July 1, 2015. The following tables discuss the pro forma adjustments of the SeaMobile Acquisition (dollars in thousands):

	Historical Period From January 1, 2015 to June 30, 2015 SeaMobile, Inc.	Reclassifications Adjustments	Pro Forma Adjustments		Pro Forma Period From January 1, 2015 to June 30, 2015 SeaMobile, Inc.
Revenue	\$ 60,524	\$ —	\$ (54)	(a)	\$ 60,470
Operating expenses:					
Cost of sales	31,095	4,466	(3,849)	(b)	31,180
			(532)	(a)	
Sales and marketing expenses	—	9	(9)	(b)	—
Product development	—	1,956	—		1,956
General and administrative	26,675	6,413	(1,413)	(b)	24,719
			(6,956)	(c)	
Amortization of intangible assets	5,280	(5,271)	(9)	(d)	—
Impairment of inventories and long lived assets	617	(617)	—		—
Restructuring charges	867	—	—		867
Total operating expenses	64,534	6,956	(12,768)		58,722
(Loss) income from operations	(4,010)	(6,956)	12,714		1,748
Other income (expense):					
Interest (expense) income, net	(4,010)	—	4,019	(e)	9
Acquisition related expenses	(6,956)	6,956	—		—
Equity in earnings of Wireless Maritime Services	7,593	—	—		7,593
Equity in earnings of other joint ventures	34	—	—		34
Other income (expense), net	20	—	—		20
(Loss) income before income taxes	(7,329)	—	16,733		9,404
Income tax benefit	(2,045)	—	—	(f)	(2,045)
Net (loss) income	\$ (5,284)	\$ —	\$ 16,733		\$ 11,449

The following adjustments were made to the unaudited pro forma condensed combined statement of operations for SeaMobile for the period from January 1, 2015 to June 30, 2015. The results of operations of SeaMobile from July 1, 2015 through and including December 31, 2015 are already reflected in EMC's audited historical consolidated statement of operations for the year ended December 31, 2015. Certain historical financial information of SeaMobile has been reclassified to conform to the GEE's presentation of historical financial information (dollars in thousands):

	Before Reclassification	Reclassification		After Reclassification
Cost of sales	\$ 31,095	\$ 4,466	(i),(iv)	\$ 35,561
Sales and marketing expenses	—	9	(i)	9
Product development	—	1,956	(ii)	1,956
General and administrative	26,675	6,413	(i),(ii),(iii)	33,088
Amortization of intangible assets	5,280	(5,271)	(i)	9
Impairment of inventories and long lived assets	617	(617)	(iv)	—
Acquisition related expenses	\$ (6,956)	\$ 6,956	(iii)	\$ —

- (i) Represents the reclassification of depreciation from “Amortization of intangible assets” to “Cost of sales”, “Sales and marketing expenses”, and “General and administrative”.
- (ii) Represents the reclassification of research and development expenses from “General and administrative” to “Product development”.
- (iii) Represents the reclassification of acquisition related expenses from “Acquisition related expense” to “General and administrative”.
- (iv) Represents the reclassification of impairment of inventories and long lived assets from “Impairment of inventories and long lived assets” to “Cost of sales”.

The pro forma adjustments reflect the elimination of historical expenses. The related impact to the unaudited pro forma condensed combined statement of operations as a result of the fair value adjustments of SeaMobile assets and liabilities as a result of the EMC Acquisition have been included in the discussion of pro forma adjustments in Notes 3 and 4 above.

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- (a) Represents an adjustment to eliminate revenues and cost of sales related to the pre-existing relationship between GEE and MTN, a subsidiary of SeaMobile.
 - (b) Represents an adjustment to eliminate historical depreciation expense related to PP&E for the period from January 1, 2015 to June 30, 2015.
 - (c) To reverse \$7.0 million of transaction costs incurred by SeaMobile for the period from January 1, 2015 to June 30, 2015, respectively, which were recorded in general and administrative expenses.
 - (d) Represents an adjustment to eliminate historical amortization expense related to identifiable intangible assets for the period from January 1, 2015 to June 30, 2015.
 - (e) Represents an adjustment to eliminate historical interest expense of \$4.0 million for the period from January 1, 2015 to June 30, 2015.
 - (f) No income tax effect has been provided for the pro forma adjustments to (loss) income before income taxes, as it is anticipated that taxable income generated by SeaMobile will be offset by taxable losses of GEE. The effective tax rate of the combined company could be significantly different depending on post-acquisition activities, such as the geographical mix of taxable income, among other factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help investors understand the historical results of operations and financial condition of EMC Acquisition, LLC and the Emerging Markets Communications business ("EMC") prior to their acquisition by Global Eagle Entertainment Inc. ("GEE") on July 27, 2016. The MD&A is provided as a supplement to, and should be read in conjunction with, the historical financial statements and related notes of EMC included elsewhere in this Current Report on Form 8-K/A. Unless otherwise indicated, the information, discussion and analysis herein speaks as of June 30, 2016, including where the present tense is used herein (e.g., the use of "is" or "has"), and does not reflect changes in factual information subsequent to June 30, 2016. As a result, the discussion and analysis herein does not reflect the significant impact of GEE's acquisition of EMC or other changes or events that occurred subsequent to June 30, 2016.

Overview of EMC

EMC is a communications services provider that offers a multimedia platform delivering communications, Internet, live television, on-demand video, voice, cellular and 3G/LTE services. EMC leverages its wholly-owned and operated satellite-terrestrial-cellular broadband network with fully meshed Multiprotocol Label Switching ("MPLS") interconnected teleports. EMC has a portfolio of patented technologies and delivers services to land-based sites and marine vessels globally. EMC owns and operates its own ground infrastructure and has global field support centers with engineers hired and trained by EMC, permitting EMC to flexibly and quickly deploy support to customers around the world. Key aspects of EMC's services include:

- **Connectivity** — EMC provides global satellite bandwidth (C-Band, Ku-Band, Ka-Band), terrestrial broadband network, cellular and 3G services, remote fiber network and fully meshed MPLS interconnected teleports;
- **Access** — EMC provides access to live television worldwide, video (on demand and subscription), 3G cellular services, Internet, voice, data, high-definition video conferencing and universal portals, including through its proprietary SpeedNet product; and
- **Support** — EMC has field support centers worldwide with a spare parts inventory, a 24 hour/7 day- network operations center, certified technicians, system integration and project management.

EMC is headquartered in Miami, Florida.

On September 6, 2013, EMC acquired six entities referred to as the STM Group. On September 30, 2015, EMC spun off two entities within the STM Group, STM Norway AS and STMEA FZE UAE, to Trio Connect, LLC ("Trio") (which is not affiliated with EMC). The STM Group is a leading provider of high-performance satellite network systems and related Internet protocol services for mobile, fixed-line telephony, data, and multimedia applications.

On November 25, 2014, EMC acquired GIS Group, which consists of two entities: General Industry Systems AS (Norway) and GIS Wavelink Pte Ltd (Singapore). GIS Group is a Norwegian based provider specialized in energy and maritime connectivity services for offshore operations.

On July 1, 2015, EMC acquired SeaMobile, Inc. ("SeaMobile"), the ultimate parent company of Maritime Telecommunications Network, Inc. ("MTN") and MTN Government Services, Inc. (collectively, the "MTN Group"). MTN, which is wholly owned by EMC, is a global provider of communications and content services to maritime customers around the world and owns 49% of Wireless Maritime Services, LLC ("WMS"), a provider of onboard cellular services to the cruise ship industry, and of Santander Teleport, a satellite earth station located in Spain.

Critical Accounting Policies and Use of Estimates

EMC prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, EMC's management evaluates its estimates related to, but not limited to, accounts receivable, inventories, goodwill, intangible assets, income taxes, contingencies, litigation, stock-based compensation expense, and reported amounts of revenues and expenses during the period. EMC bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

The following is a summary of EMC's critical accounting policies.

Accounts Receivable

Accounts receivable are customer obligations due under normal trade terms. EMC regularly reviews its accounts receivable to determine if any receivables will be potentially uncollectible. EMC includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve based upon historical collections, in its overall allowance for doubtful accounts.

Impairment of Long-lived Assets

Communication equipment is highly complex and, due to innovation and enhancements, certain components of the network may lose their utility faster than anticipated. EMC periodically reassesses the economic lives of these components and makes adjustments to their expected lives after considering historical experience and capacity requirements, consulting with vendors, and assessing new product and market demands, as well as other factors.

When factors indicate that communication equipment and network components may not be useful for as long as anticipated, EMC depreciates the remaining book values over the respective residual useful lives. The timing and deployment of new technologies could affect the estimated remaining useful lives of EMC's communications assets, which could have a significant impact on the results of operations. For the years ended December 31, 2015 and 2014, no impairments were recorded.

Business Combinations — Valuation of Acquired Assets and Liabilities Assumed

EMC allocates the purchase price of transactions that result in a business combination based upon (i) the fair value of the consideration paid and (ii) the fair value of net assets acquired. The determination of the fair value of net assets acquired requires estimates and judgments of future cash flow expectations for the acquired business and the allocation of those cash flows to identifiable tangible and intangible assets. Fair values are calculated by incorporating expected cash flows into industry standard valuation techniques. For current assets and current liabilities, the book value is generally assumed to equal the fair value due to their short term nature. Goodwill is the amount by which the purchase price consideration exceeds the fair value of tangible and intangible assets, less assumed liabilities. To the extent possible, the purchase price is allocated to separate identifiable intangible assets, such as customer relationships and trade names, which are amortized to expense over their estimated useful lives. Acquisition costs are expensed as incurred and are included within other expenses in the consolidated statements of operations.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. EMC allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at least annually or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred.

Goodwill was generated in connection with four transactions between 2012 and 2015: EMC's acquisitions of EMC LLC on December 12, 2012, STM Group on September 6, 2013, GIS Group on November 25, 2014 and SeaMobile on July 1, 2015. The total amount of goodwill from these transactions was \$101.1 million, net of \$7.4 million of goodwill that was written off in connection with the spin-off of STM Norway AS and STMEA FZE UAE on September 30, 2015. The goodwill written off represented the portion of goodwill allocable to those entities.

EMC performed an assessment of the impairment of goodwill as of December 31, 2015 and 2014, as required. In accordance with Accounting Standards Update ("ASU") 2014-02, EMC assessed qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount which includes goodwill. There has been no impairment of goodwill for any period presented herein.

Intangible Assets

Intangible assets acquired in a business combination were recognized at fair value using generally accepted valuation methods appropriate for the type of intangible asset and reported separately from goodwill. Intangible assets with definite lives are amortized over the estimated useful lives and are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. EMC tests other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. There has been no impairment of other intangible assets for any period presented herein.

Revenue Recognition

EMC recognizes revenue when four basic criteria are met: persuasive evidence that an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured. Further, SAB No. 104 requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized. EMC believes that its revenue recognition policies as described below are in compliance with SAB No. 104.

EMC primarily derives revenue from managed private network telecommunications, systems integration, value-added services, on-going support, entertainment, passenger, administrative and crew telephone services, full time administrative voice and fax services, stored value telephone access cards, and fully staffed and equipped Internet café solutions. Recurrent telecommunication services are recognized over the service period, as defined in the customer agreement. Certain revenues such as Telephony and Internet services are recognized as consumed by the customers as defined in customer agreements. Initial set up fees are recognized ratably over the life of the customer contract if such fees exceed the related cost incurred and a reasonable margin. Maintenance and monitoring fees are recognized as revenue as services are performed. Deferred revenues consist of amounts that have been prepaid and/or are unearned.

For arrangements with multiple deliverables, EMC allocates revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of EMC. The fair value of the selling price for a deliverable is determined using a hierarchy of (1) company specific objective and reliable evidence, then (2) third-party evidence, then (3) best estimate of selling price. EMC allocates any arrangement fee to each of the elements based on their relative selling prices.

When EMC enters into revenue sharing arrangements where it acts as the primary obligor, EMC recognizes the underlying revenue on a gross basis. In determining whether to report revenue gross for the amount of fees received from its customers, EMC assesses whether it maintains the principal relationship, whether it bears credit risk and whether it has latitude in establishing prices with the customers, among other factors.

EMC has historically accounted for revenue arrangements that provide EMC's owned equipment at customer's sites to facilitate the delivery of satellite connectivity. EMC has determined that these arrangements with customers do not contain a lease as defined by Financial Accounting Standards Board ("FASB") Topic Accounting Standards Codification ("ASC") 840, Leases ("ASC 840") due to the following primary reasons: (i) EMC retains legal ownership before, during and after the termination of the arrangements; (ii) EMC has the legal right to take possession of the equipment upon default; (iii) EMC removes the equipment upon contract termination or for other purposes (i.e., efficiency) and may reuse it elsewhere; (iv) the customer is contractually prohibited from using the equipment for any other use than connecting to EMC's network; and (v) the equipment is not explicitly identified in the arrangements. Furthermore, because customers are purchasing connectivity services rather than equipment, it is rare that the arrangements provide for more than a simple service description (i.e., satellite connectivity).

EMC's agreements contain service-level commitments with its customers. To the extent that such service levels are not achieved, EMC may be required to issue credits based on the service fees paid. EMC resells certain services that are ultimately provided by a third party. These revenues are presented net of third party costs.

EMC also offers a variety of customer sales incentives, primarily to cruise ship industry customers and largely in the form of revenue sharing arrangements. EMC records incentives at the time of sale, which are generally based on contractual terms, as a reduction in net revenues, following the guidance in FASB Topic ASC 605-50, Customer Payments and Incentives ("ASC 605-50").

With respect to "breakage" on stored value telephone access cards sold to cruise ship industry customers, EMC follows the guidance in FASB ASC Topic 605-15-25-1, Revenue Recognition — Products ("ASC 605-15-25-1"), and SEC staff comments. Breakage revenue is not recognized until EMC is legally released from its obligation, which occurs at redemption or expiration of an individual card or at the point redemption becomes remote (e.g., when not enough value remains on the card to complete a telephone call).

Unit-Based Compensation

EMC accounted for its unit-based compensation awards to employees and directors in accordance with FASB ASC Topic 718, Compensation-Stock Compensation ("ASC 718"). ASC 718 requires all unit-based payments to employees, including grants of employee unit options and restricted units, to be recognized in the statements of operations based on their grant date fair values. For unit-based awards granted to employees, EMC allocated unit-based compensation expense on a straight-line basis based on the grant date fair value over the associated service period. Unit-based compensation is classified in the accompanying consolidated statements of operations in the department where the related services were provided. Unit-based awards to non-employees were recorded at their fair values, and were revalued at the end of each reporting period until the unit-based awards vested. Unit-based compensation expense related to non-employee unit-based awards was recognized over the related service period using an accelerated recognition model in accordance with the provisions of ASC 718 and FASB ASC Topic 505, Equity ("ASC 505").

EMC Acquisition Holdings, LLC ("EMC Holdings"), the prior parent company of EMC, issued Class B units to certain key employees of EMC, each unit representing a notional share of EMC Holdings' membership units. Class B units vested ratably over a period of five years. The participants were entitled to receive consideration in exchange for vested Class B units upon the occurrence of a change in control, an initial public offering or a termination of employment (the "Trigger Event") contingent upon the Class A Units receiving the full return of the invested capital and accumulated yield distributions (the "Value Based Contingency"). In the case of a termination of employment, EMC Holdings had the right, but not the obligation, to repurchase vested units. Class B units outstanding of EMC Holdings as of December 31, 2015 and 2014, totaled 8,993,585.

Unit-based compensation expense associated with the Class B units would be recognized if the achievement of the Trigger Event condition and the Value-Based Contingency was considered probable using management's best estimates.

Income Taxes

Income taxes are recorded in accordance with FASB ASC Topic 740, Income Taxes ("ASC 740"), which provides for deferred taxes using an asset and liability approach. EMC records deferred tax assets and liabilities based on differences between financial reporting and tax bases of assets and liabilities which are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

EMC accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, EMC recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of December 31, 2015 and 2014, the Company recorded a FIN 48 liability of \$3.0 million for uncertain taxable positions in foreign jurisdictions. EMC's practice is to recognize interest and/or penalties related to uncertain tax positions in income tax expense.

Results of Operations

The period-to-period comparison of financial results contained herein is not necessarily indicative of future results.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

The following tables set forth EMC's results of operations for the periods presented (dollar amounts in thousands):

	Six Months Ended June 30,		Change	
	2016	2015	\$	%
Revenue	\$ 91,743	\$ 43,668	\$ 48,075	110.1%
Operating expenses:				
Direct costs	51,450	20,675	30,775	148.9
Payroll, selling, general and administrative expenses	35,556	17,242	18,314	106.2
Depreciation and amortization	22,076	13,649	8,427	61.7
Total operating expenses	109,082	51,566	57,516	111.5
Loss from operations	(17,339)	(7,898)	(9,441)	119.5
Other (expense) income:				
Interest expense, net	(19,479)	(6,705)	(12,774)	190.5
Equity in earnings of Wireless Maritime Services, LLC	8,301	—	8,301	—
Equity in earnings of other joint ventures	150	—	150	—
Other expense, net	(24)	(646)	622	(96.3)
Total other expense, net	(11,052)	(7,351)	(3,701)	50.3
Loss from operations before provision for income taxes	(28,391)	(15,249)	(13,142)	86.2
Income tax expense	(5,006)	(199)	(4,807)	2415.6
Net loss	\$ (33,397)	\$ (15,448)	\$ (17,949)	116.2

Revenue

Revenue increased by \$48.1 million, or 110.1%, to \$91.7 million for the six months ended June 30, 2016 from \$43.7 million for the six months ended June 30, 2015 primarily as a result of the inclusion of revenue of \$54.9 million of the acquisition of SeaMobile on July 1, 2015. The increase was partially offset by a \$4.3 million decrease in revenues from the STM Group entities that were spun off on September 30, 2015 and customer turnover associated with the STM Group.

Operating expenses

Direct operating costs increased by \$30.8 million, or 148.9%, to \$51.5 million for the six months ended June 30, 2016 from \$20.7 million for the six months ended June 30, 2015 primarily due to the inclusion of operating costs of \$32.2 million of SeaMobile. The increase was partially offset by a decrease in satellite transmission related costs resulting from the utilization of the additional satellite capacity from the SeaMobile acquisition.

Payroll, selling, general and administrative expenses increased by \$18.3 million, or 106.2%, to \$35.6 million for the six months ended June 30, 2016 from \$17.2 million for the six months ended June 30, 2015 primarily due to an increase in payroll-related costs of \$6.8 million associated with the increase in the number of employees from 304 at June 30, 2015 to 461 at June 30, 2016 and an increase in selling, general and administrative expenses of \$11.5 million resulting primarily from the SeaMobile acquisition. A significant portion of the increase was attributable to a \$2.1 million increase in office-related expenses resulting from the relocation of the EMC headquarters in order to accommodate the increased number of employees. In addition, selling, general and administrative expenses increased due to \$4.6 million in professional fees and temporary help, \$1.9 million in one-time costs related to merger and acquisition activity, \$0.9 million in travel related expenses and \$0.7 million in sales commissions.

Depreciation and amortization increased by \$8.4 million, or 61.7%, to \$22.1 million for the six months ended June 30, 2016 from \$13.6 million for the six months ended June 30, 2015, primarily as a result of the inclusion of depreciation and amortization of \$10.1 million from the SeaMobile acquisition.

Other (expense) income

Interest expense, net increased by \$12.8 million, or 190.5%, to \$19.5 million for the six months ended June 30, 2016 from \$6.7 million for the six months ended June 30, 2015 primarily due to the incurrence of additional indebtedness in order to finance the SeaMobile acquisition as well as higher interest rates under credit agreements entered into on July 1, 2015.

EMC acquired its 49% equity interests in WMS and Santander on July 1, 2015 in connection with its acquisition of SeaMobile. For the six months ended June 30, 2015, EMC had no such equity interests or related income.

Other expenses were not material for the six months ended June 30, 2016, as compared to \$0.6 million for the six months ended June 30, 2015. The decrease was due primarily to lower realized losses on foreign currency transactions.

Income tax expense

Income tax expense increased by \$4.8 million to \$5.0 million for the six months ended June 30, 2016 from \$0.2 million for the six months ended June 30, 2015 primarily as a result of the inclusion of the tax expense of SeaMobile.

Net loss

As a result of the above, net loss increased by \$17.9 million, or 116.2%, to \$33.4 million for the six months ended June 30, 2016 from \$15.4 million for the six months ended June 30, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following tables set forth EMC's results of operations for the periods presented (dollar amounts in thousands):

	Year Ended December 31,		Change	
	2015	2014	\$	%
Revenue	\$ 146,089	\$ 102,735	\$ 43,354	42.2%
Operating expenses:				
Direct costs	75,906	51,430	24,476	47.6
Payroll, selling, general and administrative expenses	61,484	32,368	29,116	90.0
Depreciation and amortization	37,365	26,507	10,858	41.0
Total operating expenses	174,755	110,305	64,450	58.4
Loss from operations	(28,666)	(7,570)	(21,096)	278.7
Other (expense) income:				
Interest expense, net	(30,504)	(23,504)	(7,000)	29.8
Equity in earnings of Wireless Maritime Services, LLC	8,043	—	8,043	—
Equity in earnings of other joint ventures	33	—	33	—
Other expenses	(576)	(902)	326	(36.1)
Total other expense, net	(23,004)	(24,406)	1,402	(5.7)
Loss from operations before provision for income taxes	(51,670)	(31,976)	(19,694)	61.6
Income tax expense	(978)	(846)	(132)	15.6
Net loss	\$ (52,648)	\$ (32,822)	\$ (19,826)	60.4

Revenue

Revenue increased by \$43.4 million, or 42.2%, to \$146.1 million for the year ended December 31, 2015 from \$102.7 million for the year ended December 31, 2014 primarily as a result of the inclusion of revenue of \$62.3 million of SeaMobile, which was acquired on July 1, 2015, and \$6.8 million of GIS Group, which was acquired on November 25, 2014. The increase was partially offset by a \$15.9 million decrease in revenues from the STM Group entities that were spun off on September 30, 2015, which included a decrease in equipment sales of \$6.7 million, and customer turnover associated with the STM Group.

Operating expenses

Direct operating costs increased by \$24.5 million, or 47.6%, to \$75.9 million for the year ended December 31, 2015 from \$51.4 million for the year ended December 31, 2014 primarily due to the inclusion of operating costs of \$35.0 million of SeaMobile. The increase was partially offset by a decrease in satellite transmission related costs resulting from the utilization of the additional satellite capacity from the SeaMobile acquisition.

Payroll, selling, general and administrative expenses increased by \$29.1 million, or 90.0%, to \$61.5 million for the year ended December 31, 2015 from \$32.4 million for the year ended December 31, 2014. The increase was primarily due to an increase in payroll-related costs of \$17.8 million as a result of the SeaMobile acquisition, which included severance costs of \$4.2 million incurred mainly in connection with a synergies realization plan as well as \$3.3 million in retention bonuses. Additionally, selling, general and administrative expenses increased by \$11.3 million primarily due to \$5.3 million of higher professional, temporary assistance and consulting fees, inclusive of consulting expenses related to the integration of the SeaMobile business, office-related costs of \$3.0 million, merger and acquisition related costs of \$1.2 million, bad debt expense of \$1.1 million, sales commissions and marketing expenses of \$1.1 million. These increases were partially offset by lower travel related expenses of \$1.3 million reflecting savings from the implementation of a new travel policy.

Depreciation and amortization increased by \$10.9 million, or 41.0%, to \$37.4 million for the year ended December 31, 2015 from \$26.5 million for the year ended December 31, 2014 primarily as a result of the inclusion of depreciation and amortization of \$9.9 million from the SeaMobile acquisition.

Other (expense) income

Interest expense, net increased by \$7.0 million, or 29.8%, to \$30.5 million for the year ended December 31, 2015 from \$23.5 million for the year ended December 31, 2014 primarily due to the incurrence of indebtedness in order to finance the SeaMobile acquisition as well a higher interest rates under the new credit agreements entered into on July 1, 2015.

EMC acquired its equity interests in WMS and other joint ventures on July 1, 2015 in connection with its acquisition of SeaMobile. For the year ended December 31, 2014, EMC had no such equity interests or related income.

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Other expenses decreased by \$0.3 million, or 36.1%, to \$0.6 million for the year ended December 31, 2015, as compared to \$0.9 million for the year ended December 31, 2014 primarily due to lower realized losses on foreign currency transactions.

Income tax expense

Income tax expense increased by \$0.1 million, or 15.6%, to \$1.0 million for the year ended December 31, 2015 from \$0.9 million for the year ended December 31, 2014 primarily as a result of the inclusion of \$0.3 million of tax expense of SeaMobile, partially offset by a decrease in income tax expense of EMC's non-U.S. subsidiaries.

Net loss

As a result of the above, net loss increased by \$19.8 million, or 60.4%, to \$52.6 million for the year ended December 31, 2015 from \$32.8 million for the year ended December 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following tables set forth EMC's results of operations for the periods presented (dollar amounts in thousands):

	Year Ended December 31,		Change	
	2014	2013	\$	%
Revenue	\$ 102,735	\$ 84,132	\$ 18,603	22.1%
Operating expenses:				
Direct costs	51,430	44,403	7,027	15.8
Payroll, selling, general and administrative expenses	32,368	21,899	10,469	47.8
Depreciation and amortization	26,507	22,066	4,441	20.1
Total operating expenses	110,305	88,368	21,937	24.8
Loss from operations	(7,570)	(4,236)	(3,334)	78.7
Other (expense) income:				
Interest expense, net	(23,504)	(11,865)	(11,639)	98.1
Other expenses	(902)	(1,249)	347	(27.8)
Total other expense, net	(24,406)	(13,114)	(11,292)	86.1
Loss from operations before provision for income taxes	(31,976)	(17,350)	(14,626)	84.3
Income tax expense	(846)	(134)	(712)	531.3
Net loss	\$ (32,822)	\$ (17,484)	\$ (15,338)	87.7

Revenue

Revenue increased by \$18.6 million, or 22.1%, to \$102.7 million for the year ended December 31, 2014 from \$84.1 million for the year ended December 31, 2013 primarily as a result of the inclusion of a full year of revenue of STM Group in 2014 compared to the inclusion four months of STM Group revenue in 2013. Revenue related to the STM Group was \$33.9 million for 2014, as compared to \$9.9 million for 2013. Revenue, excluding STM Group, decreased by \$5.4 million, or 7.3%, to \$68.8 million for the year ended December 31, 2014 from \$74.2 million for the year ended December 31, 2013 mainly due to the loss of two customers.

Operating expenses

Direct operating costs increased by \$7.0 million, or 15.8%, to \$51.4 million for the year ended December 31, 2014 from \$44.4 million for the year ended December 31, 2013 primarily due to the inclusion of operating costs of STM Group for the full year of 2014 as compared to four months of 2013.

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Payroll, selling, general and administrative expenses increased by \$10.5 million, or 47.8%, to \$32.4 million for the year ended December 31, 2014 from \$21.9 million for the year ended December 31, 2013 primarily due to \$4.7 million of incremental payroll costs related to the STM Group and new hires in the United Arab Emirates, higher travel expenses of \$2.7 million due to an increased number of employees and additional sales initiatives, office related costs of \$0.9 million, bad debt expense of \$0.6 million and sales and marketing

expenses of \$0.5 million.

Depreciation and amortization increased by \$4.4 million, or 20.1%, to \$26.5 million for the year ended December 31, 2014 from \$22.1 million for the year ended December 31, 2013 primarily due to depreciation related to 2014 fixed asset additions and amortization expense related to intangibles from the STM Group acquisition.

Other (expense) income

Interest expense, net increased by \$11.6 million, or 98.1%, to \$23.5 million for the year ended December 31, 2014 from \$11.9 million for the year ended December 31, 2013 primarily due to the debt refinancing that occurred during the second quarter of 2014. The debt refinancing resulted in higher amortization of deferred financing costs and increased interest expense due to higher debt balances. In addition, prepayment penalties were incurred in connection with such refinancing.

Other expenses decreased by \$0.3 million, or 27.8%, to \$0.9 million for the year ended December 31, 2014 from \$1.2 million for the year ended December 31, 2013 primarily due to transaction costs incurred during 2013 related to the STM acquisition with no comparable costs in 2014.

Income tax expense

Income tax expense increased by \$0.7 million, or 531.1%, to \$0.8 million for the year ended December 31, 2014 from \$0.1 million for the year ended December 31, 2013 primarily due to the inclusion of a full year of income tax expense related to STM Group operations in 2014 compared to the inclusion of four months of STM Group operations in 2013. In addition, income tax expense for the year ended December 31, 2014 included income tax expense related to GIS Group, which was acquired in November 2014, as described above.

Net loss

As a result of the above, net loss increased by \$15.3 million to \$32.8 million, or 87.7%, for the year ended December 31, 2014 from \$17.5 million for the year ended December 31, 2013.

Liquidity and Capital Resources

Sources and Uses of Cash - Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

The following table presents a summary of EMC's cash flow activity for the periods set forth below (in thousands):

	Six Months Ended June 30,	
	2016	2015
Net cash (used in) provided by operating activities	\$ (17,082)	\$ 5,151
Net cash used in investing activities	(6,568)	(9,335)
Net cash provided by financing activities	23,769	12,611

Cash Flows (Used in) Provided by Operating Activities

Six Months Ended June 30, 2016

Net cash used in operating activities of \$17.1 million for the six months ended June 30, 2016 primarily resulted from EMC's net loss during the period of \$33.4 million, which included non-cash charges of \$24.3 million, comprised largely of depreciation and amortization, non-cash interest expense, including amortization of deferred financing fees, bad debt expense, fixed assets and inventory write-offs and changes in EMC's deferred income taxes, partially offset by non-cash earnings from EMC's joint ventures of \$8.5 million. Cash distributions from WMS for the six months ended June 30, 2016 contributed \$4.9 million to cash flows from operations. The remainder of EMC's operating activities resulted in a net decrease in cash from operations of \$4.5 million. The net decrease resulted primarily from accounts receivable of \$4.5 million, prepaid expenses and other assets of \$2.5 million, inventories of \$1.7 million and accounts payable of \$1.5 million. Partially offsetting these amounts were cash inflows of \$5.4 million primarily due to accrued expenses.

Six Months Ended June 30, 2015

Net cash provided by operating activities of \$5.2 million for the six months ended June 30, 2015 primarily resulted from EMC's net loss during the period of \$15.4 million, which included non-cash charges of \$15.5 million, comprised largely of depreciation and amortization, non-cash interest expense, including amortization of deferred financing fees, bad debt expense and fixed assets and inventory write-offs. The remainder of EMC's operating activities resulted in an increase in cash from operations of \$5.0 million primarily due to accounts payable of \$5.4 million and accounts receivable of \$2.0 million. Partially offsetting these amounts were net cash outflows primarily due to prepaid expenses and other of \$1.8 million and inventories of \$0.9 million.

Cash Flows Used in Investing Activities

Six Months Ended June 30, 2016

Cash flows used in investing activities for the six months ended June 30, 2016 totaled \$6.6 million, which was primarily due to purchases of property, plant and equipment of \$11.2 million and intangible assets of \$1.2 million, partially offset by \$6.0 million received from the release of an escrow account related to the SeaMobile acquisition.

Six Months Ended June 30, 2015

Cash flows used in investing activities for the six months ended June 30, 2015 totaled \$9.3 million, which was due to purchases of property, plant and equipment of \$6.2 million and intangible assets of \$3.2 million.

Cash Flows Provided by Financing Activities

Six Months Ended June 30, 2016

Cash flows provided by financing activities for the six months ended June 30, 2016 totaled \$23.8 million, which was primarily due to proceeds from the incurrence of \$23.0 million of indebtedness and \$2.3 million from the sale of preferred units originally issued in connection with the SeaMobile acquisition (which were subsequently redeemed in connection with GEE's acquisition of EMC), partially offset by loan repayments of \$1.3 million.

Six Months Ended June 30, 2015

Cash flows provided by financing activities for the six months ended June 30, 2015 totaled \$12.6 million, which was primarily due to proceeds from the incurrence of \$13.3 million of indebtedness.

Sources and Uses of Cash - Years Ended December 31, 2015, December 31, 2014 and December 31, 2013

The following table presents a summary of EMC's cash flow activity for the periods set forth below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net cash provided by (used in) operating activities	\$ 5,779	\$ (10,687)	\$ (923)
Net cash used in investing activities	(226,255)	(27,926)	(50,746)
Net cash provided by financing activities	225,687	37,815	50,602

Cash Flows Provided by (Used in) Operating Activities

Year Ended December 31, 2015

Net cash provided by EMC's operating activities of \$5.8 million for the year ended December 31, 2015 primarily resulted from EMC's net loss during the period of \$52.6 million, which included non-cash charges of \$51.2 million, comprised largely of depreciation and amortization, non-cash interest expense, including amortization of deferred financing fees and a loss on refinancing, bad debt expense, fixed assets and inventory write-offs and changes in EMC's deferred income taxes partially offset by non-cash earnings from EMC's joint ventures of \$8.0 million. Cash distributions from WMS for the year ended December 31, 2015 contributed \$8.3 million to cash flows from operations. The remainder of EMC's operating activities resulted in an increase in cash from operations of \$6.9 million. The increase was primarily the result of prepaid expenses and other totaling \$8.6 million, accounts payable of \$3.4 million and accounts receivable of \$2.2 million. Partially offsetting these amounts were net cash outflows of \$6.6 million primarily due to inventories of \$2.1 million, deferred revenues of \$1.8 million, other receivables of \$1.3 million and accrued expenses of \$1.7 million.

Year Ended December 31, 2014

Net cash used in operating activities of \$10.7 million for the year ended December 31, 2014 primarily resulted from EMC's net loss during the period of \$32.8 million, which included non-cash charges of \$35.7 million, comprised largely of depreciation and amortization, non-cash interest expense, including amortization of deferred financing fees and bad debt expense. The remainder of EMC's operating activities resulted in a decrease in cash from operations of \$13.6 million, primarily due to accounts receivable of \$7.0 million, inventories of \$4.2 million, accrued expenses of \$1.6 million and deferred revenue of \$1.5 million.

Year Ended December 31, 2013

Net cash used in operating activities of \$0.9 million for the year ended December 31, 2013 primarily resulted from EMC's net loss during the period of \$17.5 million, which included non-cash charges of \$25.9 million, comprised largely of depreciation and amortization, non-cash interest expense, including amortization of deferred financing fees and bad debt expense. The remainder of EMC's operating activities resulted in a decrease in cash from operations of \$9.3 million, primarily due to accounts receivable of \$7.9 million, prepaid expenses and other totaling \$2.7 million, inventories of \$2.0 million and payroll and social security taxes payable of \$1.5 million. Partially offsetting these amounts were net cash inflows from accounts payable of \$2.3 million, other receivables of \$2.0 million and accrued expenses of \$1.1 million.

Cash Flows Used in Investing Activities

Year Ended December 31, 2015

Cash flows used in investing activities for the year ended December 31, 2015 totaled \$226.3 million, which was primarily due to the acquisition of SeaMobile for \$204.0 million, purchases of property, plant and equipment of \$16.4 million and intangible assets of \$5.2 million.

Year Ended December 31, 2014

Cash flows used in investing activities for the year ended December 31, 2014 totaled \$27.9 million, which was primarily due to purchases of property, plant and equipment of \$17.7 million, the acquisition of GIS Group for \$7.0 million and intangible assets of \$6.1 million. Partially offsetting these amounts was cash of \$2.5 million received as a result of a purchase price adjustment related to the STM acquisition.

Year Ended December 31, 2013

Cash flows used in investing activities for the year ended December 31, 2013 totaled \$50.7 million, which was primarily due to the acquisition of STM Group for \$41.2 million, purchases of property, plant and equipment of \$8.4 million and intangible assets of \$1.1 million.

Cash Flows Provided by Financing Activities

Year Ended December 31, 2015

Cash flows provided by financing activities for the year ended December 31, 2015 totaled \$225.7 million, which was primarily due to proceeds from the incurrence of \$423.2 million of indebtedness, partially offset by loan repayments and financing costs totaling \$200.0 million. In addition, cash flows provided by financing activities included member contributions of \$2.9 million.

Year Ended December 31, 2014

Cash flows provided by financing activities for the year ended December 31, 2014 totaled \$37.8 million, which was primarily due to proceeds from the incurrence of \$168.8 million of indebtedness, partially offset by loan repayments and financing costs totaling \$134.1 million. In addition, cash flows provided by financing activities also included proceeds from the release of cash collateral related to two customers totaling \$2.1 million and capital contributions of \$1.0 million.

Year Ended December 31, 2013

Cash flows provided by financing activities for the year ended December 31, 2013 totaled \$50.6 million, which was primarily due to proceeds from the incurrence of \$52.4 million of indebtedness, partially offset by financing costs of \$3.3 million. In addition, cash flows provided by financing activities also included capital contributions of \$1.0 million.